NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF LOTTE CHEMICAL TITAN HOLDING BERHAD ("LCT" OR "COMPANY") DATED 16 JUNE 2017 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com ("**Website**").

Availability and Location of Printed Prospectus

Any applicant who is in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request for a printed copy of the Prospectus directly from the Company or Malaysian Issuing House Sdn. Bhd. Alternatively, the applicant may obtain a printed copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The distribution of the Electronic Prospectus and the IPO are subject to the laws of Malaysia. The Electronic Prospectus will not be distributed outside Malaysia. Bursa Securities, LCT, the Promoter, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters named in the Electronic Prospectus have not authorised and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. Accordingly, the Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase the Shares offered under the IPO in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of the Electronic Prospectus and the sale of the Shares offered under the IPO in certain jurisdictions may be restricted by law. Prospective investors are required to inform themselves of and to observe such restrictions.

Nothing in this document constitutes an offer of securities for sale or an invitation, or solicitation of an offer, to subscribe for or purchase any securities in the United States, Canada, Japan or any other jurisdiction where it would be unlawful to do so. The Company's securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. No indication of interest, money or other consideration is being solicited by the distribution of this document. Copies of this document are not being, and should not be, distributed in or sent into the United States.

Close of Application

Applications for the Shares offered under the Retail Offering will open at 10.00 a.m. on 16 June 2017 and will close at 5.00 p.m. on 28 June 2017 or such other date or dates as the Directors and the Managing Underwriter may decide in their absolute discretion.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Terms of access to the Website

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

LOTTE CHEMICAL TITAN

LOTTE CHEMICAL TITAN HOLDING BERHAD
(Company No.: 222357-P)
(Incorporated in Malaysia under the Companies Act, 1965)

6th Floor, Bangunan Malaysian Re, No. 17 Lorong Dungun,
Damansara Heights, 50490 Kuala Lumpur, Malaysia
Tel: +603-2093 4222 Fax: +603-2093 5688

www.lottechem.my

LOTTE CHEMICAL TITAN

LOTTE CHEMICAL TITAN HOLDING BERHAD
(Company No.: 222357-P)
(Incorporated in Malaysia under the Companies Act, 1965)

PROSPECTUS

LOTTE CHEMICAL TITAN

LOTTE CHEMICAL TITAN HOLDING BERHAD

(Company No.: 222357-P)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING ("IPO") OF 740,483,000 ORDINARY SHARES IN LOTTE CHEMICAL TITAN HOLDING BERHAD ("LCT") ("SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE 2,468,274,500 SHARES ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING A PUBLIC ISSUE OF 740,483,000 NEW SHARES ("IPO SHARES") IN THE FOLLOWING MANNER:

(I) INSTITUTIONAL OFFERING OF 684,700,000 IPO SHARES TO MALAYSIAN AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS, INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING ("INSTITUTIONAL PRICE"); AND

(II) RETAIL OFFERING OF 55,783,000 IPO SHARES TO THE DIRECTORS OF LCT, ELIGIBLE EMPLOYEES OF LCT AND ITS SUBSIDIARIES ("LCT GROUP"), PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE LCT GROUP AND THE MALAYSIAN PUBLIC AT THE RETAIL PRICE OF RM8.00 PER IPO SHARE ("RETAIL PRICE"), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE BETWEEN THE RETAIL PRICE AND THE FINAL RETAIL PRICE (AS DEFINED IN THIS PROSPECTUS) IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AND THE OVER-ALLOTMENT OPTION (AS DEFINED IN THIS PROSPECTUS). THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

(I) THE RETAIL PRICE OF RM8.00 PER IPO SHARE; OR
(II) THE INSTITUTIONAL PRICE.

Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter and Joint Underwriter

Maybank Investment Bank Berhad
(Company No.: 15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Global Coordinators and Joint Bookrunners (in alphabetical order)

Credit Suisse Securities (Malaysia) Sdn Bhd
(Company No.: 499609-H)

Credit Suisse (Singapore) Limited
(Company Registration No.: 197702363D)

JPMorgan Securities (Malaysia) Sdn Bhd
(Company No.: 18146-X)

Joint Bookrunners (in alphabetical order)

Nomura International (Hong Kong) Limited
(Company Registration No.: 6679)

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
(Company Registration No.: S16FC0010A)

Joint Bookrunner and Joint Underwriter

CIMB Investment Bank Berhad
(Company No.: 18417-M)

Joint Underwriters (in alphabetical order)

Affin Hwang Investment Bank Berhad
(Company No.: 14389-U)

MIDF Amanah Investment Bank Berhad
(Company No.: 23878-X)

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISKS RELATING TO AN INVESTMENT IN THE SHARES WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 5 OF THIS PROSPECTUS.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA

THIS PROSPECTUS IS DATED 16 JUNE 2017

PROSPECTUS

All defined terms used in this Prospectus are defined under "Presentation of Financial and Other Information", "Glossary of Abbreviations and Acronyms" and "Glossary of Technical Terms" commencing on pages viii, xii and xxi respectively.

