AUDIT COMMITTEE REPORT

The Audit Committee of Lion Industries Corporation Berhad is pleased to present the Audit Committee Report for the 18-month financial period ended 30 June 2026.

COMPOSITION

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

- **Members**

  Cik Zainab binti Dato' Hj. Mohamed
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
  (Appointed as a member on 27 November 2025)
  (Independent Non-Executive Director)

  Y. Bhg. Dato' Sun Teoh Tia
  (Independent Non-Executive Director)

  The respective profiles of the members are set out under Directors' Profile in the Annual Report.

- **Secretaries**

  The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi Lin and Ms Kong Siew Foon, are also Secretaries of the Audit Committee.

MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The members of the Audit Committee shall elect a chairman among themselves who is an independent Director and who is not the chairman of the Board. The composition of the Audit Committee shall fulfil the requirements as prescribed in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

None of the members of the Audit Committee was a former partner of the External Auditors of the Group.

MEETINGS AND MINUTES

The Audit Committee shall meet at least 4 times annually, and the Group Chief Internal Auditor and the Chief Accountant shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent Directors present shall form a quorum. The Audit Committee shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

Minutes of each Audit Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit Committee Meeting and subsequently presented to the Board for notation. The Chairman of the Audit Committee shall report on each meeting to the Board.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance and other best practices are available for reference on the Company's website at www.lion.com.my/lionind.

ACTIVITIES FOR THE FINANCIAL PERIOD

During the financial period under review, 6 Audit Committee Meetings were held. While Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat attended the remaining 2 Meetings held subsequent to his appointment, the other members attended all the 6 Meetings held during the financial period.

The Chief Accountant was present at all the Meetings. As the position of the Group Chief Internal Auditor was vacant during the first 12 months of the financial period, a Senior Manager from the Group Management Audit Department attended the 4 Audit Committee Meetings held during the period, representing the Internal Audit Function. He was subsequently appointed Group Chief Internal Auditor in January 2026, and in his new capacity, attended the remaining 2 Meetings held during the financial period.

The Audit Committee carried out its duties for the financial period in accordance with its Terms of Reference.

The main works undertaken by the Audit Committee for the financial period are as follows:

- **Financial Results**

  Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of material accounting policies and compliance with MFRS Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB"), IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), provisions of the Companies Act 2016 and requirements under the Listing Requirements; significant matters highlighted including financial reporting matters, significant transactions and judgements made by Management; and main factors contributing to the financial performance of the Group in terms of revenue and earnings.

  Discussed with Management and External Auditors, and had obtained reasonable assurances that all changes in material accounting policies had been implemented; MFRS Accounting Standards issued by MASB, IFRS Accounting Standards issued by IASB, provisions of the Companies Act 2016 and requirements under the Listing Requirements had been complied with; significant matters including Key Audit Matters and critical accounting judgements and key sources of estimation uncertainties made by Management had been evaluated by the External Auditors; and impact of new accounting standards for the following financial year, where relevant, had been assessed.

- **Internal Audit**

  (a) Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the financial period and assessed the performance of the Internal Audit Function.

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response and actions taken to improve the system of internal control and procedures. Where appropriate, the Audit Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

      Audit approach had been determined in areas with weaknesses in control as revealed by the Internal Auditors during their previous audit reviews.

(d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.

(e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The Internal Auditors had validated the ratings during their audit review, and adjustments to the ratings, if any, had been made accordingly and reported to the Audit Committee.

(f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.

All recurrent related party transactions of a revenue or trading nature undertaken were in compliance with the Listing Requirements and the Group's policies and procedures as well as the Shareholders' Mandate.

(g) Reviewed the quarterly reports on situations of conflict of interest ("COI"), potential COI and interest in competing business involving the Directors and Key Senior Management that arose or persist in addition to those that may arise; and the measures taken to resolve, eliminate, or mitigate such conflicts.

The Code of Business Ethics and Conduct of the Group includes disclosure requirements on COI and potential COI by employees, Directors and Key Senior Management. The Group has in place (i) processes and procedures to mandate the Directors and Key Senior Management encountering a situation of COI to disclose the nature, extent and scope of the conflict as and when any such conflicts arise in addition to submitting their COI Declaration annually; and (ii) measures to resolve, eliminate, or mitigate COI and potential COI situations.

