**Hangzhou Industrial Co.Ltd**

**Limited Liability Company - Joint Venture**

**Financial Statements For The Year**

**As At December 31,2024**

**And Independent Auditor's Report**

**Hangzhou Industrial Co.Ltd**

**Limited Liability Company - Joint Venture**

**Index of the financial statements for the year ended December 31 2024**

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**INDEPENDENT AUDITORS’ REPORT**

**The Partners of**

**Hangzhou Industrial Co.Ltd.**

Dammam, Kingdom of Saudi Arabia

Report on the audit of financial statements

**Opinion**

We have audited the financial statements of Hangzhou Industrial Co.Ltd “Limited Liability Company - Joint Venture, which comprise the statement of financial position as at December 31 , 2024 and the statement of profit or loss and other comprehensive income , statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In Our Opinion and With the Exception of The Effects of The Matter Described in The Basis for Qualified Opinion Section of Our Report, the financial position of the Company as at December 31, **2024**, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (“IFRS for SMEs”) endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Auditors and Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

**FUNDAMENTAL UNCERTAINTY RELATED TO GOING CONCERN**

We would like to draw attention to the company’s financial statements showed retained losses on 31 December 2024 at a value of 5,086,101 Saudi riyals, exceeds all of the capital of the company. if the matter leads to the liquidation of the company, it may not be able to realize the recorded book values ​​of receivables, real estate, plant and equipment without significant losses. the partners of the company issued a decision confirming the continuation of the company’s business and providing adequate financial support to enable the facility to continue and meet its financial obligations when due as shown in note no. (2-4).

**Report On The Audit Of Financial Statements(Continued)**

**Hangzhou Industrial Co.Ltd. (Continued)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with international financial reporting standard for small and medium – sized entities ( IFRS for SMEs) endorsed in the kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi organization for certified public accountants ( SOCPA) and the provisions of

Companies’ Law and for such internal control as management determines 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, management is responsible for assessing the Company ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the branch financial reporting process.

**Auditors’ 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on

Auditing that are endorsed in the Kingdom of Saudi Arabia 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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 branch internal control .

**Report On The Audit Of Financial Statements(Continued)**

**Hangzhou Industrial Co.Ltd.** **(Continued)**

**Auditors’ Responsibilities for the Audit of the Financial Statements(Continued)**

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
* Conclude on the appropriateness of management’s 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 branch 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 branch to cease to continue as a going concern.
* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
* We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit .

|  |  |  |
| --- | --- | --- |
|  |  | **EDRAK GLOBAL** |
|  |  | **CHARTERED ACCOUNTANTS & AUDITORS** |
| **20** **February,2025** |  | **Salman Abdul Rahman Al Thumairy** |
| **19 Shaban,1446** |  | **LICENSE NO.741** |

1. **In Corporation and activity**

**A. Name:** Hangzhou Industrial Co.Ltd.

**B. Legal Structure:** Limited Liability Company - Joint Venture

**C. Commercial Registration:** The company obtained CR No. 2050143001 issued by the city of Dammam and registered in the Dammam city on 07/17/1442

**Business Activity:** Manufacture of coverings for ceilings and walls in the form of rolls or tiles, making containers from plastics and making bags from plastics. Under the license of the General Investment Authority No. (12103410492663) dated 04/27/1441

**The company's fiscal year:**  begins on the first of January and ends at the end of December of each Gregorian year.

1. **Basics of preparation**
   1. Statement of compliance with the International Financial Reporting Standard for Small and Medium Enterprises

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Enterprises approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Auditors and Accountants.

The adopted international standard is the international standard for small and medium enterprises as issued by the International Accounting Standards Board, in addition to the requirements and disclosures added by the authority to some sections of that standard in accordance with what was stated in the document for the adoption of the international financial reporting standard for small and medium enterprises. And other standards and publications

mean what the Saudi Organization for Auditors and Accountants approves of standards and technical opinions for topics not covered by the international standard, such as the issue of zakat and bankruptcy .

* 1. basics of measurement

The financial statements have been prepared using the measurement bases specified by the International Financial Reporting Standard for Small and Medium Enterprises approved by the Saudi Organization for Auditors and Accountants for each type of assets, liabilities, revenues and expenses. The company presents the statement of financial position on a current and non-current basis. These financial statements have been prepared on the historical cost basis. Except for financial investments at fair value, investment properties which are measured on a fair value basis.

The preparation of financial statements in accordance with IFRS for Small and Medium Enterprises requires the use of some significant accounting estimates. It also requires management to use its estimates in applying accounting policies.Those areas that require a high or more complex degree of estimation, or that require important assumptions and estimates, have been disclosed in Note No. (3).

* 1. Functional currency

These financial statements are presented in Saudi Riyals, which is the company's functional currency.

