Appendix I

LOTTE CHEMICAL TITAN

22 May 2026
Your Reference: MSWG-CM-03-08/26

MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad
23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

BY EMAIL

Dear Sir/ Madam,

2026 ANNUAL GENERAL MEETING OF LOTTE CHEMICAL TITAN HOLDING BERHAD ("LCT" OR "THE COMPANY") TO BE HELD ON MONDAY, 25 MAY 2026

In relation to your letter dated 19 May 2026, we would like to provide our responses below.

Operational & Financial Matters

1. **Despite higher revenue of RM7.94 billion in FY2025 (FY2024: RM7.44 billion), LCT's cost of sales exceeded revenue at RM8.72 billion (FY2024: RM8.08 billion), indicating that the Group incurred losses at the operating level before taking into account other expenses (page 161, Annual Report 2025).**

   At the same time, impairment losses on property, plant and equipment (PPE) and right-of-use assets (ROUs) increased significantly to RM1.34 billion from RM940.23 million previously.

   Consequently, LCT's net loss attributable to owners of the Company widened to RM2.11 billion, a 66.83% higher than the RM1.26 billion previously.

   a) **Given the higher revenue recorded during the financial year, why did the Group continue to incur operating losses before other expenses? What key factors contribute to the negative operating margin? How will the Group restore profitability at the gross level?**

   A:

   i) The negative operating margin was mainly attributable to:
      a) Margin spread compression;
      b) Higher depreciation expenses upon commercialisation of LOTTE Chemical Indonesia New Ethylene ("LINE") project; and
      c) Higher inventories write-down to net realisable value.

   ii) The contingency measures and mitigating actions being undertaken by the Group are disclosed in detail under the Going Concern Assumption section of Note 2 to the Financial Statements on pages 170 to 171 of the Annual Report.

   b) **During FY2025, the Management determined that the recoverable amounts of the investments in Lotte Chemical Titan (M) Sdn Bhd (LCTM) and PT Lotte Chemical Indonesia (LCI) were lower than their respective net carrying amount as of 31 December 2025. Accordingly, impairment losses of RM1.64 billion were recognised in FY2025 (page 175, AR2025).**

What is the breakdown of the impairment losses recognised for LCTM and LCI? What key assumptions are used in determining the recoverable amounts, i.e., plant utilisation rates, margin spreads between the prices of finished goods?

Additionally, what are the current utilisation rates for Pasir Gudang, Tanjung Langsat and the Indonesia LINE petrochemical plant?

A:

i) The breakdown of the impairment losses recognised in FY2025 is as follows:

   a) LCTM: RM1,121 million

   b) LCI: RM515 million

   The key assumptions used to determine the recoverable amounts for LCTM and LCI are disclosed in Note 3(d) of the Financial Statements on page 175 of the Annual Report.

ii) The average plant utilisation rate for the Group for Q1 2026 is 61%. Barring any unforeseen circumstances, the operating rate guidance for FY2026 is approximately 60% to 65%. This guidance may be adjusted from time to time.

c) **The Indonesia LINE petrochemical plant commenced commercial operation on 15 October 2025. However, impairment losses on the investment in the subsidiary were recognised within approximately three months of operations commencing.**

   i) **What basis and triggering factors for recognising the impairment within such a short period after commencement of commercial operations?**

A: The Group identified impairment indicators arising from compressed product margins and elevated feedstock costs, and an impairment assessment was performed in accordance with MFRS 136 — Impairment of Assets.

   ii) **Do the assumptions underpinning the original investment case and project viability remain achievable?**

A: Key assumptions on product pricing, demand and feedstock costs were adversely affected by unforeseen external macroeconomic and geopolitical developments, which was beyond reasonable anticipation at the time the investment decision was made.

   iii) **What lessons has the Board drawn in relation to capital allocation, project execution and risk management arising from this development?**

A: The investment underwent thorough evaluation and due diligence prior to approval. The impairment was primarily driven by external macroeconomic and geopolitical factors beyond the Group's control.

d) **The impact of the Middle East Conflict, which started on 28 February 2026, was not incorporated into the impairment assessment as of the end of FY2025. Accordingly, there is a significant risk that the assumptions applied in the impairment assessment may require revision, potentially resulting in material adjustments to the carrying values of the CGUs within the next financial year (page 174, AR2025).**

Please outline the potential exposure of the Group's operations and financial position to a prolonged escalation of the conflict, including disruptions to feedstock supply and margin pressure.

