

SOLIDARIDAD NETWORK ASIA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

PRINCIPAL ACTIVITY

The principal activities of Solidaridad Network Asia Limited ("the company") are supporting organisations in developing countries working to combat poverty systematically and it is a not-for-profit organisation. The principal activities of its subsidiary are engaged in area of agricultural technology including technology development, technology consulting, technology transfer and technology services; computer software production (except for musical products and electronic publications); wholesale, import and export and commission agency (except for auction) of edible agricultural products, computer, software and supporting equipment, and to provide associated services and commercial information consultancy (together "the group").

DIVIDENDS

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

DIRECTORS

The directors who held office during the year were: -

Directors of the company

Mahesh Haribhai MEHTA

Shahamin Sahadat ZAMAN

Shatadru CHATTOPADHAYAY

Subramaniam MUNUSAMY

Xiaohui LIANG

Jeroen DOUGLAS

Nicolaas Josephus Maria ROOZEN

Ying MA

- appointed on 20 November 2019

- resigned on 20 November 2019

- resigned on 20 November 2019

Director of the subsidiary

Shatadru CHATTOPADHAYAY

- appointed on 1 February 2019

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 or its subsidiary.

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 or its subsidiary.

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.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the company or its subsidiary 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 2019.

External Developments

Regional Cooperation in Asia increasing

In 2020, in purchasing power parity (PPP) terms, Asian economies will become larger than the rest of the world combined for the first time since the 19th century. Not only is Asia growing richer; as it becomes more integrated, it is also coming together for a regional approach. Despite Asia's remarkable rise, its family of nations are often kept apart by difficult geography and even more difficult history. Fortunately, as the mutual benefits of cooperation become ever more apparent, efforts to overcome these barriers and deepen regional integration have gained momentum. This is evident in the revival of China's relationships with India, Japan, and South Korea, as well as the reboot of the China-Japan-ROK trilateral summit. Regional cooperation platforms such as APEC, ASEAN and the Shanghai Cooperation Organization are also proliferating. Asia is also bucking the global trend for trade fragmentation, becoming instead ever more economically integrated via trade, investment and tourism. Previously, this happened from the grassroots up, without an overarching regional free trade agreement of the sort that spurred integration in Europe and North America.

Such environment, provides opportunity for Solidaridad on its regional approach on jointly working around sustainability programmes on tea, palm oil, soy along with cotton and textiles. There is a greater possibility of integrating sustainability not only in production but also in trade.

Slowing economy

However, last couple of years have also seen a slowing economy which makes integrating sustainability into trade as a challenge. Developing Asia's gross domestic product is forecast to slow from 5.9% in 2018 to 5.4% in 2019 and 5.5% in 2020. Inflation across developing Asia is forecast to increase from 2.5% in 2018 to 2.7% this year and in 2020. As global trade slows and investment weakens, regional growth forecasts are trimmed from *Asian Development Outlook 2019* by 0.3 percentage points for 2019 and by 0.1 percentage points for 2020 compared to April forecasts. The revisions reflect gloomier prospects for international trade and evidence of slowing growth in the advanced economies and the People's Republic of China, as well as in India and the larger economies in East and Southeast Asia.

The test case for the strength of the concept of sustainability is when the economy is not doing well. Solidaridad would be working on developing business cases for sustainable production and trade in the region.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Coronavirus

Fighting a war on two fronts is never easy. But that is the situation facing China's government: It is trying to contain the country's worst viral epidemic in 17 years, while also attempting to prevent its enormous economy from suffering a painful slowdown. Meanwhile, hundreds of millions of workers want to return to their factories and offices - many of which stay shut following an extended Lunar New Year holiday - so that they can protect their livelihoods. But they remain stuck in far-away regions with transport links hobbled. Meanwhile, in China, at least two economists at government-linked think-tanks have in recent weeks projected a loss of up to one percentage point from China's growth rate in the first quarter of 2020 and even for the full year. The impact is felt not only in China but across Asia. It is believed that Japan's economy may have shrunk at an annualised 3.7 percent in the October-December quarter, which would be the fastest pace of decline since 2014. The other most exposed economies would include Vietnam, Taiwan, Singapore, South Korea, and Malaysia.

The coronavirus has impacted Solidaridad staff in China who are locked up at home and are unable to attend office. It is not clear when the situation would be normal but it might take months before the China office is back to normal operations. It hinders our growth plans significantly both because of the operational limitations but also because of the economic fall-out of the coronavirus crisis. We would assess the situation as it evolves.

Sri Lankan regime change

With the return of Gotabaya Rajapaksa as the new elected President of Sri Lanka there are concerns on EU position vis-à-vis Sri Lanka and the space that would be available for international NGOs to operate in Sri Lanka.

