

GRATIA FOUNDATION LIMITED

華恩基金會有限公司

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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黎偉民會計師事務所
VINCENT W. M. LAI & CO.

Certified Public Accountants
Hong Kong

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

Gratia Foundation Limited ("the Foundation") engaged in supporting charitable activities to relieve poverty, distress, disease and ill health among the peoples in Asia, constructing and superintending children's home and provision of educational subsidies to students in Mainland China.

RESULTS AND STATE OF AFFAIRS

The deficit of the Foundation for the year ended 31 December 2023 and the state of the Foundation's affairs as at 31 December 2023 are set out in the annexed financial statements.

ADOPTION OF SMALL AND MEDIUM-SIZED ENTITY FINANCIAL REPORTING STANDARD

The Foundation is a small guarantee company which falls within the reporting exemption under the Hong Kong Companies Ordinance. The financial statements for the year ended 31 December 2023 are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

DIRECTORS

The following directors held office during the year and up to the date of this report:-

Chan Oi Ying, Titania
Lau Hak Wah
Li Kin Kong, Michael
Chan Suk Ching
Yuen Chung Fai

Yuen Shu Wah
Yuen Lok Tien
So Wing Sze (appointed on 15 July 2024)
Cheng Kit Man, Deborah (resigned on 25 September 2023)

In accordance with Articles 24 and 25 of the Articles of Association of the Foundation, one third of the directors shall retire from office and being eligible, offer themselves for re-election. Lau Hak Wah and Yuen Lok Tien will retire and being eligible, offers themselves for re-election at the forthcoming Annual General Meeting. The remaining directors shall continue to hold office for the ensuing year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No significant business contracts, management and administration contracts in which a director had a material interest, whether directly or indirectly, were subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of the directors of the Foundation.

AUDITORS

The financial statements have been audited by Messrs Vincent W. M. Lai & Co., who retire and, being eligible, offers themselves for re-appointment.

On behalf of the Board



Lau Hak Wah
Chairman
Hong Kong
29 August 2024

VINCENT W. M. LAI & CO.

Certified Public Accountants
Room 1104-5, 11/F., Haleson Building,
1 Jubilee Street, Central, Hong Kong.
Tel:(852) 2815 8102 Fax:(852) 2544 1381

黎偉民會計師事務所
香港中環租庇利街一號
喜訊大廈十一樓一〇四至一〇五室
電話：二五八四一三一〇
傳真：二五八四一三一〇

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRATIA FOUNDATION LIMITED

華恩基金會有限公司

(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of Gratia Foundation Limited ("the Foundation") set out on pages 4 to 12, which comprise the statement of financial position as at 31 December 2023, and the income 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 of the Foundation are prepared, in all material respects, in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 900 (Revised), Audit of Financial Statements Prepared in Accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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 Report of the Directors, 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 in accordance with the SME-FRS issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Certified Public Accountants
Room 1104-5, 11/F., Haleson Building,
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傳真：二五八四一八〇

INDEPENDENT AUDITOR'S REPORT (Cont'd)

TO THE MEMBERS OF GRATIA FOUNDATION LIMITED

華恩基金會有限公司

(incorporated in Hong Kong and limited by guarantee)

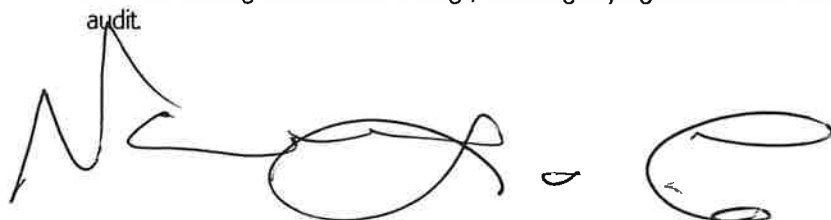
Auditor's Responsibilities for the Audit of the Financial Statements

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. The 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 HKSA's 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 HKSA's, we exercise professional judgment 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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 Foundation to cease to continue as a going concern.

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.



VINCENT W. M. LAI & CO.

