

SOLIDARIDAD NETWORK ASIA LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

PRINCIPAL ACTIVITY

The company is a not-for-profit organisation and the principal activity of the company during the year was 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

Subramaniam MUMUSAMY

Mahesh Haribhai MEHTA

Shahamin Sahadat ZAMAN

Xiaohui LIANG

- appointed on 3 November 2018

In accordance with Articles of Association of the company, all 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.

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DIRECTORS' REPORT (CONT'D)

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 2018.

PERFORMANCE & ACHIEVEMENTS

(Per result area: Good Practices, Robust Infrastructure, Landscape Innovation and Enabling Policy Environment.)

GOOD PRACTICES

WATER SAVING POTENTIAL CREATED:SUGARCANE PROGRAMME

26931 farmers received training on climate smart agriculture practices in Sugarcane. Along with that 403 women farmers were also trained with the help of experts of Vasant Dada Sugar Institute (Pune) and other institutions on various agricultural practices. As an output of these trainings more than 60439 hectares of land have been brought under GAP during the year 2018. In addition to improve soil health, more than 12000 pits have been created to produce farm yard manure. The resultant of adoption of good practices have led to increase the sugarcane outputs by 23%. More than 100 billion liters of water have been saved during the year 2018 because of GAP followed by the farmers.

INDIAN SUSTAINABLE SUGAR SMALLHOLDERS FRAMEWORK

In 2018 Solidaridad (Asia) has come up with Indian Sustainable Sugar Smallholders Framework (I3SF). The I3SF is a Self-Assessment tool and it is designed for Indian sugarcane growers who have small holding of land (less than or equal to one hectare). I3SF tries to capture four important aspects of sugarcane cultivation- Better Farm Management, Labour and Community Rights, Environment and Ecosystem and Water & Energy – in terms of sustainable agriculture.



After a pilot, this tool is being used to cover sugarcane growers of command areas of two sugar mills (Rupapur and Hariyawa) of DSCL. In all 48,000 farmers would be covered from these two mills. Initially, these sugarcane growers would be supported by SNAL to do their self-assessment on various agriculture practices related to sugarcane cultivation. A Dash Board is being developed to show sustainability status of command area to village and up to individual grower. This will help the officials of mills, policy makers, trainers and CSOs to review and redesign their intervention strategies to promote sustainability in supply-chain of sugar industry.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

COTTON PROGRAMME IN ASIA

SNAL in the year 2018, initiated Organic Cotton and Water programme in the state of Maharashtra, the existing cotton value chains experience low and even declining competitiveness due to low profit margins for farmers resulting from limited access to credit, yield-increasing practices and quality inputs. The key focus area for the project are:

1. Identification, mobilisation and training of 15,000 smallholder cotton farmers in Maharashtra into groups/associations
2. Building capacity and developing a business case for these groups
3. Ensuring availability of quality non-GM seed to the 15,000 farmers
4. Establishing an integrated water conservation and storage initiative to boost round-the-year organic production based on the principle of 'more crop per drop'
5. Strengthening market and supply chains on certified organic cotton
6. Policy advocacy through multi-stakeholder engagement for organic cotton/agriculture promotion with state and central government and institutes

The area for intervention (districts in the Vidarbha region of Maharashtra mentioned above) has witnessed massive use of pesticides and agrochemicals, which has resulted in severe environmental and health problems, and often deaths due to poisoning. Along these lines, the project in partnership with C&A Foundation initiated this project in the region of Maharashtra with over 3000 cotton farmers out of a total of 15000 farmers to practice organic cotton cultivation. In 2018, out of these 3000 farmers, one ICS group consisting of 500 farmers; for organic cotton production registered and achieved first year in-conversion organic certification successfully.

The ICS formed is part of a farmer producer organization (FPO) which was established as part of this programme. Additionally, 3 ginners have been identified in two districts for the procurement of organic cotton and 2000 farmers have received trainings on preparing organic inputs. Water conservation awareness and training were also a part of this programme that were provided to the farmers.

The relevance of this project is significant since, 30% of the cotton produced in India comes from Maharashtra. However, cotton production in the state heavily relies on the use of fertilisers, on chemicals to control insect pests, diseases, weeds, and on growth regulators. Cotton accounts for 54% of total pesticides used in Indian agriculture, leaving immense ecological and human hazards, as reported by the World Health Organisation. Use of chemicals at such scale results in environmental pollution, damages soil health and agro-ecology, and contributes to poor profitability from cotton farming. Additionally, the selected region of intervention (Vidarbha) has amongst the highest farmer suicide rates in Maharashtra, as well as high out-migration.

Thus, addressing the situation, the project has taken a community mobilization approach to reach out to 15000 farmers in 3 years period through 30 FPOs and developing an integrated model of water efficient organic cotton clusters.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

COTTON PROGRAMME IN ASIA (CONT'D)

There is an increasing demand for organic products, the business case is clear for the certified products, additional business case will be developed in the second year of the project where other products and input services would be included and FPO business model for the same will be developed

Expansion

A clear opportunity exists for the transition into a much more water-efficient cottonbased production system that is also higher yielding, less costly for smallholder farmers and drastically less polluting. A successful business case for sustainable water-efficient cotton, however, requires the collaboration and commitment of a number of key actors in and around the value chain that together can provide the push for systemic change. SNAL has successfully developed a programme in partnership with the public and private partners for the region with an ambition of addressing water efficient cotton production system. the partners recognise the need for an integrated approach to increase water productivity and value per unit of water in the cotton-production regions of Vidarbha by reaching 20,000 farmers. The project is giving ample attention to the sustainable introduction of affordable, location suitable technology and infrastructure for water conservation and irrigation, accompanied with a dedicated training and awareness-building package for its users and a clear strategy for long-term maintenance. With the support from Dutch government

ROBUST INFRASTRUCTURE VILLAGE SUPER MARKETS (VSM) IN BANGLADESH

Transforming the food market system is urgently needed to make the food sourcing and supply more robust and efficient. The VSM concept is testing the space for improvements by offering a new marketplace and food business hub that fosters backward and forward market linkages among the producers and traders. The new marketplace connects producers directly with the end market, thereby contributing to productivity and meeting demand for safe and sustainable food from consumers at local and export markets.