The new government, formed in November 2018, wants to roll back commitments made by the previous Sri Lankan administration in an October 2015 resolution at the U.N. Human Rights Council to heal the wounds of the 30-year civil war through "transitional justice." EU has warned Sri Lanka that Generalized Scheme of Preferences, or GSP+, arrangement is contingent upon Sri Lanka's implementation of 27 international conventions, related to human and labour rights, environment and good governance. It is surely going to increase tensions between EU and Sri Lankan Government. There are apprehensions on free functioning of Sri Lankan civil society organisations as well.

Solidaridad Sri Lanka is closely monitoring the situation. So far, the areas of work of Solidaridad has not been affected. However, there are uncertainties on continued EU development aid to Sri Lanka which would have impact on future expansion of Solidaridad office in the country.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Trade war between India and Malaysia

The political comments of President Mahatir Mohammed of Malaysia against India on its treatment of minorities in the country has created an unofficial trade war. Solidaridad's partner Solvent Extractors Association of India gave a call to its members to withdraw purchasing palm oil from Malaysia and increase procurement from Indonesia. In last few months it has led to almost 45 percent fall in Indian procurement having serious implications for the Malaysian economy because India is the largest buyer of Malaysian Palm oil.

It has put Solidaridad's plans of enhancing collaboration between India and Malaysia on hold. We are in close touch with both Malaysian and Indian stakeholders to explore potential ways of mitigating the current discontent. In the meanwhile, due to significant increase in imports from Indonesia, it has opened up new opportunities for Solidaridad to cement our collaboration.

Internal Developments

a) Cleaning Ganga programme expanded to West Bengal with EU support

The availability of water is a challenging issue across Asia. Agriculture is the main driver of freshwater withdrawals in Asia, although rural to urban water ratios are shifting because of urbanization. Linked to climate change, freshwater availability is expected to decrease in countries at low latitudes, including heavily irrigated areas in China and India. The proportion of water withdrawn for agriculture was more than 90 per cent for 13 countries in the region. Nearly all countries in the region are experiencing increasing pressure on water resources owing to their growing populations and economic development. A total of 80 to 90 per cent of all wastewater produced in the Asia- Pacific region was released untreated in the past, with alarming situations in coastal zones of South and South-East Asia. In 2011, only 21.3 per cent of total produced wastewater in South and South-West Asia was treated. In 2012, 82 per cent and 84 per cent of wastewater in Pakistan and Armenia respectively went back into ecosystems untreated. In India and China the waste treatment is relatively low and often ineffective. It affects human health through the inability to deal with human and industrial waste, which, in turn, results in contaminated water supplies and increased prevalence of waterborne pathogen.

Solidaridad Asia has been one of the rare organisations in the region that has been addressing the pollution agenda in a market based approach using public-private partnership model. In 2019, the programme was extended from the tannery cluster in mid-Ganges around Kanpur region of Northern India to the tannery cluster covering downstream of Ganges around Kolkata in the Eastern India. The programme has been further expanded across the boundary to Bangladesh tannery cluster.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Internal Developments

a) Cleaning Ganga programme expanded to West Bengal with EU support (cont'd)

The key features of all the programme are as following:

- **Dutch Technology:** The programme is one of its kind that show cases how a combination of Asian and Dutch technology could create effective waste management mechanism and sustainable development of the MSME tanning companies in the region
- **Inclusive sustainable growth:** the programme will lead to the inclusion of SME tanneries in the sustainable growth of the export-oriented leather industry in West Bengal and Bangladesh;
- **Economic prosperity and poverty reduction:** the SME tanning sector in Kolkata currently comprises of 350 micro, small and medium sized companies and provides livelihood to more than 52,000 workers (directly/indirectly). The vast majority of the workers come from socially and economically disadvantaged groups (including Dalits). The project will contribute towards poverty reduction by creating new and better employment opportunities and income generating opportunities for these workers, whilst improving their overall safety and workers' rights;
- **Green economy:** the project will build up the capacities and create the conditions for a transition of the SME tanning processes based on green technologies whereby (a) GHG emissions are reduced (e.g. through bio-methanization of fleshings), (b) resources are used more efficiently (e.g. through use of trimmings and off-cuts) and (c) circularity is promoted (e.g. through re-use of salts and treated effluent water). The overall result of the project is a sharp reduction in the SME tanning sector's GHG and environmental footprint in the Kolkata region.

b) Going beyond certification through Fair Data

Solidaridad Asia for the first time in 2019 took big steps towards going beyond the expensive and ineffective third-party driven certification system through its Trinitea and Indian Sugar Small Holder Sustainability Framework (i3SF) programmes. Both the applications are taking advantage of technological advances for the agriculture sector, in order to increase the speed and scale of its field interventions. Trinitea and i3SF aims to engage more producers, increase the frequency of interactions with farmers and provide them with personalized information on how to improve their production system and better connect them to markets. They provide actionable data intelligence and tailored decision-making tools for the whole value chain. A two-sided platform, serving farmers and value-chain partners, integrates a set of mobile applications for farmer support on one side and tools and services for value chain partners on the other side. Trinitea has moved further into development of a state of art traceability tool comprising of four applications that interacts with each other.