Our Directors and the Promoter have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and they confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in this Prospectus false or misleading.

Maybank IB, as the Principal Adviser, Joint Global Coordinator and Joint Bookrunner for the Institutional Offering in relation to our IPO, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

It is to be noted that the role of Credit Suisse and J.P. Morgan in our IPO is limited to being the Joint Global Coordinators and the Joint Bookrunners for the Institutional Offering both within Malaysia and outside Malaysia. None of them has any role in, and each of them disclaims any responsibility for, the Retail Offering in Malaysia.

It is also to be noted that the role of HSBC and Nomura in our IPO is limited to being the Joint Bookrunners for the Institutional Offering outside Malaysia only. None of them has any role in, and each of them disclaims any responsibility for, the Institutional Offering and the Retail Offering in Malaysia.

The SC has approved our IPO and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us. The SC also takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss that you may suffer as a result of your reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

Our Company has obtained the approval of Bursa Securities for our Listing. Our admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

This Prospectus and the accompanying application forms have also been lodged with CCM, who takes no responsibility for their contents.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO for which any of the persons set out in Section 236 of the CMSA, e.g. Directors and advisers, are responsible.

Our Shares are classified as Shariah-compliant by the SAC based on our latest audited financial information for the year ended 31 December 2016 and this classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. Updates on the classification will be released in the updated list of Shariah-compliant securities on the last Friday of the month of May and November of each year.

You should not take the agreement by the Managing Underwriter and the Joint Underwriters named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, the Promoter, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, the Promoter, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters or any of their respective Directors, or any other persons involved in our IPO.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, the Promoter, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters named in this Prospectus have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. No action has been taken to permit any offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it.

It will be your responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it.

However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither we nor the Promoter, the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter and the Joint Underwriters and their respective advisers will accept any responsibility or liability in the event that any application made by you will become illegal, unenforceable or void in any country or jurisdiction.

Our Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold or delivered within the United States, unless under an exemption from, or a transaction not subject to, the registration requirements under the U.S. Securities Act. Our Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States only to QIBs in reliance on Rule 144A.

Our Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any State Securities Commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or determined the accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

ELECTRONIC PROSPECTUS

The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same. You may obtain a copy of the Electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, CIMB at www.eipocimb.com, CIMB Bank Berhad at www.cimbclicks.com.my, Malayan Banking Berhad at www.maybank2u.com.my, Public Bank Berhad at www.pbebank.com and RHB Bank Berhad at www.rhbgroup.com.

The Internet is not a fully secure medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC will prevail.

In relation to any reference in this Prospectus to third-party internet sites ("**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

(i) we do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we are not responsible for the availability of or the content or any data, file or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;

(ii) we are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, file or other material provided by the Third-Party Internet Sites; and

(iii) any data, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

(i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the Internet is not a fully secure medium; and

(iii) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third-party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Date
Opening of the Institutional Offering[1]	16 June 2017
Issuance of Prospectus/Opening of the Retail Offering	10:00 a.m., 16 June 2017
Closing of the Retail Offering	5:00 p.m., 28 June 2017
Closing of the Institutional Offering	12:00 p.m., 29 June 2017
Price Determination Date	29 June 2017
Balloting of applications for our IPO Shares under the Retail Offering	3 July 2017
Allotment of our IPO Shares to successful applicants	7 July 2017
Listing	11 July 2017

Note:

(1) Other than the Institutional Offering to the Cornerstone Investors. The master cornerstone placement agreement for the subscription of our IPO Shares by the Cornerstone Investors was entered into on 2 June 2017.

The Institutional Offering will close on the date stated above or such later date or dates as our Directors and the Joint Global Coordinators may decide in their absolute discretion. The Retail Offering will close on the date stated above or such later date or dates as our Directors and the Managing Underwriter may decide in their absolute discretion.

In the event that the closing date and/or time of either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting of applications for our IPO Shares under the Retail Offering, allotment of our IPO Shares to successful applicants and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

TABLE OF CONTENTS

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" and "LCT" in this Prospectus are to Lotte Chemical Titan Holding Berhad. All references to "LCT Group" and "our Group" in this Prospectus are to our Company and our subsidiaries as a whole, and all references to "we", "us", "our" and "ourselves" are to our Company and our subsidiaries, save where the context otherwise requires.

All references to "the Promoter" are to LCC.

All references to "you" are to our prospective investors.

All references to "the "Government" are to the Government of Malaysia. Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. As a result, any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Where information is presented in thousands or millions, amounts may have been rounded up or down. Other abbreviations and acronyms used in this Prospectus are defined in the "Glossary of Abbreviations and Acronyms" section and technical terms used in this Prospectus are defined in the "Glossary of Technical Terms" section appearing after this section. Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons will include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange will (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

All references to dates and times are references to dates and times in Malaysia, unless otherwise stated.