The impressive architecture developed by SNAL with the support of Dutch architect Franks Tjepkema's Amsterdam-based studio Tjep along with local architects Vaastukalpa Architects shows respect for the profession of farming. The design and construction are a unique combination of modern creative architecture and state-of-the-art infrastructure and technology. The clear blue colours of one half of the building offers a trading and auctioning place for products from aquaculture and the green part for dairy, fruit and vegetables. The total complex works like a village, with communal functions organized around a pedestrian spine, accessible for all visitors, farmers and merchants alike.

The facility has taken into consideration environmental friendliness and resource-efficiency from planning to construction to ensure its functionality, durability and beauty without compromising on the principles of maintaining food quality and safety. Availability of cold storage units, freezing and ice facilities will reduce post-harvest food waste and losses significantly. Smart agri-market functionalities with digitized automated trading and auctioning facilities ensures transparency of trading and traceability of the products.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

ROBUST INFRASTRUCTURE (CONT'D) **VILLAGE SUPER MARKETS (VSM) IN BANGLADESH**

The strategy is for farmers to have a choice in selling their produce to several businesses, which creates bargaining power and opportunity to discover a better price in the VSM. Through digitalization of the entire trading process in the VSM, SNAL creates a transparent platform for a mutually trust-based trade by choice. The starting point of intervention is that farmers are given an electronic ID-card. For the first time in their lives, the ID creates a 'sense of identity' and belonging which in itself provides a sense of security and comfort.

Many farmers are also indebted to the traders. To help relieve farmers from the existing debt trap, VSM has partnered with a local bank to provide a third-party banking service within its premise. This will create an option for farmers to negotiate prices at the point of sale. That's how this concept reinforces formal access to finance.

SOY: A STORYLINE - FARMERS PRODUCERS COMPANIES

SNAL is supporting Farmer Producer Organizations (FPOs) as a proven solution to deal with a range of challenges (access to market, quality inputs and seeds) that are confronted by small farmers. Currently through the programme, we are supporting 10 FPOs. FPOs are one of the key pillars of our intervention strategy towards reinforcing "Robust Rural Infrastructure" and efficient delivery of services, access to markets and quality inputs.

Farmer Producer Organization approach is considered to be helpful in integrating farmers with-in the value chain while creating a level playing field for farmers. FPOs are the potential and sustainable channel for businesses to directly engage with farmers. Efforts are being made towards making FPOs sustainable, self-sufficient and profit-making business entities through investments in capacity building in business plans, efficient capital generation and management.

Through FPOs small farmers are able to leverage collective strength. FPOs are facilitating collective marketing and aggregation of produce so as to ensure market linkages. Through collective marketing and direct linkages with industries farmers are benefiting through better price realization and fair practices. In addition, direct sourcing of soy from farmers is building direct farmers-industry relations rather sourcing from traders and commission agents. FPOs are also producing and providing quality seeds and inputs for farmers at a fair price. Use of quality seeds improves the yield as well as availability of seeds at fair price reduces the cost of cultivation.

In addition, SNAL is also preparing FPOs to be able to access credit linkages/working capital as this is one of the key issues which need to be addressed adequately so that they would be able to implement their business plans at scale.

The success and positive experiences with FPOs in our programme, makes a strong case for further support to significantly enhance capacities of FPOs in the market place, reduce risks and help small farmers move up the agri-value chain. Supporting FPOs directly contribute towards our innovation agenda i.e. impact investment as these would potentially deliver substantial social and environmental benefits while creating business case for all the involved players. Already, we have identified one of the FPO i.e. Samarth Kisan for mobilizing the impact investments through scaling-up its seed production business.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

SOLIDARIDAD FPO RESOURCE CENTRE

SNAL Resource Centre for FPOs has been set-up to address the challenges faced by FPOs and creating an enabling environment for better performance and functioning of FPOs. The key objectives of the resource centers are:

- To provide a common platform for value chain players for dialogue, coordination, cooperation, networking, B2B and B2G linkages and enabling policies
- To strengthen agriculture value chains and chain processes for better efficiency
- To facilitate knowledge, skills and business planning and institutional strengthening and support for FPOs and rural enterprises
- To strengthen backward and forward linkages for ensuring better and efficient service provision (access to knowledge, inputs, markets and infrastructure facilities etc.) and leveraging comprehensive end-to-end solutions
- To reinforce robust rural infrastructure and promote post-harvest processing for improving livelihood of smallholders
- To promote and encourage FPOs for integration of locally processed nutritious food products into its business portfolio to address issue of malnutrition and leverage business potential opportunities
- Integrating objectives of public-private sectors, facilitating public-private partnership and enhancing the sustainability performance of businesses/corporates

It is expected that the FPO approach would demonstrate sustainable smallholders' service delivery model and business case for investments to address sustainability and reduce dependency on grant-based models. Altogether, these would lead to long term sustainability of smallholders, encourage and attract rural youths to make agriculture as business entity and would significantly enhance sustainability across supply chain functions.