* 1. Going concern

The company's financial statements showed accumulated losses on December 31, 2024, amounting to 5,086,101 Saudi riyals, exceeding all of the company's capital. If the matter led to the liquidation of the facility, it may not be able to achieve the recorded book values ​​without major losses. On February 16, 2025, the partners in the company's capital issued a decision confirming The facility's work continues with sufficient financial support, in accordance with the dated letter On February 16, 2025, to cover those losses from the partners’ account, the financial statements were prepared assuming the company’s continuity in the foreseeable future.

1. Significant accounting estimates and assumptions

Preparing the financial statements requires management to use estimates and assumptions that affect the application of policies and the apparent values of assets, liabilities, revenues and expenses contained in the financial statements Determining estimates requires management to make decisions that are based on past experience, current experience and expectations of future conditions, and all other available information. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. The adjustments that result from the revision of accounting estimates are reflected in the revision period and future periods affected by these adjustments.

The most important items of the financial statements that require the use of expectations and assumptions by management are related to the following:

1. Useful life of property, plant and equipment

The management estimates the useful lives of property, plant and equipment for the purpose of calculating depreciation based on the expected use of these assets. The management reviews the value and the remaining useful lives annually and the future depreciation expense is adjusted if the management believes that the useful lives differ from previous estimates.

1. Refundable value

Management estimates the recoverable amount of the assets to determine whether there has been any impairment in their value.

1. Lease contracts

In applying the classification of leases, management considers its leases either as operating leases or as finance lease arrangements. In some cases, the lease transaction is not always final, and management uses judgment in determining whether the lease is an operating or finance lease. For interest-free finance lease arrangements, management uses its best judgment to determine the prevailing market interest rate for the purpose of discounting.

1. Provisions and Contingent Liabilities

The Key assumptions about the probability and magnitude of resource flows to and from the facility. These estimates include key estimates of the likelihood of occurrence and an estimate of the amount of the obligation.

1. Trade receivables

An entity assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the entity makes judgments about whether there is observable data that indicates a measurable decrease in cash flows. The estimated future of the financial asset.

1. Summary of significant accounting policies
2. Classification of current vs. non- current

The company presents assets and liabilities in the statement of financial position on a current/non-current basis

An asset is considered current when:

* Expected to be realized or intended to be sold or used, during the normal operating cycle, or
* It is held primarily for the purpose of trading, or
* Expected to be realized within twelve months after the reporting date, or
* It is cash, or cash equivalent, unless it is subject to restrictions on its exchange or use to settle any liabilities for a period of not less than twelve months after the reporting date.

**4- Summary of significant accounting policies(Continued)**

All other assets are classified as “ non-current”.

Liabilities are considered current when:

* Expected to be settled during the normal operating cycle, or
* If it is held primarily for trading purposes, or
* It is payable within twelve months after the reporting date, or
* When there is no unconditional right to defer the payment of obligations for a period of not less than twelve months after the reporting date.
* All other liabilities are classified as “non-current ”.

1. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, and highly liquid investments that are subject to an insignificant risk of change in value and that mature within three months or less from the date of their inception, if any, that are available to the Company without any restrictions.

1. financial instruments

The Company accounts for all of its financial instruments in accordance with Sections 11 and 12 of the International Financial Reporting Standard for Small and Medium Enterprises.

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument. When a financial asset or financial liability is initially recognized, it is measured at the transaction price (including transaction costs except for the initial measurement of financial assets and financial liabilities subsequently measured at fair value through profit or loss) unless the arrangement constitutes, in fact, a financing transaction for the entity ( for a financial liability) or counterparty (for a financial asset) If the arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of future payments discounted at the market interest rate of a similar debt instrument.

At the end of each reporting period, the financial instruments are measured as follows, without any subtraction of transaction costs that the Company would incur on sale or other disposal:

* Debt instruments are measured at their depleted cost using the real interest method if they meet the conditions necessary for this proof. Debt instruments that are classified as current assets or current liabilities are measured at the amount of undiscounted cash or other cash consideration that is expected to be paid or received (ie net of impairment) unless the arrangement constitutes, in fact, a financing transaction.
* Commitments to receive a loan, which meet the conditions for this evidence, are measured at cost (which may be zero) minus the impairment in value.
* Investments in non-convertible preferred stock and non-refundable common or preferred stock, if any, are measured as follows:
* If the shares are traded in a public market or their fair value can otherwise be measured reliably without undue cost or effort, the investment shall be measured at fair value with changes recognized in profit or loss. All other such investments are measured at cost minus impairment

4. Summary of significant accounting policies (continued)

4-3 Financial instruments(continued)

* Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are settled or substantially all the risks and rewards of ownership of the financial asset are transferred to another party, or the entity although it has retained some significant risk and reward of ownership, has transferred control of the asset to a third party. Another and the other party has the practical ability to sell the entire asset to an unrelated third party and is able to exercise that ability individually without the need to impose additional restrictions on the transfer process.

obligation ( or part of a financial obligation) is derecognised only when it is amortized, i.e. when the obligation specified in the contract is fulfilled, canceled or expires.

1. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment in value.The cost of the asset includes all costs related to acquiring the asset and any other direct costs necessary to put the asset in the location and condition necessary for it to be ready for use for its intended purpose.

The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable to bringing the assets into a condition for their intended use, and the costs of dismantling and removing items and repairing the site on which they are.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses resulting from the disposal of an item of property, plant and equipment are determined by comparing the proceeds of disposal with the book value of property, plant and equipment, and is recognized on a net basis, in profit or loss.

The cost of replacing part of an item of real estate, plant and equipment is recognized at the book value of the item if the recognition criteria are met in the financial statements. As for other maintenance and repair costs, they are recognized as an expense in the statement of profit or loss and other comprehensive income when incurred.

Complete capitalization expenses suffix Just when consequent on her more at Benefits Economic future, can measure it in the form of Reliable Borrowing costs which are recognized as an expense in profit and loss are not capitalized when incurred .

Depreciation is the systematic distribution of the depreciable amount of an asset over its estimated useful life. The depreciable amount is the cost of the asset less its residual value.

When there are indications that the residual value of the asset or its useful life has changed since the latest annual report date, previous estimates are reviewed and taking into account the need to modify the residual value, depreciation method or useful life, and treat this change as a change in an accounting estimate.

Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each item of property and equipment as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **original type** |  | **Estimated age in years** |  |
| Furniture & Fixtures and Office Equipment |  | 10 |  |
| Machinery & Equipment |  | 10 |  |
| Vehicles |  | 5 |

4.Summary of significant accounting policies (continued)

1. Intangible assets

A company recognizes an intangible asset only if:

a) It is probable that the expected future economic benefits attributable to the asset will flow to the Company.

b) the cost or value of the asset can be measured reliably.

c) The asset does not result from an expense incurred internally on an intangible item.

The Company assesses the likelihood of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of economic conditions that will exist over the useful life of the asset. The Company uses judgment to assess the degree of certainty associated with the flow of future economic benefits that can be attributed to the use of the asset on the basis of the evidence available at the time of initial recognition, with external evidence given greater importance.

initial measurement

The Company initially measures an intangible asset at cost. The cost of an intangible asset acquired separately includes:

a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and refunds.

b) any cost directly attributable to preparing the asset for its intended use.

measurement after proof

The Company measures intangible assets at cost less any accumulated amortization and any accumulated impairment losses.

**computer programs**

Software purchased was recorded at cost less accumulated depreciation and any accumulated impairment losses. It is amortized over its useful life of four years using the straight line method. If there is an indication that there has been a significant change in the useful life or residual value of that intangible asset, the amortization is adjusted prospectively to reflect the new expectations.

1. Lease contracts

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. Determining whether a lease is a finance lease or an operating lease depends on the substance of the transaction and not on the form of the contract.Rights in assets held under finance leases are recognized as assets with the company at the fair value of the leased properties ( or the present value of the minimum lease payments if less) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability . The lease payments are distributed between the financing expenditures and the reduction of the lease obligation in order to achieve a fixed interest rate on the remaining balance of the liability. Assets held under finance lease contracts are included in non-current assets,and are depreciated and evaluated to determine impairment losses in the same way as owned assets. Depreciation is calculated on the leased asset under the finance lease over its useful life or the lease term, whichever is less.

Rents accrued under operating leases are charged to the statement of comprehensive income using the straight-line method over the term of the relevant lease contracts.

4. Summary of significant accounting policies (continued)

1. zakat

The provision for Sharia zakat is calculated annually in the financial statements in accordance with the instructions of the Zakat, Tax and Customs Authority (“the Authority”) in the Kingdom of Saudi Arabia. Additional zakat liabilities , if any related to assessments made on previous years are calculated by the Authority in the period in which the final assessments are issued.

1. **Current income tax**

Income tax assets and liabilities for the current and previous yearare measured at the amount expected to be recovered from or paid to the competent authorities. Income tax is recognized in the statement of comprehensive income.

Net tax income is the net accounting income after making adjustments to it for the purpose of calculating tax .

1. **Deferred income tax**

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are calculated for all deductible temporary differences, unused carry forward of unused tax losses, and unused tax losses carried forward to the extent that it is probable that there will be taxable profits that can be used against those assets..

The carrying amount of deferred tax assets/liabilities is reviewed at the date of preparing each financial statement and reduced to the extent that .  It is not likely to have sufficient taxable profits to allow the use of all or part of the deferred tax assets/liabilities. Deferred tax assets / liabilities that are not recognized at the date of preparing each financial statement are re-evaluated and recognized to the extent that it is likely to result in future taxable profits that allow the recovery of deferred tax assets and payment of deferred tax obligations.

