CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I hereby present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("the Group" or "the Company") for the financial period ended 30 June 2026.

FINANCIAL PERFORMANCE

The Company changed its financial year end from 31 December to 30 June, and hence the financial period under review is for an 18-month period from 1 January 2025 to 30 June 2026. The preceding financial year that ended on 31 December 2024 comprised 12 months from 1 January 2024 to 31 December 2024. As such, the results for these two periods are not comparable.

During the financial period under review, the global steel industry continued to face a challenging operating environment, characterised by geopolitical uncertainties, persistent industry overcapacity, volatile steel and raw material prices, and subdued demand growth in key markets. Evolving trade policies and fluctuations in international steel supply further contributed to market volatility, placing continued pressure on steel prices and margins.

Locally, the Malaysian steel industry remained under pressure, particularly the long steel segment, which continued to face a structural imbalance between supply and demand. Persistent excess capacity, intense competition and heightened price sensitivity exerted downward pressure on domestic steel prices and margins. At the same time, fluctuations in raw material prices and persistent cost pressures continued to weigh on margins and profitability. Although construction and infrastructure activities provided underlying support for long steel demand, market absorption remained insufficient to fully address the prevailing capacity overhang. Competition was further intensified by regional overcapacity and influx in imported steel products, reinforcing the need for steel producers to remain cost competitive, operationally efficient and disciplined in their market approach.

Amid these challenging market conditions, the Group registered a revenue of RM1,727 million and a loss before tax of RM203.1 million for the 18-month period under review after taking into consideration a gain on disposal of land amounting to RM33.4 million.

As of 30 June 2026, the net assets of the Group amounted to RM782 million, equivalent to a net assets per share of RM1.15. This represents a decrease of 30 sen compared with 31 December 2024.

SIGNIFICANT CORPORATE DEVELOPMENTS

(1) Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company, and Gelora Berkat Sdn Bhd ("GBSB"), a wholly-owned subsidiary of the Company, had on 1 September 2023 entered into separate conditional sale and purchase agreements with Unichamp Mineral Sdn Bhd ("Unichamp Mineral") for the disposal of portions of their respective freehold land measuring 19.781 acres and 7.006 acres (collectively, the "Sale Lands"), for a cash consideration of RM67.96 million ("SPA 1") and RM24.07 million ("SPA 2"), respectively ("Proposed Disposals").

Subsequently, on 4 September 2026:

(a) AMSB entered into a deed of amendment and restatement with Unichamp Mineral pursuant to which the cash consideration was amended to RM68.478 million and the sale land area in relation to SPA 1 was amended to 20.082 acres, and certain terms of the SPA 1 was amended ("Amended SPA 1"); and

(b) GBSB entered into a deed of amendment and restatement with Unichamp Mineral to amend certain terms of the SPA 2 ("Amended SPA 2").

(The Amended SPA 1 and Amended SPA 2 shall hereinafter be collectively referred to as the "Amended SPAs".)

The rationale to enter into the Amended SPAs are to remove the inter-conditionality between SPA 1 and SPA 2 and to incorporate certain terms of the supplemental letters.

Pursuant to the Amended SPAs, Unichamp Mineral has the right to nominate a nominee to purchase the Sale Lands at the same purchase price and upon the same terms and conditions of the Amended SPAs. The nomination rights are exercisable by Unichamp Mineral from the date of the Amended SPAs up to the date of the fulfilment of the condition precedent relating to subdivision under the respective Amended SPAs.

Consequently, Unichamp Mineral had on 4 September 2026 given notice in writing to AMSB and GBSB respectively, nominating Compact Energy Sdn Bhd ("CESB") to purchase the Sale Lands at the same price and upon the same terms and conditions contained in the Amended SPAs, pursuant to which CESB had entered into the Deed of Novation dated 4 September 2026 with Unichamp Mineral, AMSB and GBSB respectively.

The Proposed Disposals are pending fulfillment of conditions precedent.

(2) AMSB entered into a conditional sale and purchase agreement with RHB Trustees Berhad, the trustee for Axis Real Estate Investment Trust, on 22 April 2024 in relation to the disposal of a piece of leasehold industrial land held under HS(D) 119721, PT 59358 (now known as Lot 62610), located in Mukim of Kapar, District of Klang, State of Selangor for a disposal consideration of RM38.80 million to be satisfied entirely in cash ("Proposed Disposal").

The conditions precedent of the Proposed Disposal had been fulfilled in December 2024 and the conditional sale and purchase agreement for the Proposed Disposal had become unconditional.

PROSPECTS AND CORPORATE HIGHLIGHTS

Looking ahead, the operating environment for Malaysia's long steel industry is expected to remain challenging. While domestic demand is anticipated to be supported by the gradual implementation of infrastructure and construction projects, the industry is expected to continue facing headwinds from global economic uncertainties, persistent oversupply in the regional steel market, volatile steel prices, elevated energy costs and intense competition from imports. These factors are expected to continue exerting pressure on average selling prices and margins.

Against this backdrop, the Group will remain vigilant in managing these challenges and will continue to drive cost optimisation and operational efficiency initiatives across its operations.

The Group is taking measures to improve its long-term competitiveness and profitability by:

1. Restructuring the Group's investment in its steel assets by exploring and initiating discussions with potential reputable steel players with a view to reinvesting in its steel plants through joint venture arrangements. While the Group is actively pursuing these initiatives, there can be no certainty that any agreement will be successfully concluded.

2. Venturing into the electricity supply business within a designated area, which remains at an early stage of operation and is expected to provide a complementary source of revenue over the longer term.

3. Monetising selected assets within the steel business segment, including land bank, idle steel plants and machinery, to enhance the liquidity of the steel segment and the Group as a whole, thereby strengthening its financial position and improving its ability to navigate future industry challenges.

BOARD OF DIRECTORS

On behalf of the Board, I would like to record our thanks and appreciation to Y. M. Datuk Seri Utama Raja Nong Chin bin Dato' Raja Zainal Abidin who resigned from the Board on 27 November 2025, for his invaluable contributions during his tenure as Chairman of the Board, as well as a member of the Audit Committee.

The Board would like to extend its warm welcome to Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat on his appointment as an independent non-executive Director of the Company during the financial period. The Board believes that the Group will benefit from his extensive experience and expertise.

I am honoured to have been appointed the Chairman of the Company during the financial period while continuing to serve as the Managing Director. I would like to express my sincere appreciation to the Board members for their support and confidence in me. I look forward to working closely with the Board and management to steer the Group towards sustainable growth and continued progress.

APPRECIATION

On behalf of the Board, I wish to express my heartfelt and sincere thanks to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continuing support and confidence in the Group throughout these challenging times.

I would like to convey my appreciation and gratitude to my fellow Directors for their invaluable guidance and contribution throughout the financial period.

Last but not least, I would like to place on record my appreciation to the management and staff for their dedication and commitment to the Group.

TAN SRI CHENG HENG JEM
Chairman