Advanced traceability technologies adopted in Trinitea create trust within the chain and provide transparency in much better way than certification labels. The traceability tool will allow anyone to make their chains transparent – for themselves, for consumers and, of course, for the people at the very start of the chains. So far, around 100,000 tea and sugar farmers are benefitting from these digital applications.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

c) Creating Asian consensus on sustainable palm oil

Different studies and statements have emphasised that in order to address sustainability in palm oil, Asian markets of India, China, Indonesia and Malaysia have to play a leading role. Yet, in all these countries palm oil is used mainly (85 to 90 percent) as an inexpensive oil for cooking, deep-frying and roasting primarily catering to less moneyed segment of the population. These consumers are unlikely to pay higher price for sustaining rainforests. In discussions with governments in various Asian countries Solidaridad sees a reluctance to get on board with mainstream certification. Huge markets with relatively poor consumers struggle to absorb the system cost of certification and absorb the cost of sustainability. Moreover, there is a strong political reservation in accepting an external market regulator from international private - public partnerships. A positive development is our actual practice in Malaysia, working together with MSPO, showing that already first steps in cooperation with government can be successful.

National frameworks like Indonesian Sustainable Palm Oil (ISPO), Malaysian Sustainable Palm Oil (MSPO) and the Indian Palm Oil Sustainability Framework (IPOS) have for a long time been ignored, or even denied a voice, by the international community. However, these national frameworks have the potential to bring speed and scale to the transformation process for a more sustainable palm oil economy by raising the floor, instead of raising the bar.

Indonesia

A Memorandum of Understanding (MoU) was signed in May 2018 which, for the first time, recognised the Indonesian Sustainable Palm Oil (ISPO) and the Indian Palm Oil Sustainability (IPOS) Framework as legitimate sustainability frameworks for palm oil production and trade between Indonesia and India. Solidaridad was the third signatory and was recognised as the sustainability partner of both Indian and Indonesian palm oil stakeholders. Such cooperation for the first time allows expansion of palm oil production and trade benefitting producers, extractors and consumers in Asia without compromising on the social and environmental aspects.

As the follow up on the MoU, and facilitated by the Coordinating Ministry for Economic Affairs, DMSI, SEA and Solidaridad held their first meeting in Jakarta on December 19, 2018 to discuss the Global Palm Oil Challenges. 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. Solidaridad is providing the secretarial support.
3. Scaling up the participation of smallholder farmers in implementing sustainable palm oil practice (ISPO and IPOS).

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Malaysia

A second Memorandum of Understanding (MoU) is signed between The Solvent Extractors' Association (SEA) of India, the Malaysian Palm Oil Board (MPOB) and Solidaridad Network Asia Limited (SNAL) during the Globoil Annual Conference held on 26th September, 2019 at Mumbai. The MoU was signed in the presence of Madam Teresa Kok, Malaysian Minister of Primary Industries.

The objective of this MoU is to jointly promote Malaysian Sustainable Palm Oil (MSPO) and Indian Palm Oil Sustainability Framework (IPOS) through harmonization between the two national standards. It would lead to the joint promotion of IPOS aligned MSPO certified palm oil to Indian markets and support smallholder palm oil producers in Malaysia to produce sustainably. There are plans to start promotional campaigns in India to close the gap between the issues of perception, allegations and the realities of palm oil. The synergies between IPOS and MSPO would jointly safeguard the competitiveness of the palm oil industry, readiness for facing future consumer demands in sustainable manner and fulfil the national commitments towards sustainable production and trade of palm oil.

India

Solidaridad partnered with Solvent Extractors Association of India (SEA) to set up the Indian Palm Oil Sustainability (IPOS) Framework in 2017. It was launched in the presence of Datuk Seri Mah Siew Keong – Minister of Plantation Industries and Commodities (MPIC), Government of Malaysia, and Joyo Supriyono, Chairman of GAPKI, Indonesian Palm Oil Association. It is an inclusive sustainability framework, which is made by the Indian industry for the Indian industry and provides them a guideline for promoting sustainable palm oil production and trade. IPOS framework is comprised of environment friendly, economically viable and socially beneficial practices and guidelines. These practices are delivered through a set of principles, criteria and accompanying indicators and guidance. The IPOS framework is the first ever national sustainability guideline for the Indian palm oil industry. IPOS is accorded as equivalent status by ISPO and MSPO through agreements with Indonesian and Malaysian Palm Oil Boards.