This Prospectus includes statistical data provided by us and various third-parties and cites third-party projections regarding the growth and performance of the industry in which we operate and our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us, or is extracted from the IMR Report as included in Section 8 of this Prospectus. The IMR Report is available for inspection at the location and during the period set out in Section 15.8 of this Prospectus. We have appointed Nexant to provide an independent market and industry review. In compiling their data for the review, Nexant had relied on industry sources, published materials, their own private databanks and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are given or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely for the purposes of your decision whether or not to invest in our Shares.

All references to the "LPD" in this Prospectus are to 22 May 2017, which is the latest practicable date prior to the registration of this Prospectus with the SC.

For illustrative purposes only, unless otherwise stated, the exchange rate of USD1:RM4.3105, IDR100:RM0.0324 and KRW100:RM0.3855, being the middle rate quoted by BNM at 5.00 p.m. as at 22 May 2017, is used throughout this Prospectus.

EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the MFRS and IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under the MFRS and IFRS and should not be considered as an alternative to net income results from operating activities or any other performance measures derived in accordance with the MFRS or IFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, and hence, a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that EBITDA may facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-MFRS and non-IFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation from, or as a substitute for analysis of our financial condition or results of operations, as reported under MFRS and IFRS. Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current view with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions, and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) our business strategies and competitive position;

(ii) our future financial position, earnings, cash flows and liquidity;

(iii) potential growth opportunities;

(iv) demand for our products and general industry environment; and

(v) regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(i) general economic, business, social, political and investment environment in Malaysia and globally;

(ii) government policy, legislation or regulation;

(iii) interest rates and tax rates;

(iv) competitive environment of the industry in which we operate;

(v) delays or problems with the execution of our expansion plans;

(vi) fixed and contingent obligations and commitments;

(vii) reliance on licences, permits and approvals;

(viii) fluctuations in price of feedstock; and

(ix) any other factors beyond our control.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 5 of this Prospectus on "Risk Factors", Section 12.2 of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended 31 December 2014, 2015 and 2016 and Prospects" and Annexure C(2) of this Prospectus on "Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended 31 March 2016 and 2017 and Prospects". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

FORWARD-LOOKING STATEMENTS *(Cont'd)*

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained in this Prospectus.

Save as required by Subsection 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part I (Division 6) of the Prospectus Guidelines (Supplementary/ Replacement Prospectus), we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard to such statement or any change in events, conditions or circumstances on which any such statement is based.

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Acquisition	:	Acquisition by LCC *(then known as Honam Petrochemical Corp.)* of a total of 1,249,603,888 Shares, representing about 72.32% of the then issued share capital of our Company (excluding treasury shares) from Union Harvard Investments S.R.L., CGDC Investments Corporation, Permodalan Nasional Berhad and AmanahRaya Trustees Berhad, the then major shareholders of our Company
Act	:	Companies Act, 2016
ADA	:	Authorised Depository Agent
AGM	:	Annual general meeting
Application Form	:	Application form for the application of our IPO Shares under the Retail Offering accompanying this Prospectus
ASEAN	:	Association of Southeast Asian Nations
ASEAN FTA	:	ASEAN Free Trade Area
ASEAN-China FTA	:	ASEAN-China Free Trade Area
ATM	:	Automated teller machine
BNM	:	Bank Negara Malaysia
Board or Directors	:	Our Board of Directors as at the date of this Prospectus
Bumiputera	:	In the context of: (i) individuals, Malays and the aborigines or the natives of state of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies, a company which fulfil, among others, the following criteria or such other criteria as may be imposed by the MITI: (a) established under the Act; (b) its shareholders are 100% Bumiputera; and (c) its board of directors (including its staffs) are at least 51% Bumiputera; and (iii) cooperatives, a cooperative whose shareholders or cooperative members are at least 95% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository or Central Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad

CA 1965	:	Companies Act, 1965
CAGR	:	Compounded annual growth rate
CCC	:	Certificate of completion and compliance or such certificate by any other name issued by the relevant authority under the Street, Drainage and Building Act, 1974 and any by-laws made under it or such relevant legislation applicable at the material time
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CEPT Scheme	:	Common Effective Preferential Tariff Scheme for the ASEAN FTA
CFR	:	Cost and freight
CIMB	:	CIMB Investment Bank Berhad
CMSA	:	Capital Markets and Services Act, 2007
Constitution	:	Our Company's Memorandum and Articles of Association as registered under the Act and as amended from time to time
Cornerstone Investors	:	Collectively, Permodalan Nasional Berhad, Maybank Asset Management Sdn Bhd, Maybank Islamic Asset Management Sdn Bhd, Eastspring Investments Berhad and Great Eastern Life Assurance (Malaysia) Berhad
Credit Suisse	:	Collectively, Credit Suisse Securities (Malaysia) Sdn Bhd and Credit Suisse (Singapore) Limited
DOE	:	Department of Environment, Malaysia
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EH&S	:	Environment, health and safety
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATMs
Eligible Persons	:	Collectively, our Directors, employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPS	:	Earnings per share
EQA	:	Environmental Quality Act, 1974
Equity Guidelines	:	Equity Guidelines issued by the SC
EV	:	Enterprise value, calculated as market capitalisation plus borrowings, minority interest and preferred shares, minus total cash and cash equivalents
EV/EBITDA multiple	:	EV-to-EBITDA multiple, i.e. EV over EBITDA

