

Asharqiyah Development Co.

Public Joint Stock Company

Authorized & Paid-Up Capital SR. 300,000,000



الشركة الشرقية للتنمية

شركة مساهمة عامة

رأس المال المصرح به والمدفوع 300,000,000 ريال سعودي

Asharqiyah Development Company
Audit Committee Report
For the year ended December 31, 2025



Date: June 02, 2026

Annual Report of the Audit Committee For the Fiscal Year Ended December 31, 2025

Introduction:

The Chairman and members of the Audit Committee of Asharqiyah Development Company are pleased to present their annual report for the year ended December 31, 2025, pursuant to Article 88 of the Corporate Governance Regulations issued by the Capital Market Authority, which stipulates that the Audit Committee's report must include details of its performance of its responsibilities and duties as outlined in these regulations, and must include its recommendations and opinion on the adequacy of the company's internal and financial control and risk management systems.

This report will review the following:

First: Committee Formation:

- The Audit Committee – as an independent committee emanating from the Board of Directors – was formed by the Board of Directors' Resolution No. 270, held on 02/01/1445 AH, corresponding to 20/07/2023 AD, for a term of four years following that date, and consists of:

Name of Committee Member	Membership Title	Position	Notes
Ali bin Yahya AlJaafri	Independent	Chairman of the Committee	
Bassam bin Mohammed Al-Buqawi	From outside the Board	Member	
Abdullah bin Saleh Al-Harbi	From outside the Board	Member	Resigned on 10/02/2025
Saad bin Mohammed Al-Huwaymil	From outside the Board	Member	

- The Audit Committee is responsible for monitoring the company's operations, verifying the integrity and accuracy of its financial reports and statements and internal control systems, and ensuring the suitability and adequacy of its accounting and financial policies. It also oversees internal audit activities and internal auditors, and submits necessary recommendations to the Executive Committee and the Board of Directors to contribute to achieving its objectives within the scope of its powers and responsibilities as stipulated in the Governance Regulations.

Second: Committee Meetings

- The Committee meets at least quarterly, with additional meetings held as needed. During the fiscal year 2025, the Committee held seven (7) meetings.
- The CEO and CFO are invited to attend meetings when required to provide any clarifications regarding executive or financial matters.



- The Chairman of the Audit Committee shall present all matters of importance to the Board of Directors that are noted by the external auditor or the internal auditor, along with submitting the Committee's recommendations to the Board regarding these matters.
- It is worth noting that there is no conflict between the recommendations of the audit committee and the decisions issued by the board of directors during the year.
- Meeting details:

Session No.	The Date	Ali Al-Jaafari	Bassam Al-Baqawi	Saad Al-Huwaimel
1-2025	19/03/2025	√	√	√
2-2025	24/03/2025	√	√	√
3-2025	01/05/2025	√	√	√
4-2025	13/05/2025	√	√	√
5-2025	22/07/2025	√	√	√
6-2025	30/07/2025	√	√	√
7--2025	05/11/2025	√	√	√

Third: Summary of the Committee's work during the year 2025

- Studying and evaluating internal control systems and providing appropriate recommendations to ensure system efficiency and follow-up on the implementation of recommendations.
- Nominating one of the specialized internal audit firms to conduct audits of the company's transactions.
- Reviewing and discussing the internal audit reports and their contents, and following up on the implementation of the recommendations contained therein.
- Reviewing the company's consolidated quarterly and annual financial statements before their presentation to the board of directors, and providing its opinion and recommendations to ensure their integrity, fairness, and transparency, and that they are presented in accordance with international accounting standards and provide complete and mandatory information to shareholders.
- Review the content of the Board of Directors' annual report to ensure that it accurately reflects the company's activities in order to evaluate the company's performance, business model and strategy.
- Review the methodology adopted for audit work with external auditors and management included in the independent auditor's year-end report.
- Reviewing internal audit reports and findings, studying the recommendations contained in the internal auditor's report, and strengthening these recommendations to ensure management's response.
- Discussing with management the study of risk indicators and evaluating the effectiveness of risk identification and monitoring systems and mechanisms, including monitoring the implementation of risk policies and procedures.
- Reviewing the independence of external auditors.



- Nominating chartered accountants and following up on their appointment and engagement letters for the audit process.
- Reviewing accounting principles, standards, and practices proposed by management.

The following is a statement of activities related to the most prominent topics undertaken by the Audit Committee during 2025.

1. Financial Reports

- The Committee reviewed the Company's consolidated financial statements for the year ended December 31, 2025, and discussed the Independent Auditor's report. The Auditor expressed reservations regarding Management's failure to conduct an impairment test on intangible assets – specifically, government-granted land. Management stated that the study had been prepared by a consulting firm and submitted to the External Auditor, who indicated a need for 5-7 working days to provide an opinion on the study's contents. This exceeded the statutory publication deadline and incurred penalties. Therefore, the Committee recommended adherence to the publication timeframe.

The Committee also recommended that Management take the necessary steps to complete the impairment study on intangible assets to ensure no reservations arise in future periods.

In addition to the above, it was verified, as stated in the Independent Auditor's report, that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements approved by the Saudi Organization for Certified Public Accountants (SOCPA).

- The Committee reviewed the condensed consolidated interim financial statements for the first, second, and third quarters of fiscal year 2025.

2. Internal Control:

- As part of the Audit Committee's mandate to verify the effectiveness of the company's policies and procedures related to internal control systems, the Committee recommended contracting an external auditor to conduct the internal audit. Mizan Al-Arqam Office was contracted for the period from April 1, 2025, to March 30, 2026.
- The Committee reviewed the reports issued by the internal auditor and discussed the recommendations contained therein. The Committee recommended the necessity of implementing the recommendations, preparing a (Gap Analysis Study), and presenting the results to the Committee to follow up on the implementation of the recommendations. This will support the efficiency and adequacy of the internal control systems across all company transactions and departments.



3. Transactions with Related Parties and Conflicts of Interest:

The Committee verified the absence of any transactions with related parties indicating a conflict of interest within the company, including any transaction, procedure, or course of action that would raise questions about management integrity and requires notification of the Board of Directors.

4. Appointment of the External Auditor:

- The committee reviewed three price quotations submitted by certified public auditors to audit the company's accounts for the period from April 1, 2025, to March 30, 2026. The quotations were evaluated based on professional qualifications and fees. The committee shortlisted two applicants, and the General Assembly approved the selection of Al-Kharashi & Partners Certified Public Accountants (Mazars).
- The committee obtained confirmation from the external auditor of their independence throughout the audit of the company's consolidated financial statements, in accordance with relevant professional and regulatory requirements, and that they met the suitability criteria.
- The committee held four meetings with the external auditors during 2025.

Fourth: The committee's opinion on the adequacy of the company's internal and financial control and risk management systems:

The committee believes that the internal control, financial and risk management systems implemented in the company in their current state do not meet the requirements of the next stage with the expansion of the company's business. The committee is monitoring the current internal control systems, appropriate financial controls and risk management and believes they are sufficient in light of the size of the activity, the size of the transactions and the number of departments and current employees. However, with the start and expansion of activities, more control tools and appropriate financial controls are needed in line with the development of the business, taking into account the expected cost and its suitability to the objectives that will be achieved.

Chairman of the Audit Committee

Ali Yahya Aljaafri