IPOS Council has been set-up to institutionalize IPOS and also to act as the sole national sustainability platform on palm oil. It facilitates communications, regional cooperation and coordination with Government, Industry bodies, Businesses and other relevant institutions and stakeholders for joint actions to reduce barriers and facilitate sustainable trade and production of palm oil. Solidaridad provides secretarial support. The main objectives are:

- Promote and strengthen IPOS while facilitating cooperation with other similar sustainability frameworks aligned with IPOS
- Foster regional cooperation to promote sustainable trade and production of palm oil
- Provide platform for discussions on critical issues around sustainability and facilitation for enabling policies for sustainable trade and production of palm oil
- Support farmers for better farm management and improved productivity

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Partnerships

Stahl

Dutch Chemical MNC Stahl and Solidaridad collaborated in 2017 for the project on “Pollution Prevention and Efficient Water Use in Kanpur-Unnao Leather Cluster” wherein Stahl is contributing around 1 million Euros towards the goal of the project. Under the ambit of the program, Stahl is implementing eco-friendly process interventions such as Pickle-free tanning which largely reduces the Total Dissolved Solids (TDS) and others for reduction of chromium, BOD and COD.

A Centre of Excellence has also been established in the region, which is a state-of-the-art facility and provide training and capacity building support to the program. It is a shared facility that provides leadership, best practices, research support and training for focus area. Stahl and Solidaridad are jointly conducting training in this centre on eco-friendly practices, technology enhancement, improvement of business concept, skill development. The Centre is formally launched on 6th February by H.E. Ambassador of The Netherlands in India in the valuable presence of senior Government authorities.

The partnership with Stahl has been taken forward for the programs in Kolkata (Bantala), Bangladesh (Savar) and Ethiopia leather industry. Stahl and Solidaridad have again joined hands for a unique proposition in Kolkata which is focussed around-green tanning, solid waste management, occupational health and chemical safety aspects. In Savar, Solidaridad and Stahl collaborated through TEGEWA, which is an association of leading chemical suppliers for a project on Chemical management and safety.

The partnership is a perfect template of next generation involvement of Dutch businesses in India bringing in new technologies and penetrating vast Indian market while solving social and environmental problem-like the Ganges programme in partnership with Solidaridad, Indian private sector and Indian Government.

Malaysian Palm Oil Board (MPOB)

MPOB is the premier government agency of Malaysia with vision to become the premier Nobel Laureate - producing research and development institution, providing leadership and impetus for the development of a highly diversified, value-added, globally competitive and sustainable oil palm industry. Its main role is to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian oil palm industry. It was incorporated by an Act of Parliament (Act 582) and established on 1 May 2000, taking over, through a merger, the functions of the Palm Oil Research Institute of Malaysia (PORIM) and the Palm Oil Registration and Licensing Authority (PORLA).

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Malaysian Palm Oil Board (MPOB)(Cont'd)

MPOB has emerged as a key partner for Solidaridad in Malaysia with a shared vision of making palm oil production and trade more sustainable. The key aspects of the partnership are:

- Enhance effectiveness of Malaysian Sustainable Palm Oil (MSPO) initiative.
- Pilots for effective implementation of MSPO and create models for large scale adoption of the standard.
- Jointly design initiatives to promote awareness amongst Buyers and Civil Society in Asia on Malaysian sustainable palm oil.
- Offer support to Malaysian palm oil companies in identifying and addressing sustainability risks associated to palm oil across their supply chain and provide risk mitigation techniques using different tools.

The partnership provides Solidaridad an entry pass into the Malaysian palm oil Government processes and allows it to support more than 70,000 smallholder farmers. It also allows provides Solidaridad with access to the world's best research capacity on palm oil through MPOB scientists.

Indian Tea Association

Founded in 1881, the Indian Tea Association (ITA) is the premier and oldest Association of tea producers in India. ITA, since its inception has remained the principal advisory and supervisory body in the tea industry. Initially set up to promote orderly growth and collective thinking in Tea, ITA has evolved into a forward thinking organization incisively reading industry trends, encouraging innovative thought, benchmarking best practices and their adoption in industry -- thereby serving as a strong bridge between various segments of the tea industry, trade and Government. ITA continues to discharge a multidimensional role, formulating policies and effectively liaising with the Tea Board, Central and State Governments and a wide spread of quasi-Governmental and regulatory agencies.

ITA has also emerged as a driver of corporate social responsibility for the tea industry as a whole, administering several projects and programmes that strive to make a difference to the lives of people who reside in and around the tea estates. ITA membership constitutes of 226 no. of companies, covering 474 no. of estates with around 400 million kgs of crop and direct exports of 50 million kgs, providing employment to more than 7 lakh workers.