In addition, Whistleblower Policy has been in place to provide an avenue or course of action an employee, customer, supplier or third party, may take to escalate any wrong doing committed by employees, Directors and Key Senior Management.

Below is a summary of potential COI situations disclosed by Directors and measures taken to mitigate thereon:

(1) Y. Bhg. Tan Sri Cheng Heng Jem ("TSWC"), the Chairman and Managing Director of the Company, has substantial interest in the Company and is deemed to be interested in the subsidiaries of the Company. He also has interest in companies which conduct similar businesses with the Group in the following areas where potential COI may arise:

Business of the Group	Nature and Extent of Interest	Potential COI
Mixed property development in Malim Jaya, Melaka and Taman Supreme, Kuala Lumpur.	By virtue of his interest and/or directorship in Lion Corporation Berhad ("LCB") and certain privately owned property development companies with projects in Bandar Mahkota Cheras, Banting, Lenggeng and Bandar Bukit Mahkota Bangi.	May arise due to the similar nature of the business. Nevertheless, the Group currently does not have any development where the location is conflicting with the property development of LCB and TSWC's privately owned companies.

(2) Ms Cheng Hui Ya, Serena is a non-independent non-executive Director of the Company. She is also the daughter of TSWC and holds directorship in certain companies disclosed by TSWC under (1) above. As such, potential COI may occur in all companies and projects disclosed by TSWC under (1) above.

(h) Reviewed the Sustainability Statement together with the Statement of Assurance issued by the Internal Auditors, before recommending the same for Board's approval for inclusion in the Annual Report.

(i) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 23 to 32 of this Annual Report.

The Audit Committee was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group's operations. The Audit Committee also acknowledged that implementation measures were continuously being taken to strengthen the system of risk management and internal control so as to safeguard the Group's assets as well as the shareholders' investments, and the interests of other stakeholders.

(j) Reviewed the Group Compliance Framework for the financial period under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan for the financial period.

(k) Approved an annual budget for the Internal Audit Function to effectively carry out its audit plan.

(l) Approved the Audit Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

- **External Audit**

(a) Reviewed and discussed with External Auditors the audit strategy memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company.

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

(d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the financial period taking into consideration information presented in the Audit Quality Commitment Newsletter published by the External Auditors, in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit Committee.

The Audit Committee had received from the External Auditors written confirmation that they have complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, and that they have policies and procedures in place which were designed to ensure that they carry out their work with integrity, objectivity and independence.

Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.

(e) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors.

(f) Met with the External Auditors thrice to discuss matters in relation to their audit planning and audit review of the financial results. The External Auditors met with the Audit Committee without executive Board members and Management after their audit review of the financial results to discuss matters in relation thereto and arising therefrom.

- **Compliance Management**

(a) Conformance to Group policies and procedures

Noted the status and outcome of the half-yearly Compliance Risk Self-Assessment ("CRSA") exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, guidelines and standards, market/industry best practices and Group policies and procedures, and discussed the adequacy of measures to address such gaps or non-compliance. The CRSA questionnaire sets and declarations were completed by the identified Heads of Business, Finance Officers of the Operating Companies ("OCs"), Group Accountants, Company Secretaries, Group Tax, Group Treasury and Group Corporate Planning.

(b) Noted the status of the activities of Group Risk Management and Compliance Department which included monitoring on a half-yearly basis the scope of activities and status of implementation including remedial actions as driven and coordinated by the Group Risk Management and Compliance Department as set out in the Compliance Program/Work Plan for the financial period.

- **Risk Management**

(a) The Audit Committee together with the Risk Management Committee:

- Monitored the progress on the achievement of targets set for business objectives of OCs for the financial period via review of the Corporate Performance Scorecards updates on a half-yearly basis. The Audit Committee sought explanation/understanding from the Risk Management Team ("RMT") of OCs on non-performance.

- Reviewed the key risks as reported by the RMTs in their Corporate Risk Scorecards across the wide spectrum of risk facing the businesses and operations which included strategic risk, business risk, financial risk and operational risk. The Audit Committee provided comments on the adequacy and effectiveness of controls and/or management actions identified and/or implemented by the OCs in addressing the identified risks.