Final Retail Price	:	Final price per IPO Share to be paid by investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is lower, to be determined on the Price Determination Date
FMA	:	Factories and Machineries Act, 1967
Hotel Lotte	:	Hotel Lotte Co. Ltd
HSBC	:	The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
ICA	:	Industrial Co-ordination Act, 1975
ICIS	:	Independent Chemical Information Services
ICIS-LOR	:	Independent Chemical Information Services, London Oil Reports
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent market research report dated April 2017 prepared by Nexant
Institutional Offering	:	Offering of 684,700,000 IPO Shares at the Institutional Price, subject to the clawback and reallocation provisions and the Over-allotment Option, to the following: (i) Malaysian institutional and selected investors including Bumiputera investors approved by the MITI; (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S; and (iii) QIBs in the United States in reliance on Rule 144A or under applicable exemption from registration under the U.S. Securities Act
Institutional Price	:	Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Integrated Petrochemical Facility	:	A proposed integrated petrochemical facility in Merak, Cilegon, Banten Province, Indonesia, the details of which are set out in Section 4.7.1(i) of this Prospectus
Internet Participating Financial Institution	:	A participating financial institution for Internet Share Application
Internet Share Application	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPC	:	International Procurement Centre
IPO	:	Initial public offering comprising the Public Issue
IPO Shares	:	New Shares to be issued under the Public Issue
ISC	:	Indian sub-continent namely, India, Bangladesh and Pakistan
Issuing House	:	Malaysian Issuing House Sdn Bhd

ITA	:	Investment Tax Allowance
J.P. Morgan	:	JPMorgan Securities (Malaysia) Sdn Bhd
JCC	:	Joint Communication Consultation
JPB	:	Johor Port Berhad
Joint Bookrunners	:	Collectively, Maybank IB, Credit Suisse, J.P. Morgan, CIMB, HSBC and Nomura
Joint Global Coordinators	:	Collectively, Maybank IB, Credit Suisse and J.P. Morgan
Joint Underwriters	:	Collectively, Maybank IB, Affin Hwang Investment Bank Berhad, CIMB and MIDF Amanah Investment Bank Berhad
Korea Exchange	:	The sole securities exchange operator in South Korea
Kwangyoonsa	:	Kojunsha Co., Ltd
Kwh/ton	:	Kilowatt hour per metric tonne
LATAMI	:	Net loss attributable to the owner of the company
LCC	:	Lotte Chemical Corporation
LCC Group	:	Collectively, LCC and its subsidiaries (excluding the LCT Group)
LCT or Company	:	Lotte Chemical Titan Holding Berhad
LCT Group or Group	:	Collectively, LCT and its subsidiaries
Listing	:	Listing of and quotation for our entire enlarged issued share capital on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Lotte E&C	:	Lotte Engineering & Construction Co., Ltd
Lotte Holdings	:	Lotte Holdings Co. Ltd
LPD	:	22 May 2017, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public	:	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Managing Underwriter	:	Maybank IB
Market Day	:	A day on which Bursa Securities is open for trading in securities
Maybank IB	:	Maybank Investment Bank Berhad
MCCG	:	Malaysian Code on Corporate Governance which came into effect on 26 April 2017
MDOSH	:	Malaysian Department of Occupational Safety and Health

MDTCC	:	Ministry of Domestic Trade, Co-operatives and Consumerism
MERS	:	Middle East respiratory syndrome
MFRS	:	Malaysian Financial Reporting Standards
MICECA	:	Malaysia-India Comprehensive Economic Cooperation Agreement
MIDA	:	Malaysian Investment Development Authority
MITI	:	Ministry of International Trade and Industry, Malaysia
MOPJ	:	Mean of Platts Japan
MSOSH	:	Malaysian Society for Occupational Safety and Health
MVA	:	Mega volt ampere
N/A	:	Not applicable
NA	:	Net assets
NBV	:	Net book value
Nomura	:	Nomura International (Hong Kong) Limited
Nexant	:	Nexant Asia Limited
Official List	:	A list specifying all securities listed on Bursa Securities
OHSA	:	Occupational Health and Safety Act, 1994
OPEC	:	Organisation of the Petroleum Exporting Countries
Over-allotment Option	:	Over-allotment option granted by LCC to the Stabilising Manager (on behalf of the Placement Managers)
Participating Financial Institution	:	A participating financial institution for the Electronic Share Application
PATAMI	:	Net profit attributable to the owner of the company
PDA	:	Petroleum Development Act, 1974
PER	:	Price-to-earnings multiple, i.e. price over earnings
PHI	:	Principle Hub Incentive
Placement Agreement	:	The placement agreement to be entered into by our Company and, *inter-alia,* the Placement Managers in respect of such number of Shares to be offered under the Institutional Offering
Placement Managers	:	Collectively, Maybank IB, Credit Suisse, J.P. Morgan, CIMB, HSBC and Nomura
PP3 Project	:	A project in Pasir Gudang, Johor involving the construction of a new polypropylene plant to create additional supply of polypropylene, the details of which are set out in Section 4.7.1(iii) of this Prospectus