Deferred tax assets and liabilities are offset when there is a statutory right to settle current tax assets with current tax liabilities, and the deferred tax relates to the same taxable company.

1. Revenue Recogniation

**Revenue Measurement:**

. is measured revenue in value fair for the compensation or worthy collection . and take fair value to compensate collector or worthy collection Under consideration any rebates commercial, and discounts quick settlement and discounts the size Which allow with company.

And when Complete delay the flow Inside From criticism or What is the ruling and it was the agreement It includes at jewel treatment finance, then fair value to compensate she the value current for all future earnings which Complete determined using Rate implicit interest . and arise process finance, On way example, when you give Enterprise credit for customer without benefit, or may be The facility accepts From Client paper catch rate benefit say about average logistic as compensation for service sold out.

**Sales revenue**

Revenue from sales is recognized when products are delivered or shipped by which the significant risks and benefits associated with ownership of the goods have been transferred to the buyer, where the Company has no effective control or ongoing management involvement to the extent normally associated with ownership of the goods and when the mount of revenue can be measured reliably and it is probable that the The economic benefits associated with the sale to the company and the ability to measure the cost of the transaction in a reliable manner. Sales are recorded after deducting returns, trade discounts and quantity discounts.

4. Summary of significant accounting policies (continued)

1. expenses

are recognized in the income statement when a decrease in economic benefits has arisen during the reporting period in the form of outflows, or a decrease in assets, or the assumption of liabilities, which leads to a decrease in equity, other than the decrease related to distributions made to owners.

For the purposes of preparing the income statement, expenses are presented using a classification based on the expense function, where the expenses are grouped according to their nature as part of the cost of revenue or as part of administrative activities, or distribution activities, if any.

Management follows a regular basis for allocating common expenses among the main functions of these expenses.

1. Foreign currency transactions

The company maintains its accounts in Saudi riyals, and foreign currency transactions are converted into Saudi riyals according to the exchange rates prevailing at the time of the transaction. Financial assets and financial liabilities recorded in foreign currencies as on the balance sheet date are converted into Saudi riyals at the exchange rates prevailing on that Gains and losses arising from settlements or foreign currency conversion are included in the statement of profit or loss.

1. Financial Instruments Fair Value and Risk Management

**fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arm's length transaction considered as Administration that Value fair balance City Other, balances creditor other rapprochement Rate it ledger , . Management does not believe that the fair values of the Company's financial assets and liabilities are materially different from their carrying values

**Risk Management:**

The Company is exposed to the following risks as a result of its use of financial instruments:

* liquidity risk
* credit risk
* foreign exchange risk
* Interest rate risk

This note provides information about the Company's exposure to each of the above risks, the Company's objectives,policies and methods for measuring and managing risk and the Company's management of capital.

**liquidity risk**

Liquidity risk is represented by the company's inability to meet its obligations related to financial liabilities as they become due. Liquidity needs are monitored periodically and management ensures that sufficient funds are available to meet any commitments as they become due. Accordingly, the company is not exposed to significant liquidity risks.

The company's financial liabilities consist of receivables to related parties and other receivables. Practically all of these financial liabilities are expected to be settled within 12 months from the date of the statement of financial position and the Company's management expects to have sufficient funds to do so.

**credit risk**

Credit risk is represented in the failure of one of the parties to a financial instrument to fulfill its obligation and causing the company to incur a financial loss. The company’s financial instruments that may be exposed to credit risk mainly include cash in banks and other debit balances.

The company deposits its funds in reliable financial banks with high credit capacity, and the company has a policy regarding the amount of funds deposited in each bank, and the management does not expect the existence of significant credit risks resulting from this. Also, the management does not expect to be exposed to significant credit risks from the accounts receivable due to its dealings with clients with high financial solvency and credit capacity. The management also monitors the outstanding debit balances periodically.

**foreign currency risk**

Currency risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates.

The company did not carry out any transactions of relative importance in currencies other than the Saudi riyal and the US dollar. Since the exchange rate of the Saudi riyal is fixed against the US dollar, balances in US dollars do not represent a

**20-Financial Instruments Fair Value and Risk Management(continued)**

significant currency risk. The Company's management monitors the fluctuations in currency rates and believes that the currency risk is immaterial.

**Interest rate risk**

Interest rate risk arises from the potential changes and fluctuations in interest rates that would affect future profit or the fair values of financial instruments. The Company has no significant assets or liabilities that are subject to changes in comparison numbers. The Company's management believes that the interest rate risk is immaterial

1. **Reclassification of year**

Certain comparative figures have been reclassified to conform with the presentation for the current year.

1. Approval of the financial statements

The company’s financial statements for the financial year ending on December 31, 2024 were approved by the company’s management on 16 February 2025.