LANDSCAPE INNOVATION

SUSTAINABLE LANDSCAPE OF SOUTH WEST BANGLADESH

A sustainable landscape policy and approaches which is specific to Southwest Bangladesh is critical to guide the myriad set of activities and functions that take place in the supply and value chain specifically in the commodities of Aquaculture, Dairy, and Horticulture. The unique geographical location and the changing climatic conditions have already started to alter the agricultural ecosystem in the area. Therefore, a policy that enables sustainable trade is key to ensure protection of livelihood of people in Southwest of Bangladesh.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

LANDSCAPE INNOVATION (CONT'D)

SUSTAINABLE LANDSCAPE OF SOUTH WEST BANGLADESH

SNAL through its EKN supported programme of SaFaL has initiated the development of South West Bangladesh Sustainable Landscape Framework. The development process included consultations with varied government and market actors. SNAL is facilitating a Multi Stakeholder Platform to anchor and guide the development and the implementation of the strategies for SW Bangladesh landscape. The design adopted by SNAL includes creation of “zones” in the overall landscape of SW Bangladesh. The creation of zones is based on the understanding that climatic factors will be the key drivers of change and will significantly affect the poverty status, land use pattern changes and market integration in the landscape. Therefore, the framework will lead to specific strategies and intervention action for each of the zones. Overall the goals of the framework are:

- a. Sustainable food production, value and supply chains
- b. Climate change mitigation and adaptation actions that protects environment
- c. Poverty alleviation through diversified income, better working conditions and compliances.

GREEN VILLAGES PROGRAMME IN CENTRAL JAVA AND WEST KALIMANTAN

Indonesia is home to some of the most biologically diverse forests in the world and ranks third in the number of species behind Brazil and the Democratic Republic of Congo. Unlike those other countries, however, Indonesia is making significant progress in protecting their forests.

In line with its integrated landscapes agenda for protecting the most vulnerable regions and biomes, SNAL is supporting Indonesian conservation efforts with several multi-year programmes backed by diverse stakeholders in business, government and the local communities. The Green Villages programme encourages farmers to adopt a sustainable lifestyle throughout their communities, while the landscapes programme in the Merapi region helps small farmers conserve the unique and fragile volcanic forests found in Indonesia.

SNAL guides farming businesses situated near these agroforestry frontiers in avoiding further poverty-driven deforestation. In its approach to sustainability, SNAL seeks to bundle solutions – climate-smart agriculture, local agroforestry business, community-based and democratic management, blended finance, local governance, local IT – to reach out to poor villagers, while also reducing pressure on tropical forests.

The programme is also active in West Kalimantan and is expected to become an example for other villages on how to improve living conditions while also protecting the environment and reducing greenhouse gas emission. The model community not only uses good farming practices, but it also maintains practical sustainability measures for other daily activities in the village such as sanitation, waste management, and plastic pollution control, in particular. Through collaboration with Dinas Education and local schools, SNAL provides environmental education for children and helps create school gardens.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

GREEN VILLAGES PROGRAMME IN CENTRAL JAVA AND WEST KALIMANTAN (CONT'D)

The goal of these guided agroforestry communities is to mitigate and adapt to climate change by:

- increasing carbon storage through forest replanting with economic-benefitting trees
- improving clean water accessibility with innovative renewable technology
- increasing livelihood with smart oil palm farming and bee-farming activities
- enhancing adaptive capacity through soil management & conservation
- embedding climate change awareness in the culture through education at schools

Forest conservation is a primary aspect of the programme and is managed by local communities themselves. Villagers are in charge of conserving forest areas, reducing damage to their local forest, and using environment-friendly farming techniques in order to achieve their zero-deforestation commitment.

To help ensure that green villages become the norm in Indonesia, SNAL is aligning its activities with the national programme, ProKlim: "The Climate Village". In this collaboration, SNAL supports the government in establishing and monitoring carbon dioxide emission reduction driven by the pro-climate villages, as well as integrating climate awareness at the bottom rungs of society, the village farmers.

GANGES LANDSCAPE

In the Ganga Landscape project, SNAL has been able to bring various stakeholders in the landscape on a common platform. This has helped to voice the opinions, needs and challenges of the voiceless stakeholders (Small tanners, downstream farming communities). Also, the project has bridged the gap between the industry and national as well as international technical expertise. For this, SNAL has facilitated and effectively steered various consultations, dialog platforms where all stakeholders could voice their concerns and this particularly helped the smaller tanners as this helped them to communicate their struggles and find solutions through the national and international experts on the subject. Moreover, the enabling environment is helping stakeholders to communicate their challenges to the relevant governing bodies in an effective manner which has helped in the adoption and uptake of technologies in the cluster.

Under agriculture sector, multi stakeholder dialogues were organized in selected five districts. Along with farmers (women and men), other key stakeholders like government and their departments (Agriculture, Rural Development, Irrigation, Panchayati Raj, State Livelihood Mission, etc.), representatives of sugar mills (DSCL and Dalmia) Fertilizers (Zuari Agro), civil society organisations, Sugarcane Research institutes (Uttar Pradesh Council for Sugarcane Research, Indian Institute of Sugarcane Research, , ITM University, etc.), specializing in agronomy, water sciences etc., and media participated in these programmes. One of the achievements could be seen in the form of ownership of these programmes. All the programmes were organized in the premises of district governments and the Department of Agriculture took the lead to organize these programmes.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

GANGES LANDSCAPE (CONT'D)

On the basis of the findings of district level dialogue a State Level Consultation was organized and a nine-point Charter on land and water management has been drafted. This charter would be submitted to the State Government of Uttar Pradesh to bring necessary changes in state Policies and Laws.