Certified Public Accountants
Room 1104-5, 11/F., Haleson Building,
1 Jubilee Street, Central, Hong Kong,
29 August 2024

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 HK\$	2022 HK\$
REVENUE			
Donations Received	3	4,772,687	5,947,051
Other Receipts	3	544,057	259,968
		<u>5,316,744</u>	<u>6,207,019</u>
Staff Costs		(2,007,314)	(1,932,861)
Depreciation		(462,829)	(460,421)
Other Operating Expenses		(4,614,279)	(3,354,112)
(DEFICIT)/SURPLUS BEFORE TAX	4	<u>(1,767,678)</u>	<u>459,625</u>
Income Tax	5	-	-
(DEFICIT)/SURPLUS FOR THE YEAR		<u><u>(1,767,678)</u></u>	<u><u>459,625</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, should be read in conjunction with, these financial statements.

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

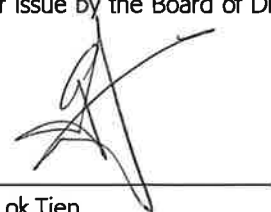
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	NOTE	2023 HK\$	2022 HK\$
Non-current Asset			
Property, plant and equipment	7	11,219,758	12,659,585
Investments in securities	10	9,225	9,225
		<u>11,228,983</u>	<u>12,668,810</u>
Current Assets			
Accounts receivables		581,104	552,584
Utilities and other deposits		20,775	20,775
Prepayments		1,203,000	4,369
Bank balances and cash		3,427,453	5,000,584
		<u>5,232,332</u>	<u>5,578,312</u>
Deduct:			
Current Liabilities			
Accruals		51,719	218,976
Other payable		36,563	33,765
Loans from a director	8	96,000	96,000
Temporary receipt		588,376	468,118
Temporary receipt - Herald Foundation	9	709,556	587,484
		<u>1,482,214</u>	<u>1,404,343</u>
Net Current Assets		<u>3,750,118</u>	<u>4,173,969</u>
Non-current Liability			
Loans from a director	8	<u>(592,000)</u>	<u>(688,000)</u>
NET ASSETS		<u>14,387,101</u>	<u>16,154,779</u>
Reserve and Funds			
Accumulated surplus	11	14,331,301	16,098,979
Building fund	12	30,100	30,100
Membership foundation fund	13	10,900	10,900
New children village fund	14	14,800	14,800
TOTAL RESERVES AND FUND		<u>14,387,101</u>	<u>16,154,779</u>

The financial statements on pages 4 to 12 were approved and authorised for issue by the Board of Directors on 29 August 2024 and are signed on its behalf by:



Lau Hak Wah
Director



Yuen Lok Tien
Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, should be read in conjunction with, these financial statements.

1. REPORTING ENTITY

Gratia Foundation Limited (*the Foundation*) is a limited company incorporated and domiciled in Hong Kong and limited by guarantee and not having a share capital. The liability of the member is limited to HK\$100 per member in the event of the Foundation being wound up, whilst they remain a member, or within one year after they ceased to be a member.

The registered office is situated at Workshop V, 9th Floor, Valiant Industrial Centre, 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong.

During the year, the Foundation engaged in supporting charitable activities to relieve poverty, distress, disease and ill health among the peoples in Asia, constructing and superintending children's home and provision of educational subsidies to students in Mainland China.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Foundation qualifies for the reporting exemption as a small guarantee company under section 359 (1) (a) of the Hong Kong Companies Ordinance (Cap. 622) and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium -sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Foundation is a going concern.

The measurement base adopted is the historical cost convention.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

- (a) Revenue
Revenue is recognised when it is probable that the economic benefits will flow to the Foundation and when the revenue can be measured reliably, excluding those amounts collected on behalf of third parties on the following bases:
 - (i) donations receipt is recognised when the donations are received;
 - (ii) events income is recognised after the events took place;
 - (iii) management fee income is recognised when services rendered
 - (iv) offering receipts designated by the donors for specific funds are recognised in respective designated funds when received; and
 - (v) interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.
- (b) Designated funds
Designated funds are funds set aside for designated purposes. All the movements are shown in statement of changes in equity.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