Does the Board anticipate a heightened risk of further impairments, asset write-downs and liquidity stress should current market conditions persist?

A: The Group continues to monitor the potential risks arising from the prolonged escalation of the Middle East conflict, including disruptions to feedstock supply, margin pressure and liquidity stress. The contingency measures and mitigating actions being undertaken by the Group are disclosed in detail under the Going Concern Assumption section of Note 2 to the Financial Statements on pages 170 and 171 of the Annual Report.

2. **External auditors Ernst and Young PLT performed a going concern assessment on to the Group in FY2025 (page 158, Independent Auditors' Report, AR2025) against the backdrop of a prolonged downturn in the petrochemical industry, which has resulted in persistent oversupply and depressed profit margins. In addition, the US-Israel-Iran conflict and the resulting closure of the Strait of Hormuz have disrupted the feedstock supplies from the Middle East, a major sourcing region for LCT's plants.**

a) **While the existing inventories and confirmed cargoes are expected to support the near-term operations, a prolonged disruption could materially affect the Group's operations, cash flows and financial performance.**

i) **What is the current status of feedstock supply across LCT's major operating plants in Malaysia, Indonesia and its associate in the United States? Until when will the existing inventories and confirmed cargoes sustain plant operations at current utilisation rates?**

A: The Group continues to closely monitor inventory levels and supply schedules. At the moment and in line with the Group's procurement strategy, the Group has continuous supply of feedstocks to support its operations as planned.

ii) **What contingency measures have been put in place to mitigate potential prolonged disruptions in feedstock supply? Does the Group have access to alternative sourcing arrangements, and what would be the expected cost implications?**

A: The contingency measures and mitigating actions being undertaken by the Group are disclosed in detail under the Going Concern Assumption section of Note 2 to the Financial Statements on pages 170 and 171 of the Annual Report.

b) **According to an announcement dated 20 April 2026, LCT's wholly-owned subsidiary, LCTM, entered into a contract with LCI, a 51%-owned subsidiary of LCT, for the sale of naphtha with a contract value of US$25.29 million (approximately RM103.7 million).**

How many tonnes of naphtha are to be supplied to LCI? Will the sale of naphtha have any impact on feedstock availability, operations and supply security for LCT's plants in Pasir Gudang and Tanjung Langsat?

A: The sale arose due to exceptional operational circumstances affecting LCI's feedstock supply chain, and was necessary to prevent a shutdown of the Indonesian operations. The transaction was conducted at prevailing market prices, and did not adversely impact feedstock availability and operations for LCT's Malaysian plants.

c) **The Indonesia LINE petrochemical plant has the flexibility to substitute up to 50% of its naphtha feedstock with natural gas liquids such as liquefied petroleum gas (LPG) and ethane, subject to the economics of these feedstocks.**

Is the current option being explored given the current naphtha shortage? If so, what are the operational and cost implications of such substitution?

A: Yes, the Group is currently exploring this option. Given that LPG is currently priced lower than naphtha, feedstock substitution would support continued plant operations amid the current supply disruption and contribute to cost reduction. The Group will implement substitution where it is operationally and economically beneficial.

d) **In view of the going concern assessment, the directors stated that scenario planning was undertaken to identify risks and strengthen operational resilience (page 158, Independent Auditors, AR2025).**

What different scenarios and/or stress tests were modelled in relation to the assessment? Accordingly, how would the Group's liquidity and ability to continue operation vary under different conditions?

A: Scenario planning has been performed, including a less favourable situation of a temporary halt in operations. Based on the cash flow forecasts and mitigating measures as detailed in the Going Concern Assumption section of Note 2 to the Financial Statements on pages 170 and 171 of the Annual Report, there is no material uncertainty on the Group's ability to continue as a going concern.