Solidaridad and ITA have entered into a partnership (MoU) to co-develop the TRINITEA programme. Both the organisations are also partnering for the Tea Asia programme. The fundamental aspects of the partnerships are:

- a) Cover 80% Indian smallholder tea growers under TRINITEA programme
- b) Get the Assam and West Bengal Smallholders as members of ITA and provide them value added service
- c) Initiate a new tea auction system by ITA and Solidaridad for the smallholders
- d) Cooperate in Asian Tea Council set up under Solidaridad's Tea Asia programme.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Fundraising

As far as funding is concerned, the Asian region has seen very rapid growth within the network and have reached its mature stature in five years from 2008 to 2012. Currently it has a turnover has reached an all-time high of 17 million Euros-more than half of which is raised directly by the REC team. The fund raising strategy doesn't vary from year to year and hence, we report more or less the same strategy each year. However, let me highlight some of the strategies/principles that has worked well for Solidaridad Asia which is increasingly becoming difficult region to secure funds.

- a) Strong belief that **raising grants is our core business** than investments. True grants are getting scarce but they would be in the horizon for the next 20 years. Therefore, capacity to tap those resources are critical. We decided not to have one fund raiser but created a fund raising team comprising of subject specialist, PME, Gender, Operations and Finance to work together on a proposal. Example of success is 5 out of 5 RVO proposal were successful, 2 out of 2 EU proposals were successful.
- b) **Direct implementation** is complex and adds to the administrative burden and occasional cases related to code of conduct as per the law of average in a massive team. However, it provides massive track record and gives donor confidence hence generates much more revenue than playing a monitoring role for the partners.
- c) **No handshake with competitors:** Never took the easy route of joining hands with the competitors for easy wins. In fact, we lost money many times by not partnering with a competitor in the similar space. But it created amazing credibility for Solidaridad and allowed us to stand away from the crowd.
- d) **Innovative partnerships** with partners who augment our capacity and where there is absolutely no possibility of competition for resources. For example, IFC, ITA, MPOB, Solvent Extractor Association of India et.al
- e) **Disrupting existing NGO strategies** with our innovations paid off as it made Solidaridad Asia approach unique. For example, we launched 8 national sustainability standards which competed with other NGOs who stuck with the global standards, we launched some of biggest interventions in water efficient agriculture, reclaiming degraded land, pollution agenda to launching new commodities like leather, castor, dairy and fish.
- f) **Leveraging PPP:** We were able to adequately leverage business funding to match the PFC money that we received. The key was to develop relationship with businesses over many years. Our experience is it takes between 2 to 3 years for a business relationship to fructify and the process and it can't be developed only when we need the businesses to co-fund. We invested time, money and energy to nurture these relationships over the years. Innovation here could be shown from an example. For long, the southern country based NGOs sought out buyers of their products from OECD countries. We have more or less stopped that for large economies of Asia. We now seek technological investments from OECD countries that solve a critical sustainability challenge locally in a business wise viable way. Partnership with Stahl is a good example of that.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW (CONT'D)

Fundraising

- g) **Critical enabling relationships:** There are actors who are not funders but are critical to the success of proposals. Some examples are: Dutch Embassies, Local Governments, Farmers Associations, Business Associations. We maintain regular relationships with them and occasionally support them beyond a project requirements and they pay back when we need them to support our proposal. Most of the donors like to see such relationships as critical requirements in a proposal.
- h) **Get the legal status in order:** This aspect is often overlooked but it is critical. Different country offices and the regional office needs to be prepared as per the law of the country to receive funds from different kinds of donors. For example, we spent 8 years of effort to get FCRA exemption in India that enables us to receive tax exempt foreign fund in India. The immediate result was we could apply and win the EU grant for leather in Kolkata where FCRA was a pre-requisite. Or Corporate Social Responsibility law compliance and other similar statutory requirements.
- i) **Domestic fund raising:** Solidaridad Asia is perhaps the only other REC next to REC EU that raises significant resources from Indian companies. Solidaridad Asia has previous raised funds in Indian rupees from Tata, Hindustan Lever, Coca Cola India, IFC, BASF India. Recently, we were able to raise 4 million USD for 2 years from Idea Cellular-the third largest cell phone service provider company in India.