In Hardoi and Lakhimpur Khiri districts nearly 8000 pits have been made by the farmers for composting purposes and for promotion of soil health.

With the help of Meteorological department of the Ministry of Environment, Government of India 4612 farmers were supported through SMS and weather forecast information were given to them. This information is mainly related to rainfall and wind speed, in a particular weather station (a radius of 20 Kilometers) during the next 15 days. By using this information farmers were able to avoid 1 to 3 irrigations in their sugarcane crop and saved hundreds of million litres of water.

Similarly, in Kanpur as part of the project SNAL is working with the farmers in the downstream farming communities as they are the recipients of the polluted water and using that for agriculture which is affecting their crop yield, crop quality and soil quality in a major sense. We have observed that generally the village communities have positive attitude towards adopting improved irrigation practices, whereas, the participation of women was still a challenge in the area, therefore, we have planned to hire a few female community mobilizers to improve the engagement of women into the project.

ENABLING POLICY ENVIRONMENT

The Governments in Asia and more so in India, have made elaborate plans to address issues on which the SNAL has been engaged with. The Clean Ganges programme, doubling the farmer income, pollution reduction, digitalization push, financial literacy efforts, financial products for the poor are some of the examples of the government initiatives. In such an environment where government is keen to engage, it is essential for our SNAL to devise strategies and engagement mechanisms with the government that will accelerate and augment the efforts of SNAL but at the same time SNAL is not perceived as government extension delivery arm. It is imperative for our SNAL to maintain independence but be seen a partner that can bring in technology, know-how and influencing strength. Our engagement on the Clean Ganges programme is an example of how the government engagement mechanisms can be developed and operationalized. In 2018, we have continued to expand this model of engagement in other commodities and geography as well. We have been invited by the Government body to control pollution for engagement beyond leather to other sectors like textiles and paper industry in India. Similarly, the engagement with the department of agriculture extension and Export Promotion department in Bangladesh has helped us create commodity export clusters. The key strategy is to align our work with national priorities and become an independent trusted partner for the stakeholders with getting caught in the ideological debate but focused on creating an environment that largely addresses the needs of all parties involved.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

ENABLING POLICY ENVIRONMENT (CONT'D)

Policy influencing is increasingly becoming a key focus area for SNAL to achieve speed and scale in sectoral transformations in a sustainable way. The combination of market forces (supply chain approach) and policy influencing has helped us to achieve large scale sector transformation than any other organisation in the region. The policy influencing aspect is new to SNAL and hence we would like to share the following strategies we have adopted so far.

- a) **Capacity to do research:** For successful policy influencing, it's crucial to have domain knowledge of its own and ability for SNAL to provide scientific and feasible solutions. Such capacity has always differentiated SNAL from campaign NGOs that mobilise public opinion through campaign research to influence policy via a confrontational approach.
- b) **Capacity to participate in the debate:** Most of the NGO's have focused their attention on ensuring participation of the beneficiaries in the dialogue process with the Government. While that is a very noble agenda, SNAL's own capacity to participate in the debates have ensured a seat in these debates. In many occasions, SNAL has been asked to be conveners of such dialogue process as well. One such example is in the case of India and Indonesia Palm Oil forum which has been described below. The other case is on tea where SNAL has been asked by Indian, Chinese and Indonesian tea industry to be their convener. The case is also described below.
- c) **Networks:** Local staff strength with deep understanding of the local issues and ability to join hands with other local networks to achieve joint objectives has been a differentiator for SNAL. Local staff and association with local NGOs (like BWI in Indonesia) or with industry associations (like Solvent Extractors in India) with credible background have automatically opened up doors in different policy dialogues.
- d) **Flexibility of SNAL's network structure:** One of the SNAL's unique advantage is its network structure. The network structure allows SNAL regional team to develop strategies according to local realities which is appreciated by the local stakeholders.
- e) **Ability to walk the talk:** Most of the advocacy NGOs don't have the ability to demonstrate what they advocate for and hence very rapidly lose credibility. SNAL due to its massive field presence either first demonstrates the efficacy of an advocacy concept or follows up an advocacy concept with large scale implementation on the ground. Such ability provides a unique space for SNAL in the realm of policy advocacy.

We would like to present two cases of such successful policy advocacy projects—one in the tea and the other one in palm oil.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

A) INDIA-INDONESIA JOINT PALM OIL FORUM ESTABLISHED

Dewan Minyak Sawit Indonesia (DMSI) or Indonesian Palm Oil Board, The Solvent Extractors' Association of India (SEA) and SNAL signed a Memorandum of Understanding on July 16, 2018. This MoU envisages close cooperation between the organizations concerned to jointly promote ISPO (Indonesian Sustainable Palm Oil) and IPOS (Indian Palm Oil Sustainability Framework) in India as well as to create an awareness of the health benefits of palm oil among the consumers, enabling and sustaining growth of Indonesian palm oil.

As the follow up on the MoU, and facilitated by the Coordinating Ministry for Economic Affairs, DMSI, SEA and SNAL held their first meeting in Jakarta on December 19, 2018 to discuss the Global Palm Oil Challenges. Indonesia and India traditionally have long established mutually beneficial economic relations, one of which is in the palm oil trade. The data related to 2017 shows, the total trade value of the two countries was recorded at 18.1 billion USD, of which 34.8% were exports of palm oil products from Indonesia to India, or worth 4.9 billion USD. This shows the importance of palm oil for both countries.