Price Determination Date	:	The date on which the Institutional Price and Final Retail Price will be determined
Principal Adviser	:	Maybank IB
Promoter	:	LCC
PROPER Programme	:	The Programme for Pollution Control, Evaluation and Rating, an initiative launched by the Indonesian Government for public disclosure of environmental performance by certain entities
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
PTC	:	Plastics Technical Centre
Public Issue	:	Public issue of 740,483,000 new Shares by our Company
QIBs	:	Qualified institutional buyers, as defined under Rule 144A
RAPID	:	Refinery and petrochemical integrated development
RCNCPS	:	Redeemable convertible non-cumulative preference shares
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Regulation S	:	Regulation S under the U.S. Securities Act
Retail Offering	:	Offering of 55,783,000 IPO Shares at the Retail Price, subject to the clawback and reallocation provisions, to the Eligible Persons and the Malaysian Public
Retail Price	:	Initial price of RM8.00 per IPO Share to be fully paid upon application under the Retail Offering, subject to adjustment as detailed in Section 4.4.1 of this Prospectus
Retail Underwriting Agreement	:	Retail underwriting agreement dated 5 June 2017 between our Company, the Managing Underwriter and the Joint Underwriters for the underwriting of our IPO Shares under the Retail Offering
RPS	:	Redeemable preference shares
Rule 144A	:	Rule 144A under the U.S. Securities Act
Rules of Bursa Depository	:	The rules of Bursa Depository as issued under the SICDA
R&D	:	Research and development
SAC	:	Shariah Advisory Council of the SC
SARS	:	Severe acute respiratory syndrome
SC	:	Securities Commission Malaysia
Share(s)	:	Ordinary shares in the share capital of our Company

Share Lending Agreement	:	The agreement to be entered into by LCC and the Stabilising Manager under which LCC will lend our Shares to the Stabilising Manager to cover over-allotments, if any, under the Over-allotment Option
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Stabilising Manager	:	Maybank IB
TE3 Project	:	A project in Pasir Gudang, Johor involving the construction of facilities to increase the output of ethylene, propylene and by-products such as C4 and C5, the details of which are set out in Section 4.7.1(ii) of this Prospectus
TNB	:	Tenaga Nasional Berhad
Union Carbide	:	Union Carbide Corporation
United States	:	United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	:	United States Securities Act of 1933
US Shale Gas Project	:	A shale gas project in the United States involving the construction of a cracker plant to crack shale gas-based ethane for the production of ethylene and a MEG plant as further set out in Section 7.6.8 of this Prospectus

Currencies

HKD	:	Hong Kong Dollar, the lawful currency of Hong Kong
IDR	:	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
KRW	:	South Korean Won, the lawful currency of South Korea
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the United States

Subsidiaries

Chemical Brothers	:	Chemical Brothers Limited
LC Singapore	:	Lotte Chemical Singapore Pte Ltd
LCT Capital	:	Lotte Chemical Titan Capital (L) Limited
LCT Corporation	:	Lotte Chemical Titan Corporation Sdn Bhd *(formerly known as Titan Styrene (M) Sdn Bhd)*
LCT International Ltd	:	Lotte Chemical Titan International Limited
LCT International SB	:	Lotte Chemical Titan International Sdn Bhd
LCTM	:	Lotte Chemical Titan (M) Sdn Bhd

LCT Trading	:	Lotte Chemical Titan Trading Sdn Bhd
PT LCT Nusantara	:	PT Lotte Chemical Titan Nusantara
PT LCT Tbk	:	PT Lotte Chemical Titan Tbk
PT LC Indonesia	:	PT Lotte Chemical Indonesia
South Wealth Finance	:	South Wealth Finance Limited
Titan Chemicals International	:	Titan Chemicals International (L) Limited
Titan Ethylene Glycol	:	Titan Ethylene Glycol (M) Sdn Bhd
Titan Leasing	:	Titan Leasing (L) Ltd
Titan Petrochemicals	:	Titan Petrochemicals (M) Sdn Bhd
Titan Trading Corp.	:	Titan Trading Corp. Limited
Titan Vinyl	:	Titan Vinyl (M) Sdn Bhd