The main challenges are:

- a) Lack of available time between implementation of complex project, governance of a fast-growing organisation (38 offices and 430+ staff), strategy development as well as fund raise. The fund-raising function can't be separated from the other work and hence we have to manage within this space.
- b) Lack of flexible funds to develop innovative pilots, innovative concepts or join strategic partnerships or to blunt the competitors
- c) Relationship building (point (f) and (g)) consumes enormous amount of time.
- d) Keeping the statutory aspects organised legally is a major challenge with complex operations from China, India to Myanmar.
- e) Still our communication efforts are at basic level and it is required to be taken to a different level to gain ground.
- f) The impact capturing from our PMEL system needs to be reworked so that we could make adequate claims with our donors. We are still working with the traditional: No of ha, Tons and No of farmers covered approach which is no longer in vogue.
- g) Our inability to come out with a clear beyond certification strategy which is easily understandable for business, economically viable and have better impact. We are working on it but it's still in blue-print stage.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
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 04 AUG 2020

On behalf of the board



Chairman
Shatadru CHATTOPADHAYAY
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 consolidated financial statements of Solidaridad Network Asia Limited 禾眾亞洲有限公司 ("the company") and its subsidiary (together "the group") set out on pages 16 to 35, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in funds and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the group 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 group'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 Consolidated 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 group'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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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: 04 AUG 2020

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 EUR	2018 EUR
Project income	3	12,403,388	10,730,203
Project implementation cost		(11,080,658)	(9,571,858)
Gross surplus		1,322,730	1,158,345
Other income	4	76,829	15,614
Other net gain	5	99,821	8,850
Administrative and other operating expenses		(714,265)	(785,862)
Surplus for the year	6	785,115	396,947

The notes on pages 21 to 35 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	<u>2019</u> EUR	<u>2018</u> EUR
Surplus for the year	785,115	396,947
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>785,115</u>	<u>396,947</u>

The notes on pages 21 to 35 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 EUR	2018 EUR
Non-current assets			
Property, plant and equipment	9	12,538	9,336
Current assets			
Other receivables	11	926,005	1,424,797
Cash and bank balances		6,507,445	6,183,553
		<u>7,433,450</u>	<u>7,608,350</u>
Current liabilities			
Trade payables	12	(621,990)	(588,532)
Accrued charges	13	(466,923)	(1,122,704)
Deposits received	14	(56,385)	(107,819)
Restricted funds	15	(4,136,815)	(4,419,871)
		<u>(5,282,113)</u>	<u>(6,238,926)</u>
Net current assets		<u>2,151,337</u>	<u>1,369,424</u>
NET ASSETS		<u>2,163,875</u>	<u>1,378,760</u>
RESERVES			
Accumulated surplus		<u>2,163,875</u>	<u>1,378,760</u>

Approved and authorised for issue by the board of directors on 04 AUG 2020
and signed on its behalf.

Director
Shatadru CHATTOPADHAYAY

Director
Jeroen DOUGLAS

The notes on pages 21 to 35 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CONSOLIDATED STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Accumulated surplus EUR
Balance at 1 January 2018	981,813
Changes in funds for 2018	
Total comprehensive income for the year	396,947
Balance at 31 December 2018 and 1 January 2019	1,378,760
Changes in funds for 2019	
Total comprehensive income for the year	785,115
Balance at 31 December 2019	<u>2,163,875</u>

The notes on pages 21 to 35 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 EUR	2018 EUR
Cash flows from operating activities		
Surplus for the year	785,115	396,947
Adjustments for:		
Depreciation	6,116	4,102
Interest income	(2,870)	(1,159)
Operating surplus before working capital changes	788,361	399,890
Decrease in other receivables	498,792	468,295
Increase in trade payables	33,458	136,962
Decrease in accrued charges	(655,781)	(516,929)
Decrease in deposit received	(51,434)	(110,068)
(Decrease)/increase in restricted funds	(283,056)	190,712
Net cash generated from operating activities	330,340	568,862
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(9,318)	(5,939)
Interest received	2,870	1,159
Net cash used in investing activities	(6,448)	(4,780)
Net increase in cash and cash equivalents	323,892	564,082
Cash and cash equivalents at 1 January	6,183,553	5,619,471
Cash and cash equivalents at 31 December	6,507,445	6,183,553
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	6,507,445	6,183,553

The notes on pages 21 to 35 form an integral part of these financial statements.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

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. The principal activities of its subsidiary are engaged in area of agricultural technology including technology development, technology consulting, technology transfer and technology services; computer software production (except for musical products and electronic publications); wholesale, import and export and commission agency (except for auction) of edible agricultural products, computer, software and supporting equipment, and to provide associated services and commercial information consultancy.

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 group is set out below.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the company and its subsidiary (together referred to as the “group”).

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

The preparation of consolidated 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.

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

(c) Subsidiary

Subsidiary is an entity that are controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from the activities.