The agreements reached across several key points are as follows:

1. Promoting sustainable palm oil in Indian market through campaigning of ISPO and IPOS standards.
2. Establishing Indonesia – India Palm Oil joint working committee to facilitate and pursue for the two Governments, to enhance cooperation on trade related matters.
3. Scaling up the participation of smallholder farmers in implementing sustainable palm oil practice (ISPO and IPOS).

The high-level committee under the chairmanship of Mr. Derom Bangun, Chairman of DMSI and Mr. Atul Chaturvedi, President of SEA of India as co-chairman will be leading the initiatives, facilitated by Mrs. Musdhalifah Machmud and Mr. Willistra Danny from the Coordinating Ministry for Economic Affairs of The Government of Indonesia. The other members of the committee are Dr. Darmono Taniwiryono (MAKSI), Mr. Kulbir Mehta (SNAL), Dr. B.V. Mehta (SEA), Dr. Shatadru Chattopadhyay (SNAL), Dr. Suresh Motwani (SNAL), Mr. Edi Suhardi (GAPKI), Mr. Sahat Sinaga (GIMNI), Mr. Rino Afrino (APKASINDO), Mr. Azis Hidayat (ISPO), Mr. Vikash Sharma (GODREJ India), Mr. Dono Boestami (BPDP-KS).

The Coordinating Ministry for Economic Affairs of the Government of Indonesia will be monitoring the progress of the initiatives to take forward the effective implementation in achieving the objectives.

Leveraging this platform, SNAL has further established several agreements with the provincial Governments of Kalimantan for the implementation of NI-SCOPS project.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

B) ASIAN CONSENSUS ON SUSTAINABLE TEA

Given that more than 80% of the tea is consumed within Asia, the tea sector cannot be further transformed without involving the Indian, Chinese and Indonesian markets. It is therefore necessary to bring interconnectedness as well as coherence between local and global tea policy agendas. The programme builds on the existing national platforms in India, China and Indonesia and convenes the key tea industry stakeholders of Asia into a single platform in order to synergize tea policies to secure an efficient, economic and stable supply of high quality sustainable tea, improve the living and working conditions of tea workers and obtain a fair return for tea producers.

Therefor the programme is focused on moving the sustainability discourse from certification to beyond certification agenda in the tea sector. The focus is on:

- a) Develop capacity of the producer's associations (small and big) in India and Indonesia to govern themselves
- b) The coordination and unification of tea policies of India, China and Indonesia around improving tea quality and tea prices
- c) To develop an aligned approach on sustainability in tea sector between Indian, Indonesia and China

It is being done through the following strategies:

- a) Engagement with CTMA, ITA, UPASI, Indian Tea Board, Indonesian Tea Traders Association to engage in a joint discussion on the future of tea production and trade in a sustainable way. The purpose is to look at cooperation between three of the largest tea producing and consuming countries in Asia for promotion of sustainable tea.
- b) Smallholders have emerged as the key players in tea production process in both India and Indonesia which used to follow an estate model of production. However, in both India and Indonesia the smallholders have remained unorganized and don't have a good governance model to collectively benefit from sustainable practices as well as Government schemes. Hence, the focus has been on connecting Indian Tea Association (world's biggest tea producers' association) with smallholders fragmented associations in order to improve their participation in policy making processes and to benefit from collectively addressing sustainability issues. A MoU towards that has been signed with ITA. Similar connections between smallholders' associations with the ITMA in Indonesia is also developed.
- c) In order to look at business cases beyond seals and claims in the market related to sustainability certification often driven by tea packers, SNAL has started building capacity of ITA to develop and manage a sustainability cell to support its producer members on sustainability practices. An MoU has been signed with ITA for that purpose as well and work has started.

The second and third strategies will feed into the first strategy for overall coordination of tea sustainability in Asia. The only major challenge is in China where due to lack of funds; we have not been able to work upon developing the China National Guideline for Sustainable Tea.

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DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

It is being done through the following strategies (cont'd):

SNAL has been working with four apex tea industry associations: ITA and UPASI (India), China Tea Marketing Association (China), Indonesian Tea Marketing Association (ITMA). The main support provided this year are as following:

- a) Firstly, supporting ITA to improve the design and strategy of its sustainability cell. Secondly, to support ITA to provide membership to the smallholder's associations for the first time and take up their agenda with the Government. Thirdly, jointly working on the blue-print for a game changing new tea auction system with ITA (not publicly stated yet).
- b) Supporting ITMA to become the apex body for promotion of sustainable tea in Indonesia. It includes supporting its governance mechanism and also advocating with the Government to provide it with due recognition.
- c) Working with CTMA in China to set up the secretariat for the Indian, Indonesian and Chinese tea stakeholder. It is a work in progress and would be actioned in 2019. CTMA is also supported to make relevant modern technologies available to the Indian and Indonesian tea industry stakeholder like fine leaf counting machines, modern tea packing machines.

SNAL has facilitated signing of an historic tri-partite agreement for the first time. The agreement lays down the following areas of work.

1. Joint campaigns to increase consumption of high-quality green and black tea in global markets and increase consumer awareness on varieties and qualities of tea.
2. Identify priority areas for joint research and development for technological innovation with a vision of making tea production, manufacturing and sales more competitive globally.
3. Develop common coordinated road map on sustainable development of tea sector globally. The strategy would be to develop plans for: a) Communication and coordinated strategy on well-being of workers and farmers, conservation of ecosystem and product safety; b) Develop a common mutually acceptable framework of sustainability in tea, c) Lobby and promote sustainable tea globally based on the common agreed framework of sustainability.