Associates

LC USA	:	Lotte Chemical USA Corporation
Lotte Ube	:	Lotte Ube Synthetic Rubber Sdn Bhd

Subsidiary of LC USA

LC Louisiana	:	Lotte Chemical Louisiana LLC

Joint operation of LC USA

LACC	:	LACC LLC

Plants

BD Plant	:	Butadiene plant in Pasir Gudang, Johor, Malaysia which produces butadiene
BTX Plant	:	Aromatic plant in Pasir Gudang, Johor, Malaysia which produces benzene and toluene
NC1 Plant	:	First naphtha cracker plant in Pasir Gudang, Johor, Malaysia which produces ethylene and propylene
NC2 Plant	:	Second naphtha cracker plant in Pasir Gudang, Johor, Malaysia which produces ethylene and propylene
OCU Plant	:	Metathesis plant in Pasir Gudang, Johor, Malaysia which produces propylene

PE1 Plant	:	First polyethylene plant in Pasir Gudang, Johor, Malaysia which produces HDPE
PE2 Plant	:	Second polyethylene plant in Tanjung Langsat, Johor, Malaysia which produces LDPE
PE3 Plant	:	Third polyethylene plant in Tanjung Langsat, Johor, Malaysia which produces HDPE
PP1 Plant	:	First polypropylene plant in Pasir Gudang, Johor, Malaysia which produces homopolymer/copolymer
PP2 Plant	:	Second polypropylene plant in Pasir Gudang, Johor, Malaysia which produces homopolymer/copolymer
PE1 Plant (Indonesia)	:	First polyethylene plant in Merak, Cilegon, Banten Province, Indonesia which produces HDPE
PE2 Plant (Indonesia)	:	Second polyethylene plant in Merak, Cilegon, Banten Province, Indonesia which produces HDPE
PE3 Plant (Indonesia)	:	Third polyethylene plant in Merak, Cilegon, Banten Province, Indonesia which produces LLDPE
TBA Plant	:	TBA plant in Pasir Gudang, Johor, Malaysia which produces TBA
US Ethane Cracker Plant	:	Cracker plant in Lake Charles, Louisiana, United States which will crack shale gas-based ethane
US MEG Plant	:	MEG plant in Lake Charles, Louisiana, United States which will produce MEG and derivatives

aromatics	:	A family of hydrocarbons characterised by a single or multiple ring structure. The most commonly traded are benzene, toluene and xylene
BASF process	:	The extraction process of butadiene using technology developed by BASF SE
benzene	:	The simplest aromatic hydrocarbon (C_6H_6). Each carbon in the ring has a single hydrogen attached. It is a volatile inflammable liquid created by catalytically reforming naphtha, in the thermal cracking process and is used in production of other chemicals such as styrene, cumene, cyclohexane and maleic anhydride
BD	:	Butadiene
bimodal HDPE	:	HDPE resins with high strength but stretchable, good for film application
BOPP	:	Biaxial orientated polypropylene
BTX	:	Chemical compound comprising of benzene, toluene, and the three xylene isomers
butadiene	:	Also called 1,3-butadiene, a flammable gaseous olefin used in making synthetic rubbers
butene	:	An organic chemical containing four carbon molecules (C_4H_8) used as a comonomer in production of polyethylene
C3	:	Hydrocarbons with three carbons
C4	:	Hydrocarbons with four carbons
C4 Raffinate-1	:	A remaining mixture of C4 produced as a by-product of the BD Plant
C4 Raffinate-2	:	A remaining mixture of C4 produced as a by-product of the TBA Plant
C5	:	Hydrocarbons with five carbons
C5 Non Aromatics	:	A mixture of C5 and Non Aromatics
capacity utilisation	:	The total production (including off-specifications products) expressed as a percentage of nameplate capacity, adjusted for plant debottlenecking, scheduled turnaround and scheduled maintenance during the year
copolymer	:	A polymer derived from more than one species of monomer
cracking	:	A refining process which breaks down large molecules of oil into smaller molecules. When the process is achieved by applying heat only, it is known as thermal cracking. If a catalyst is used as well, it is known as catalytic cracking. Cracking uses molecular decomposition and recombination to produce a range of more useful base chemicals suitable for motor fuels or petrochemicals
debottlenecking	:	Increasing production capacity of existing facilities through the modification of existing equipment to remove throughput restrictions
DWT	:	Deadweight tonnage
ethane	:	A gaseous hydrocarbon, it is a major constituent of natural gas and a major raw material for the production of ethylene