A subsidiary is fully consolidated from the date on which control is transferred to the group and is de-consolidated from the date that control ceases. The results of subsidiary acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements present financial information about the group as a single economic entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits and losses resulting from intragroup transactions are eliminated in full unless the losses indicate an impairment that requires recognition in the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events and conditions in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with those used by other members of the group. The financial statements of the company and of its subsidiary used in the preparation of the consolidated financial statements are prepared as of the same reporting date (equivalent to the date of the statement of financial position of the company).

Non-controlling interests in the net assets of consolidated subsidiary are presented separately from the group's equity therein. Non-controlling interests in net assets consist of the amount of those interests at the date of the original business combination and the share of changes in equity by the non-controlling parties since the date of the combination. Losses applicable to the non-controlling parties in excess of the non-controlling interest in the subsidiary equity are allocated to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

(d) 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.

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

(e) 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. Impairment loss for goodwill is irreversible in subsequent period.

(f) 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 group 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.

(g) 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.

(h) 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.

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

(i) Cash and cash equivalents

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

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group 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.

(k) 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.

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

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

(l) Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
 - (i) has control or joint control over the group;
 - (ii) has significant influence over the group; or
 - (iii) is a member of the key management personnel of the group or the group's parent.
- (b) An entity is related to the group 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.

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

(m) Employee benefit obligations

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.

(n) 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 profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group'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 group expects, at the date of statement of financial position, to recover or settle the carrying amount of its assets and liabilities. 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 CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

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

(o) Separate financial statements

The group regards the company-level statement of financial position of the company presented in notes to consolidated financial statements as a separate financial statement. In the separate financial statements, the investment in a subsidiary is measured at cost less impairment.

(p) 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 group 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. Project income

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

4. Other income

	<u>2019</u> EUR	<u>2018</u> EUR
Bank interest income	2,870	1,159
Sundry income	73,959	14,455
	<u>76,829</u>	<u>15,614</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

5. Other net gain

	<u>2019</u> EUR	<u>2018</u> EUR
Gain on exchange, net	<u>99,821</u>	<u>8,850</u>

6. Surplus for the year

	<u>2019</u> EUR	<u>2018</u> EUR
The surplus for the year is stated after charging:-		
Auditors' remuneration	26,723	11,992
Depreciation	6,116	4,102
Overseas staff expenses (including directors' emoluments, note 7)	<u>246,755</u>	<u>402,972</u>

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:-

	<u>2019</u> EUR	<u>2018</u> EUR
Director fee	<u>14,000</u>	<u>14,000</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

8. Income tax

(a) As the group 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>2019</u> <u>EUR</u>	<u>2018</u> <u>EUR</u>
Surplus for the year	<u>785,115</u>	<u>396,947</u>
Tax at the applicable tax rate of 16.5% (2018: 16.5%)	<u>129,544</u>	65,496
Tax effect of non-deductible expense	<u>1,009</u>	677
Tax effect of non-taxable revenue	<u>(130,553)</u>	<u>(66,173)</u>
Tax expense	<u>-</u>	<u>-</u>

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

9. 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 2019	8,485	11,281	19,766
Addition during the year	1,128	8,190	9,318
At 31 December 2019	<u>9,613</u>	<u>19,471</u>	<u>29,084</u>
Accumulated depreciation			
At 1 January 2019	4,794	5,636	10,430
Charge for the year	2,221	3,895	6,116
At 31 December 2019	<u>7,015</u>	<u>9,531</u>	<u>16,546</u>
Net book value			
At 31 December 2019	<u>2,598</u>	<u>9,940</u>	<u>12,538</u>
At 31 December 2018	<u>3,691</u>	<u>5,645</u>	<u>9,336</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

10. Investment in a subsidiary

At 31 December 2019, the company held equity interest in the following subsidiary:

Name of subsidiary	Country of incorporation	Proportion of ownership interest held by the company		Principal activities
		2019	2018	
Solidaridad (Shanghai) Agricultural Technology Development Company Limited	People's Republic of China	100%	-	Engage in area of agricultural technology including technology development, technology consulting, technology transfer and technology services; computer software production (except for musical products and electronic publications); wholesale, import and export and commission agency (except for auction) of edible agricultural products, computer, software and supporting equipment, and to provide associated services and commercial information consultancy.