A working group has been created between the three countries to work on this agenda. A secretariat is proposed to be set up in China with rotational chairmanship of China, India and Indonesia. This working group would regularly engage with the decision makers collectively as well as individually to facilitate and seek support from the Government on the areas of work identified above.

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DIRECTORS' REPORT (CONT'D)

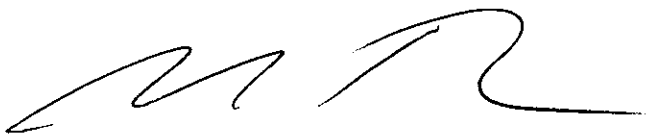
AUDITORS

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 5 June 2019.

On behalf of the board



Chairman
Nicolaas Josephus Maria ROOZEN
Hong Kong



**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 18 to 34, which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss, 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities 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 Standard for Private Entities 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.



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.
Certified Public Accountants

HONG KONG: 5 June 2019

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Note</u>	<u>2018</u> <u>EUR</u>	<u>2017</u> <u>EUR</u>
Project income	4	10,730,203	11,326,139
Project implementation cost		(9,571,858)	(10,146,861)
Gross surplus		1,158,345	1,179,278
Other income	5	15,614	13,826
Other net gain	6	8,850	649
Administrative and other operating expenses		(785,862)	(662,475)
Surplus for the year	7	396,947	531,278

The notes on pages 23 to 34 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 2018

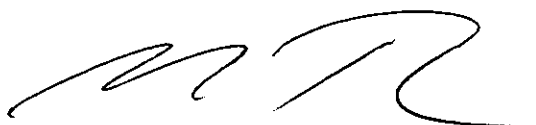
	<u>2018</u> EUR	<u>2017</u> EUR
Surplus for the year	396,947	531,278
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>396,947</u></u>	<u><u>531,278</u></u>

The notes on pages 23 to 34 form an integral part of these financial statements.

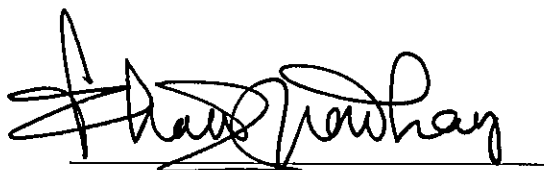
SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 EUR	2017 EUR
Non-current assets			
Property, plant and equipment	10	9,336	7,499
Current assets			
Other receivables	11	1,424,797	1,893,092
Cash and bank balances		6,183,553	5,619,471
		7,608,350	7,512,563
Current liabilities			
Trade payables	12	(588,532)	(451,570)
Accrued charges	13	(1,122,704)	(1,639,633)
Deposits received	14	(107,819)	(217,887)
Restricted funds	15	(4,419,871)	(4,229,159)
		(6,238,926)	(6,538,249)
Net current assets		1,369,424	974,314
NET ASSETS		1,378,760	981,813
RESERVES			
Accumulated surplus		1,378,760	981,813

Approved and authorised for issue by the board of directors on 5 June 2019
and signed on its behalf.



Director
Nicolaas Josephus Maria ROOZEN



Director
Shatadru CHATTOPADHAYAY

The notes on pages 23 to 34 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 2018

	Accumulated surplus EUR
Balance at 1 January 2017	450,535
Changes in funds for 2017	
Total comprehensive income for the year	531,278
Balance at 31 December 2017 and 1 January 2018	981,813
Changes in funds for 2018	
Total comprehensive income for the year	396,947
Balance at 31 December 2018	1,378,760

The notes on pages 23 to 34 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 2018

	<u>2018</u> EUR	<u>2017</u> EUR
Cash flows from operating activities		
Surplus for the year	396,947	531,278
Adjustments for:		
Depreciation	4,102	2,620
Interest income	(1,159)	(51)
Operating surplus before working capital changes	<u>399,890</u>	<u>533,847</u>
Decrease/(increase) in other receivables	468,295	(1,736,262)
Increase in trade payables	136,962	28,065
(Decrease)/increase in accrued charges	(516,929)	1,274,776
(Decrease)/increase in deposit received	(110,068)	17,767
Increase/(decrease) in restricted funds	190,712	(955,337)
Net cash generated from/(used in) operating activities	<u>568,862</u>	(837,144)
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(5,939)	(4,864)
Interest received	1,159	51
Net cash used in investing activities	<u>(4,780)</u>	<u>(4,813)</u>
Net increase/(decrease) in cash and cash equivalents	<u>564,082</u>	(841,957)
Cash and cash equivalents at 1 January	<u>5,619,471</u>	<u>6,461,428</u>
Cash and cash equivalents at 31 December	<u>6,183,553</u>	<u>5,619,471</u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	<u>6,183,553</u>	<u>5,619,471</u>

The notes on pages 23 to 34 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. General information

Solidaridad Network Asia Limited is a limited company incorporated and domiciled in Hong Kong. The address of its registered office and principal place of business is located at Rooms 1318-20, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon, Hong Kong. The company is supporting organisations in developing countries working to combat poverty systematically.

2. Basis of preparation and accounting policies

(a) Statements of compliance

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for PEs) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

(b) Basis of preparation of the financial statements

These financial statements have been prepared under the historical cost convention.

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

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

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

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. Basis of preparation and accounting policies (cont'd)

(c) Property, plant and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Computer	33 1/3%
Office equipment	20%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) Impairment of assets

At each date of the statement of financial position, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If an estimated recoverable amount is less than the carrying amount, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(e) Other receivables

Other receivables are measured at initial recognition at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. Basis of preparation and accounting policies (cont'd)

(f) Leases

Leases where substantially all the risks and rewards incidental to ownership of the leased assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to profit or loss on straight-line basis over the lease term. Incentives such as rent-free period or subsidy on decoration, if any, are recognised as a reduction of rental expenses over the lease term on straight-line basis.