3. **For Q1FY2026, EBITDA improved to RM150.2million, compared to LBITDA of RM37.7 million in the corresponding quarter. This was mainly due to improved margins in the Olefins & Derivatives (O&D) segment, along with higher reversal of inventories write-down to net realisable value. Nevertheless, LCT remained loss-making with a net loss of RM122.7 million due to significantly higher net finance costs of RM195.15 million (Q1FY2025: RM12.88 million).**

   As of 31 December 2025, invoices financing increased substantially to RM1.69 billion compared to RM472.29 million previously.

   a) **What are the key drivers behind the higher utilisation of invoice financing facilities?**

   b) **What proportion of the Group's trade receivables is currently subject to invoice financing arrangements?**

   c) **The sharp increase in invoices financing suggests the Group's growing dependence on short-term financing arrangements.**

   Besides, financing costs are expected to increase substantially due to higher loans and borrowings. In addition, LCI's 9-year installment repayment period for a borrowing agreement of USD2.4 billion is set to kick start in 2026 (page 203, Note 26 – Loans and Borrowings, AR2025).

   How does the Group manoeuvre a year of increased debt repayment obligation? What measures are in place to ensure liquidity and capital management remain intact?

<u>For Questions 3 (a) – (c)</u>

A: The higher utilisation of invoice financing facilities is primarily for working capital optimisation, and is strictly utilised for managing supplier invoices. The Group is actively monitoring its committed loan facilities, implementing disciplined cost management and cash flow optimisation, and relying on the financial support from its ultimate holding company, Lotte Chemical Corporation, which acts as a corporate guarantor for existing borrowings.

Sustainability Matters

1. **The Malaysian government is mulling the implementation of a carbon tax this year, initially targeting sectors such as iron, steel, and energy.**

   a) **In anticipation of this policy shift, what are the potential risks and opportunities to LCT arising from the introduction of carbon pricing?**

   b) **How exposed is LCT to carbon pricing risks across its value chain, including direct and indirect emissions, if a similar quantum is to be imposed upon PCG?**

   c) **What strategic measures is LCT putting in place to mitigate these risks, including decarbonisation initiatives, portfolio adjustments, or cost pass-through mechanisms?**

   d) **Given the increasing likelihood of carbon pricing in Malaysia covering more industries in the future, what concrete, time-bound plans did LCT outline to ensure resilience and competitiveness under such a regulatory environment?**

   <u>For Questions 1 (a) – (d)</u>

   A: The Company is aware of the Government's intention to implement carbon tax in Malaysia. However, the detailed framework, scope, and implementation mechanism have yet to be formally announced.

   As such, the Company will continue to monitor the developments, evaluate the impact and develop plans to manage this.

Corporate Governance Matters

1. **As of this AGM, independent non-executive directors (INEDs) Tan Sri Abdul Rahman Mamat, Tan Sri Rafiah Salim and Mr. Ang Ah Leck have served on the Board for 8 years and 10 months.**

   All three INEDs are approaching the nine-year tenure limit for INEDs. Meanwhile, another INED on the Board - Tan Sri Siti Sa'diah Sheikh Bakir has served the Board for 7 years and 4 months.

   Tan Sri Dato' Abdul Rahman Mamat and Mr. Ang Ah Leck will retain office until the conclusion of the 2026 AGM while the status of Tan Sri Rafiah's directorship was not disclosed in the Company's publication.

   a) **LCT's Board Charter prescribes a tenure limit of nine years for INEDs (page 28 of Corporate Governance Report 2025). In this regard, will Tan Sri Rafiah cease to serve as an INED upon the expiry of her tenure in July 2026? Further, does the Board intend for Tan Sri Rafiah to retire from the Board, or will she be redesignated as a Non-Independent Director?**

LOTTE CHEMICAL TITAN

A: Tan Sri Rafiah and Tan Sri Sadiah have expressed their intentions to step down at the conclusion of this Annual General Meeting.

b) **Upon Tan Sri Rafiah ceasing to be an INED, the composition of INEDs on the Board would fall below the minimum one-third requirement prescribed under the Bursa Malaysia Listing Requirements. In this regard, what are the Board's plans and timeline for appointing new INEDs to ensure compliance with the regulatory requirement?**

A: The Company will appoint new directors in compliance with the applicable listing and regulatory requirements.

c) **Will the Board consider sourcing potential candidates through independent channels, such as the director registry maintained by the Institute of Corporate Directors Malaysia, to further strengthen the independence and diversity of the candidate selection process?**

A: We have identified various sources to search for suitable candidates for appointment as independent directors.

Thank you.

Yours faithfully,
LOTTE CHEMICAL TITAN HOLDING BERHAD

Jang Seon Pyo
President & CEO