(b) The Audit Committee provided assurance to the Board on the risk reporting and review activities that took place during the financial period.

- **Related Party Transactions**

  (a) Reviewed related party transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders, and recommended the same for approval of the Board.

  (b) Reviewed the renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature for Shareholders' approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties ("RRPTs").

  The Audit Committee reviewed the review procedures and had opined that they were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the Group had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.

  The review on RRPTs by the Internal Auditors was reported to the Audit Committee on a quarterly basis.

  The Management had given assurance to the Audit Committee that related party transactions and mandate for recurrent related party transactions were in compliance with the Listing Requirements and the Group's policies and procedures.

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department ("GMA Department") and is independent from Management of the Company and the function which it audits. Its principal activity is to perform regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

As the position of the Group Chief Internal Auditor was vacant during the first 12 months of the financial period, Mr Tan Chee Hooi, then a Senior Manager from the GMA Department was carrying out relevant internal audit functions and overseeing audit assignments. He was subsequently appointed by the Audit Committee as the Group Chief Internal Auditor in January 2026. Mr Tan is a Certified Internal Auditor and a Professional Member of The Institute of Internal Auditors Malaysia. He holds a Master of Business Administration and a Bachelor's Degree in Mechanical Engineering, and has over 17 years of working experience, including more than 10 years in internal audit and business process analysis across industries such as retail, manufacturing, property development, hospitality, and fast-moving consumer goods. As part of his working experience, he was with KPMG Malaysia as an Associate Director, where he further strengthened his exposure to governance, risk management and compliance practices.

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit Committee. The Audit Committee is of the opinion that the Internal Audit Function is appropriate to its size and the nature and scope of its activities.

In discharging its function, the GMA Department adopts the *International Standards for the Professional Practice of Internal Auditing* as well as established auditing guidelines to enhance its competency and proficiency.

A risk-based audit plan is tabled to the Audit Committee for approval on an annual basis. The audit plan covers key operational and financial activities that are significant to the overall performance of the Group and is developed to ensure adequate coverage on a regular basis. Key risk areas are continuously identified and prioritised to ascertain the scope of the audit activities through the adoption by the operation management of the Risk Management and Internal Control – Self-Assessment Questionnaire, the Corporate Performance Scorecard and the Corporate Risk Scorecard.

During the financial period, the Internal Auditors had conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve operations and processes
- Investigations and special audit reviews
- Adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework
- Compliance aspects of the Anti-Bribery and Corruption Policy and its programmes
- Disclosures of COI and potential COI situations involving the Directors and Key Senior Management
- Issuance of Statement of Assurance in relation to the Sustainability Statement

The Internal Auditors also established follow-up review to monitor and to ensure that internal audit recommendations are effectively implemented. Significant matters were reported directly to the Audit Committee and Senior Management to ensure improvement and corrective actions are taken.

The internal audit works had been carried out according to the internal audit plan approved by the Audit Committee for the financial period.

The Internal Auditors are updated on the improvement and development in internal auditing standards, procedures, techniques, corporate governance and the Listing Requirements through the attendance of seminars and talks organised by The Institute of Internal Auditors Malaysia, the Malaysian Institute of Accountants, Bursa Malaysia Berhad and the Securities Commission Malaysia as well as core competency courses organised by professional training institutions. The Audit Committee was also satisfied that pending the appointment of the new Group Chief Internal Auditor during the first 12 months of the financial period, the Internal Audit Function was adequately overseen by a Senior Manager on an interim basis. The Senior Manager was subsequently appointed the Group Chief Internal Auditor in January 2026 and currently leads the Internal Audit Function, which is backed by 5 staff at the managerial and executive levels who possessed the relevant qualifications and experience, and has adequate resources to fulfil the internal audit plan for the next financial year. To further strengthen the function and enhance its audit capabilities, recruitment for 3 additional managerial/ executive-level positions is currently underway.

The Internal Auditors had confirmed that they are free from any relationships or conflict of interest which could impair their objectivity and independence in their audit assignments.

The total cost incurred in managing the Internal Audit Function of the Group for the financial period was RM599,423.00.