(g) Trade and other payables

Trade and other payables are measured at initial recognition at the transaction price and subsequently measured at amortised cost using the effective interest method.

(h) 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.

(i) Provisions and contingent liabilities

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

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

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. Basis of preparation and accounting policies (cont'd)

(j) 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.

(k) Related parties

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

- (i) is a member of the key management personnel of the company or a parent of the company;
- (ii) has control over the company; or
- (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

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

- (i) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of a third party.
- (iv) either 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. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant voting power in the entity.
- (viii) a person identified in (a)(ii) has significant influence over the entity or significant voting power in it.
- (ix) a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.
- (x) a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. Basis of preparation and accounting policies (cont'd)

(l) Employee benefits

Salaries, annual bonuses, paid annual leave, obligations for 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.

(m) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income and retained earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the date of statement of financial position.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the date of statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the date of statement of financial position, to recover or settle the carrying amount of its assets and liabilities. However, the measurement of deferred tax liabilities associated with an investment property measured at fair value does not exceed the amount of tax that would be payable on its sale to an unrelated market participant at fair value at the date of statement of financial position. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

2. Basis of preparation and accounting policies (cont'd)

(n) 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.

3. Transition to the HKFRS for PEs

The company's financial statements for the year ended 31 December 2018 are its first annual financial statements prepared under accounting policies that comply with the HKFRS for PEs. The company applied the Hong Kong Financial Reporting Standards (HKFRSs) to prepare its financial statements prior to the application of the HKFRS for PEs.

The company's date of transition is 1 January 2018, and the company prepared its opening statement of financial position in compliance with the HKFRS for PEs.

The company has applied all the mandatory exceptions and certain of the optional exemptions from full retrospective application of the HKFRSs when preparing these financial statements in accordance with the HKFRS for PEs. There is no significant impact on the financial statements.

4. Project income

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

5. Other income

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Bank interest income	1,159	51
Sundry income	14,455	13,775
	<u>15,614</u>	<u>13,826</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

6. Other net gain

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Gain on exchange, net	8,850	649
	<u>8,850</u>	<u>649</u>

7. Surplus for the year

	<u>2018</u>	<u>2017</u>
	EUR	EUR
The surplus for the year is stated after charging:-		
Auditors' remuneration	11,992	2,439
Depreciation	4,102	2,620
Overseas staff expenses (including directors' emoluments, note 8)	402,972	260,838
	<u>418,066</u>	<u>265,497</u>

8. 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:-

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Director fee	14,000	14,000
	<u>14,000</u>	<u>14,000</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

9. 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:-

	<u>2018</u> <u>EUR</u>	<u>2017</u> <u>EUR</u>
Surplus for the year	<u>396,947</u>	<u>531,278</u>
Tax at the applicable tax rate of 16.5% (2017: 16.5%)	65,496	87,661
Tax effect of non-deductible expense	677	432
Tax effect of non-taxable revenue	(66,173)	(88,093)
Tax expense	<u>-</u>	<u>-</u>

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

10. Property, plant and equipment

	<u>Computer</u> <u>EUR</u>	<u>Office</u> <u>equipment</u> <u>EUR</u>	<u>Total</u> <u>EUR</u>
Cost			
At 1 January 2018	2,949	10,878	13,827
Addition during the year	5,536	403	5,939
At 31 December 2018	<u>8,485</u>	<u>11,281</u>	<u>19,766</u>
Accumulated depreciation			
At 1 January 2018	2,949	3,379	6,328
Charge for the year	1,845	2,257	4,102
At 31 December 2018	<u>4,794</u>	<u>5,636</u>	<u>10,430</u>
Net book value			
At 31 December 2018	<u>3,691</u>	<u>5,645</u>	<u>9,336</u>
At 31 December 2017	<u>-</u>	<u>7,499</u>	<u>7,499</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

11. Other receivables

	<u>2018</u> EUR	<u>2017</u> EUR
Sundry debtors	1,331,876	1,812,445
Deposit paid	9,132	6,352
Temporary advance	83,789	74,295
	<u>1,424,797</u>	<u>1,893,092</u>

12. Trade payables

	<u>2018</u> EUR	<u>2017</u> EUR
Trade payables	588,532	451,570

13. Accrued charges

	<u>2018</u> EUR	<u>2017</u> EUR
Auditors' remuneration	13,693	2,439
Professional and consultancy fee	1,109,011	1,637,194
	<u>1,122,704</u>	<u>1,639,633</u>

14. Deposits received

	<u>2018</u> EUR	<u>2017</u> EUR
Dimension Engineers Limited	107,819	217,887

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

15. Restricted funds

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Arkema France	17,588	29,369
BASF SE	90,498	94,828
Coca Cola USA	287,727	237,660
Foundation Solidaridad Latino Americana	3,980	(21,529)
GIZ	23,134	-
IDH-The Sustainable Trade Initiative	-	(3,328)
International Finance Corporation	(7,655)	(52,749)
Minister for Foreign Trade and Development Corporation	126,752	98,970
Netherlands Enterprise Agency – RVO	176,630	25,769
Royal Netherlands Embassy – Bangladesh	1,002,877	525,348
Netherlands Organisation for Scientific Research	104,632	-
Solidaridad REC Europe	2,092,626	3,037,446
Solidaridad North America	135,980	85,311
STHAL	50,000	-
Seafood Trade Intelligence Portal B.V.	12,946	9,599
Syngenta Crop Protection AG	2,053	2,053
The Global Alliance for Improved Nutrition	55,472	63,769
Unilever Asia Pvt Ltd.	153,881	96,643
Walton Family Foundation	90,750	-
	<u>4,419,871</u>	<u>4,229,159</u>