11. Other receivables

	2019 EUR	2018 EUR
Sundry debtors	848,305	1,331,876
Deposit paid	18,833	9,132
Temporary advance	58,867	83,789
	926,005	1,424,797

12. Trade payables

	2019 EUR	2018 EUR
Trade payables	621,990	588,532

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

13. Accrued charges

	<u>2019</u> EUR	<u>2018</u> EUR
Auditors' remuneration	15,966	13,693
Professional and consultancy fee	450,957	1,109,011
	<u>466,923</u>	<u>1,122,704</u>

14. Deposits received

	<u>2019</u> EUR	<u>2018</u> EUR
Dimension Engineers Limited	56,385	107,819

15. Restricted funds

	<u>2019</u> EUR	<u>2018</u> EUR
Arkema France	(6,437)	17,588
BASF SE	(6,437)	90,498
Coca Cola USA	316,902	287,727
Earth Innovation Institute	40,677	-
Foundation Solidaridad Latino Americana	(6,552)	3,980
GIZ	32,211	23,134
IDH-The Sustainable Trade Initiative	1	-
IFC Bangladesh	10,307	(7,655)
Minister for Foreign Trade and Development Corporation	94,073	126,752
Netherlands Organisation for Scientific Research	90,686	104,632
Roundtable on Sustainable Palm Oil (RSSF)	2,528	-
Royal Netherlands Embassy – Bangladesh	375,704	1,002,877
RVO (Netherlands Enterprise Agency)	758,966	176,630
Solidaridad REC Europe	2,113,359	2,092,626
Solidaridad North America	71,256	135,980
STHAL	70,000	50,000
STIP BV	-	12,946
Syngenta Crop Protection AG	-	2,053
The Global Alliance for Improved Nutrition	-	55,472
Unilever Asia Pvt Ltd.	153,881	153,881
Walton Family Foundation	25,690	90,750
	<u>4,136,815</u>	<u>4,419,871</u>

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

16. Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in funds. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

	Accumulated surplus EUR
Balance at 1 January 2018	981,813
Changes in equity for 2018	
Total comprehensive income for the year	396,947
Balance at 31 December 2018 and 1 January 2019	1,378,760
Changes in equity for 2019	
Total comprehensive income for the year	972,130
Balance at 31 December 2019	2,350,890

SOLIDARIDAD NETWORK ASIA LIMITED 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

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 group had the following transactions with related parties:-

	2019	2018
	EUR	EUR
Project income receivable from Stichting Solidaridad	7,343,161	3,791,166
Project income receivable from Foundation Solidaridad Latino Americana	-	147,800
Project income receivable from Solidaridad REC North America	207,394	265,291
Consultancy expenses incurred for Solidaridad Network India Pvt. Ltd.	17,500	68,413
Project expenditure incurred for Solidaridad Greater China Limited	-	54,055
Network contribution expenses incurred for Solidaridad Network Foundation	124,751	145,401

The amount due to/from Stichting Solidaridad, of EUR2,113,359 (2018: EUR2,092,626) is included in restricted fund, and EUR494,668 (2018: EUR20,000) is included in other receivables.

The amount due from Solidaridad Network India Pvt Ltd., of EUR48,192 (2018: EUR63,826) is included in other receivables.

The amount due to Solidaridad Greater China Limited, of EUR11,962 (2018: EUR11,962) is included in trade payables.

The amount due from/to Foundation Solidaridad Latino Americana, of EUR6,552 (2018: EUR3,980) is included in restricted fund.

The amount due to Solidaridad REC North America, of EUR71,256 (2018: EUR135,980) is included in restricted fund.

The amount due from Solidaridad Network Sri Lanka, of EUR410,168 (2018: EUR181,468) is included in other receivables.

The amount due to/from Solidaridad Regional Expertise Centre, of EUR196,076 (2018: EUR81,377) is included in other receivables.

The amount due from Yayasan Solidaridad Network Indonesia, of EUR56,799 (2018: EUR71,651) is included in other receivables.

The amount due from Solidaridad SECAEC, of EUR4,418 (2018: EUR7,907) 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 group 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. Key sources of estimation uncertainty

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

(a) Impairment on other receivables

The group 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 group'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 禾眾亞洲有限公司
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2019

19. Company-level statement of financial position

	Note	2019 EUR	2018 EUR
Non-current assets			
Property, plant and equipment		12,538	9,336
Investment in a subsidiary	10	20,000	-
		<u>32,538</u>	<u>9,336</u>
Current assets			
Other receivables		1,164,624	1,424,797
Cash and bank balances		6,433,104	6,183,553
		<u>7,597,728</u>	<u>7,608,350</u>
Current liabilities			
Trade payables		(619,253)	(588,532)
Accrued charges		(466,923)	(1,122,704)
Deposits received		(56,385)	(107,819)
Restricted funds		(4,136,815)	(4,419,871)
		<u>(5,279,376)</u>	<u>(6,238,926)</u>
Net current assets		<u>2,318,352</u>	<u>1,369,424</u>
NET ASSETS		<u>2,350,890</u>	<u>1,378,760</u>
RESERVES			
Accumulated surplus	16	<u>2,350,890</u>	<u>1,378,760</u>

Approved and authorised for issue by the board of directors on 04 AUG 2020
and signed on its behalf.

Director
Shatadru CHATTOPADHAYAY

Director
Jeroen DOUGLAS