ethylene	:	An essential organic chemical base derived from the thermal cracking of ethane and naphtha or from dehydration of ethanol. It is used to make polyester and many organic chemical intermediates such as polyethylene, ethylene oxide, ethylene glycol, vinyl chloride, styrene, acetaldehyde and ethanol
FEED	:	Front-end engineering design
feedstock	:	Raw materials used in a processing plant, of which naphtha and ethane are the most important for the olefins industry
FOB	:	Free on board
fraction	:	A component of a mixture that has been separated by a fractional process
fuel oil	:	A flammable liquid hydrocarbon and normally it is used as fuel for plant boilers and ship bunkers. It can also be used to make carbon black material
HDPE	:	High-density polyethylene, used for tubes, pipes, household containers, toys, grocery bags, water coolers and milk bottles
hexane	:	A six carbon saturated straight chain hydrocarbon used primarily in its pure form as a solvent
hexene	:	An organic chemical containing six carbon molecules used as a comonomer in production of polyethylene
homopolymer	:	A polymer comprising identical monomer units
K-COT	:	KBR Catalytic Olefins Technology, a technology applied which converts heavy feedstock blend into higher olefins products
KT	:	Thousand metric tonnes
KTA	:	Thousand metric tonnes per annum
kV	:	Kilo-volt
LDPE	:	Low-density polyethylene, a material widely used in the manufacturing of plastic components
light cycle oil	:	A flammable liquid hydrocarbon with a chemical formula of C_{9+}. Normally it is used as a blending material in heavy fuel oil and is used as a fuel for ship bunkers
LLDPE	:	Linear low-density polyethylene, used for packaging
LPG	:	Liquefied petroleum gas
MDPE	:	Medium density polyethylene
MEG	:	Monoethylene glycol
metallocene	:	A catalyst employed under the technology licensed from Univation Technologies for mLLDPE production
methane	:	A light, colourless gas which is the principal component in natural gas

metathesis	:	Metathesis is an equilibrium and reversible reaction between two olefins where the double bond of each is broken and new olefins are formed from the exchange of parts of the reactants
mixed C_4	:	A hydrocarbon compound of butane, butene and butadiene, mainly derived from the process of producing olefins products from the steam cracker
mLLDPE	:	Metallocene LLDPE, produced using technology licensed from Univation Technologies
monomer	:	A substance comprising molecules which can undergo polymerisation, by contributing constitutional units to the essential structure of a macro-molecule
MT	:	Metric tonne
MW	:	Megawatt (1,000,000 Watts), a measure of electric power
nameplate capacity	:	The capacity of a production facility based on technology licences and/or production rates guaranteed by the construction contractor
naphtha	:	A general term used for low boiling hydrocarbon fractions that are a product of crude oil or condensate refining. Naphtha is used as feedstock for ethylene and propylene production
natural gas	:	A colourless, highly flammable gaseous hydrocarbon consisting primarily of methane, ethane and small amounts of heavier gaseous hydrocarbon compounds such as propane
Non Aromatics	:	Hydrocarbons with 6 to 8 carbons without aromatic rings
OCU	:	Olefins conversion unit, a reactor used in the production of olefins
off-specifications	:	Products that do not meet specifications, which are usually sold at a discount
olefin	:	A straight or branched-chain hydrocarbon with at least one unsaturated carbon-carbon bond. Produced by cracking feedstock from raw materials such as natural gas and crude oil. The main olefins are ethylene and propylene and also include butadiene and derivatives
petrochemical	:	Chemicals derived from petroleum or natural gas
polyethylene	:	A polymer derived from polymerisation of ethylene and used to make various plastics such as film, sheet, piping and containers
polymer	:	When certain individual molecules (monomers) come together and link up in a chain-like fashion they form a polymer. The chemical reaction that forms a polymer is called polymerisation
polyolefin	:	A polymer, derived from polymerisation of olefins
polypropylene	:	A polymer derived from the polymerisation of propylene and used to make packaging materials, toys, mechanical parts, housewares and synthetic fibres
propane	:	A gaseous hydrocarbon (C_3H_8), it is a major constituent of natural gas and a major raw material for the production of propylene

propylene	:	An organic chemical base, which is a colourless, flammable, gaseous hydrocarbon obtained from the thermal cracking of hydrocarbons, ranging from natural gas liquids (ethane, propane and butane) to petroleum liquids (naphtha and gas oils). It is used to make polypropylene, acrylonitrile, propanoic acid ester, phenol, acetone, synthetic petroleum, synthetic resins, synthetic rubber and synthetic fibres
PVC	:	Polyvinyl chloride, a synthetic plastic polymer
pyrolysis gasoline or Pygas	:	It is a naphtha-range product with a high aromatics content. It is a feedstock for BTX Plant and can be used for gasoline blending and is a by-product of naphtha cracking plants
resins	:	Any natural or synthetic organic compound consisting of a non-crystalline or viscous liquid substance. Natural resins are organic substances that are transparent or translucent, formed in plant secretions. Synthetic resins comprise a large class of synthetic products that have some of the physical properties of natural resins but are different chemically. Most synthetic resins are polymers
SPYRO	:	Specialised software developed by Technip to determine the optimum output of propylene and ethylene that can be extracted based on the type and quality of naphtha received
Surplus Products	:	Excess ethylene, benzene, toluene, fuel oil and propylene
TBA	:	Tertiary butyl alcohol
toluene	:	Benzene rings where one of the hydrogen atoms is replaced by a methyl group ($-CH_3$). It is used as an octane enhancer in gasoline, as a chemical intermediate in the production of benzene, paraxylene, toluene diisocyanate and as a solvent in paints and chemicals
Unipol	:	LLDPE/ HDPE production technology licensed by Union Carbide
VOC	:	Volatile organic compounds
xylene	:	Benzene rings with two methyl groups ($-CH_3$) in place of hydrogen
yield	:	Feedstock consumed expressed as a percentage of production, each measured in tonnes