16. 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.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

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 parties:-

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Project income receivable from Stichting Solidaridad	3,791,166	4,985,045
Project income receivable from Foundation		
Solidaridad Latino Americana	147,800	-
Project income receivable from Solidaridad REC		
North America	265,291	-
Consultancy expenses incurred for Solidaridad Network		
India Pvt. Ltd.	68,413	72,331
Project expenditure incurred for Solidaridad Greater		
China Limited	54,055	111,692
Network contribution expenses incurred for Solidaridad		
Network Foundation	145,401	130,587

The amount due to/from Stichting Solidaridad, of EUR Nil (2017: EUR75,689) is included in trade payables, EUR2,092,626 (2017: EUR1,885,388) is included in restricted fund, and EUR20,000 (2017: EUR1,380,577) is included in other receivables.

The amount due from Solidaridad Network India Pvt Ltd., of EUR63,826 (2017: EUR3,239) is included in other receivables.

The amount due to Solidaridad Greater China Limited, of EUR11,962 (2017: EUR79,426) is included in trade payables.

The amount due to Solidaridad Network Foundation, of EUR Nil (2017: EUR130,587) is included in trade payables.

The amount due to Foundation Solidaridad Latino Americana, of EUR3,980 (2017: EUR Nil) is included in restricted fund.

The amount due to Solidaridad REC North America, of EUR135,980 (2017: EUR Nil) is included in restricted fund.

The amount due from Solidaridad Network Sri Lanka, of EUR181,468 (2017: EUR Nil) is included in other receivables.

The amount due from Solidaridad Regional Expertise Centre, of EUR81,377 (2017: EUR Nil) is included in other receivables.

The amount due from Yayasan Solidaridad Network Indonesia, of EUR71,651 (2017: EUR Nil) is included in other receivables.

The amount due from Solidaridad SECAEC, of EUR7,907 (2017: EUR Nil) is included in other receivables.

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.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

18. Key sources of estimation uncertainty

Key sources of estimation uncertainty and critical accounting judgements in applying the company's accounting policies are as follows:-

(a) Impairment on other receivables

The company assesses provision for impairment of other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to loan and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of loan and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and provision for impairment losses in the period in which such estimate has been change.

(b) Income taxes

Significant judgement is required in determining the offshore nature of the surplus derived from the company's project activities and whether it is subject to Hong Kong income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

SOLIDARIDAD NETWORK ASIA LIMITED
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the years ended 31 December 2018 and 2017 included in this profit and loss statement do not constitute the company's specified financial statements for those years as defined in section 436 of the Hong Kong Companies Ordinance but is derived therefrom.

The company is required to deliver its specified financial statements to the Registrar of Companies and has done so.

Auditor's reports have been prepared on the specified financial statements for both years.

The auditor's reports for both years:

- (i) were not qualified or otherwise modified;
- (ii) did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the reports; and
- (iii) did not contain a statement under section 406(2) or 407(2) or (3) of the Hong Kong Companies Ordinance.

FOR MANAGEMENT PURPOSES ONLY
SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u> EUR	<u>2017</u> EUR
<u>Income from fund raising</u>		
Income-Project implementation	9,996,725	10,163,864
Income-Overhead support	733,478	1,162,275
	<u>10,730,203</u>	<u>11,326,139</u>
<u>Less: Project implementation cost</u>		
Sourced from restricted fund	9,571,858	10,133,404
Sourced from unrestricted fund	-	13,457
	<u>9,571,858</u>	<u>10,146,861</u>
	<u>1,158,345</u>	<u>1,179,278</u>
<u>Add: Other income</u>		
Bank interest income	1,159	51
Gain on exchange, net	8,850	649
Sundry income	14,455	13,775
	<u>24,464</u>	<u>14,475</u>
	<u>1,182,809</u>	<u>1,193,753</u>
<u>Less: Administrative and other overseas operating expenses</u>		
Auditors' remuneration	11,992	2,439
Boarding and lodging expenses	13,325	43,725
Depreciation	4,102	2,620
Directors' fee	14,000	14,000
Meeting and workshop expenses	37,496	-
Office expenses	52,292	75,722
Overseas staff expenses	388,972	246,838
Professional fee	188,035	228,537
Repairs and maintenance	12,247	-
Sundry expenses	38,749	13,934
Travelling expenses	24,652	34,660
	<u>785,862</u>	<u>662,475</u>
Surplus for the year	<u>396,947</u>	<u>531,278</u>

SOLIDARIDAD NETWORK ASIA LIMITED
PROPOSED PROFITS TAX COMPUTATION
YEAR OF ASSESSMENT 2018/2019

	EUR
<u>Basis period:</u> Year ended 31 December 2018	
Surplus as per accounts	396,947
<u>Add:</u> Depreciation	4,102
	<hr/>
	401,049
<u>Less:</u> Bank interest income	1,159
	<hr/>
Adjusted surplus	399,890
	<hr/>
Proposed assessable profits	NIL
	<hr/>

Note to assessor:

The directors of the company are stationed outside of Hong Kong. The directors solicited, negotiated and concluded project income and project cost contracts outside of Hong Kong. The company has no staff in Hong Kong but appointed a secretarial company in Hong Kong to handle its clerical works based on the instructions from the directors. As such, we are of the opinion that the surplus or deficit derived from the company's projects are offshore nature and are not subject to Hong Kong tax.