- (c) **Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The cost of properties, office equipment, furniture and fixture in china represented 50% interest share with Herald Foundation in the total costs. Depreciation is consistently provided to write off the cost of property, plant and equipment to operation over their estimated useful lives on a straight line basis at the following rates per annum:-
- | | |
|--|--------------------------------|
| Leasehold land and building in Hong Kong | - over unexpired term of lease |
| Leasehold land and buildings in China | - over unexpired term of lease |
| Leasehold improvement | - 20% |
| Furniture and fixture | - 20% |
| Office equipment | - 20% |
| Properties, office equipment, furniture and fixture in China | - 2% |
- (d) **Assets under construction**
Assets under construction is stated at cost less impairment losses, if any. Cost comprises direct costs of construction, such as materials, staff costs and overheads. Capitalisation of these costs ceases and asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided on asset under construction until construction is completed and the asset is ready for its intended use.
- (e) **Impairment of assets**
An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior years.
- (f) **Investments in securities**
Investments in securities are stated in the statement of financial position at the lower of cost or net realizable value. Changes in carrying amount are recognised in the income statement as they arise.
- (g) **Foreign currencies translation**
Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at approximately the market rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies during the year are translated into Hong Kong dollar at the rates ruling at the transaction dates. Differences on foreign currency translation are dealt with in the income statement.
- (h) **Employee benefits**
- (i) **Short term employee benefits**
Salaries and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.
- (ii) **Retirement benefits costs**
The Foundation operates a mandatory provident fund scheme under the Mandatory Provident Fund Schemes Ordinance. The contributions payable to the Foundation's defined contribution retirement benefits schemes are charged to income statement as incurred.

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

3. REVENUE

An analysis of the Foundation's revenue is as follows:

	2023 HK\$	2022 HK\$
Donations Received		
China children villages	2,608,081	3,216,217
China projects	624,616	637,835
Pakistan & Bangladesh projects	99,800	182,585
General	953,429	1,243,934
Benevolent fund	19,410	15,602
Fund raising	461,620	643,523
Others	5,732	7,355
	<u>4,772,688</u>	<u>5,947,051</u>
Other Receipts		
Events income	120,234	8,800
Management fee income	30,000	30,000
Bank interest received	25,474	5,021
Exchange gain	366,860	47,699
Subsidies from Employment Support Scheme	-	168,000
Sundry income	1,489	448
	<u>544,057</u>	<u>259,968</u>
	<u>5,316,745</u>	<u>6,207,019</u>

4. (DEFICIT)/SURPLUS BEFORE TAX

	2023 HK\$	2022 HK\$
(Deficit)/Surplus before tax is arrived at:		
After crediting:		
Exchange gain	<u>366,860</u>	<u>47,699</u>
After charging:		
Depreciation	462,829	460,421
Loss on disposal of assets in children village (note 4(i))	1,080,321	15,311
Key management personnel's remuneration	-	-
Staff salaries (note 4(ii))	1,909,911	1,832,499
Mandatory provident fund contribution	<u>91,007</u>	<u>95,397</u>

(i) The amount was arised from the closure of "都安瑤族自治縣華恩角聲兒童之家" as resolved by "都安瑤族自治縣華恩角聲兒童之家"理事會 on 3 July 2023. All the fixed assets were either disposed of or taken over by the local authorities (都安瑤族自治縣民政局). Proper cancellation of registration was granted by the local authorities on 4 December 2023.

(ii) Included in staff salaries was an amount of HK\$931,523 which was paid for staffs responsible for the operations of China Children Villages.

5. INCOME TAX

The Foundation has exemption from profits tax liabilities under Section 88 of the Inland Revenue Ordinance.

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

6. DIRECTORS' REMUNERATION

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:

	2023 HK\$	2022 HK\$
Directors' fee	-	-
Salaries, allowances and benefits other than in cash	-	-
	<u>-</u>	<u>-</u>

There were no payments made or benefit provided in respect of the termination of the services of directors, whether in the capacity of directors or in any other capacity while directors

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building in Hong Kong HK\$	Leasehold land and buildings in China HK\$	Leasehold improvement HK\$	Furniture and fixture HK\$	Office equipment HK\$	Property, office equipment, furniture and fixture in China HK\$	Assets under construction in China HK\$	Total HK\$
AT COST:								
At 1.1.2023	6,966,000	864,236	261,059	84,801	265,474	10,123,959	-	18,565,529
Addition	-	-	-	-	1,899	101,424	-	103,323
Disposal	-	-	-	-	-	(1,682,766)	-	(1,682,766)
At 31.12.2023	<u>6,966,000</u>	<u>864,236</u>	<u>261,059</u>	<u>84,801</u>	<u>267,373</u>	<u>8,542,617</u>	<u>-</u>	<u>16,986,086</u>
ACCUMULATED DEPRECIATION/ IMPAIRMENT:								
At 1.1.2023	(2,343,050)	(378,061)	(261,059)	(84,801)	(255,777)	(2,583,196)	-	(5,905,944)
Provided for the year	(196,721)	(32,008)	-	-	(7,714)	(226,386)	-	(462,829)
Written back on disposal	-	-	-	-	-	602,445	-	602,445
At 31.12.2023	<u>(2,539,771)</u>	<u>(410,069)</u>	<u>(261,059)</u>	<u>(84,801)</u>	<u>(263,491)</u>	<u>(2,207,137)</u>	<u>-</u>	<u>(5,766,328)</u>
NET BOOK VALUE:								
At 31.12.2023	<u>4,426,229</u>	<u>454,167</u>	<u>-</u>	<u>-</u>	<u>3,882</u>	<u>6,335,480</u>	<u>-</u>	<u>11,219,758</u>
At 31.12.2022	<u>4,622,950</u>	<u>486,175</u>	<u>-</u>	<u>-</u>	<u>9,697</u>	<u>7,540,763</u>	<u>-</u>	<u>12,659,585</u>

The leasehold land and building in Hong Kong is held under medium lease.

The leasehold land and buildings in China held with net book value of HK\$399,166 (2022: HK\$420,175), and HK\$55,000 (2022: HK\$66,000) are under long lease and short-term lease respectively.

GRATIA FOUNDATION LIMITED
華恩基金會有限公司

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS FROM A DIRECTOR

The loans are unsecured and interest free.

The loan is repayable by 250 equal monthly instalments of HK\$8,000 each.

	2023 HK\$	2022 HK\$
Carrying amount repayable within one year and shown under current liabilities	96,000	96,000
Carrying amount repayable more than one year and shown under non-current liability	592,000	688,000
	<u>688,000</u>	<u>784,000</u>

9. TEMPORARY RECEIPT – HERALD FOUNDATION

Funds received for joint projects and paid during the year:-

	HK\$
Balance brought forward	587,484
Reimbursement to children villages	637,284
Received from Herald Foundation	741,889
Share of bank interest income	596
	<u>1,379,769</u>
Less:	
Share of expenditures for Children Villages	
General Operating	1,257,697
Sanming Herald Gratia Children Village	-
Du'an Yao Autonomous County Gratia Herald Children Village	-
Mianyang Herald Gratia Children Village	-
	<u>1,257,697</u>
Balance carried forward	<u>709,556</u>

10. INVESTMENTS IN SECURITIES

	2023 HK\$	2022 HK\$
Equity securities listed in Hong Kong - cost	<u>9,225</u>	<u>9,225</u>
Market value	<u>3,400</u>	<u>4,825</u>

The above securities were donated by a third party in previous years and grouped in other items under current assets, now reclassified to have a fairer presentation.

GRATIA FOUNDATION LIMITED
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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

11. CHANGE IN EQUITY

	Accumulated surplus HK\$	Building Fund HK\$	Membership Foundation fund HK\$	New children Village fund HK\$	Total reserve and funds HK\$
At 1.1.2023	16,098,979	30,100	10,900	14,800	16,154,779
Deficit for the year	(1,767,678)	-	-	-	(1,767,678)
At 31.12.2023	<u>14,331,301</u>	<u>30,100</u>	<u>10,900</u>	<u>14,800</u>	<u>14,387,101</u>

12. BUILDING FUND

The purpose of the building fund is to build up a reserve for purchasing property of the Foundation.

13. MEMBERSHIP FOUNDATION FUND

The fund represents accumulated balance from nominal amount received upon new member admission to the Foundation.

14. NEW CHILDREN VILLAGE FUND

The purpose of the fund is for the purpose of building up funds for a new children village in China. The fund includes land costs, construction work and operation expenses of the new children village.

15. COMMITMENTS

At 31 December 2023, the Foundation had following outstanding commitments for the education subsidies for PRC students:-

	2023 CNY	2022 CNY
Authorised and contracted for	<u>-</u>	<u>295,000</u>

16. EVENT AFTER REPORTING PERIOD

The Foundation reached an agreement with local organizations in Guangxi in February 2024 to cooperate in a development project named “廣西困境女童助學發展項目” to support children’s education activities in Nanning City and donate funds amounting to CNY250,000.

GRATIA FOUNDATION LIMITED
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ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2023

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current year's presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 29 August 2024.