1. CORPORATE DIRECTORY

DIRECTORS

Director	Address	Nationality	Profession
Tan Sri Dato' Abdul Rahman bin Mamat *(Independent Non-Executive Chairman)*	The Residence No. 3-11-1 Jalan Wan Kadir 5 Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia	Malaysian	Company Director
Lee Dong Woo *(Non-Independent Executive Director)*	BA-31-2, 10 Mont Kiara Jalan Kiara 1 Mont Kiara 50480 Kuala Lumpur Malaysia	Korean	President and Chief Executive Officer of LCT
Lee Kwan Ho *(Non-Independent Executive Director)*	Molek Pine Apartment T2-20-05, Jalan Molek 1/27 Taman Molek 81100 Johor Bahru Johor Darul Takzim Malaysia	Korean	Vice President, Olefins and Derivatives Business of LCT
Cho Seongtaeg *(Non-Independent Non-Executive Director)*	102-1102, 258, Mokdongdong-ro Yangcheon-gu Seoul 07999 Republic of Korea	Korean	Chief Financial Controller of LCC
Tan Sri Datuk (Dr.) Rafiah binti Salim *(Independent Non-Executive Director)*	No. 1, Jalan SS1/37 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian	Company Director
Ang Ah Leck *(Independent Non-Executive Director)*	No. 7, Jalan Dian 12 Taman Munshi Ibrahim 81200 Johor Bahru Johor Darul Takzim Malaysia	Malaysian	Chartered Accountant

1. CORPORATE DIRECTORY *(Cont'd)*

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Ang Ah Leck	Chairman	Independent Non-Executive Director
Tan Sri Dato' Abdul Rahman bin Mamat	Member	Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah binti Salim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Tan Sri Datuk (Dr.) Rafiah binti Salim	Chairman	Independent Non-Executive Director
Ang Ah Leck	Member	Independent Non-Executive Director
Cho Seongtaeg	Member	Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Abdul Rahman bin Mamat	Chairman	Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah binti Salim	Member	Independent Non-Executive Director
Cho Seongtaeg	Member	Non-Independent Non-Executive Director

1. CORPORATE DIRECTORY *(Cont'd)*

COMPANY SECRETARIES	:	Philip Kong Chock Hoon (MACS 01402) 92, Jalan Datuk Sulaiman 6 Taman Tun Dr. Ismail 60000 Kuala Lumpur Malaysia Cynthia Gloria Louis (MAICSA 7008306) No. 20, Jalan SS17/1E 47500 Subang Jaya Selangor Darul Ehsan Malaysia Chew Mei Ling (MAICSA 7019175) 7, Lorong Jelai Off Kim Chuan Road 42000 Port Klang Selangor Darul Ehsan Malaysia
REGISTERED AND HEAD OFFICE	:	6th Floor, Bangunan Malaysian Re No. 17, Lorong Dungun Damansara Heights 50490 Kuala Lumpur Malaysia Tel. No.: +603 2093 4222 Fax No.: +603 2093 5688 Website address: www.lottechem.my E-mail address: inquiry-general@lottechem.my
PRINCIPAL BANKERS *(in alphabetical order)*	:	Deutsche Bank (Malaysia) Berhad Level 18-20, Menara IMC 8, Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel. No.: +603 2053 6788 HSBC Bank Malaysia Berhad No. 2, Leboh Ampang 50100 Kuala Lumpur Malaysia Tel. No.: +603 2075 3000 JP Morgan Chase Bank Berhad Level 18, Integra Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel. No.: +603 2718 0500 Malayan Banking Berhad Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2070 8833

		Standard Chartered Bank Malaysia Berhad Level 16, Menara Standard Chartered No. 30 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel. No.: +603 2117 7777
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young Level 11, Menara Pelangi Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Malaysia Tel. No.: +607 334 1740
PRINCIPAL ADVISER	:	Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2059 1888
JOINT GLOBAL COORDINATORS *(in alphabetical order)*	:	Credit Suisse Securities (Malaysia) Sdn Bhd Suite 7.6, Level 7, Menara IMC 8 Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel. No.: +603 2723 2020
		Credit Suisse (Singapore) Limited 1, Raffles Link #03/#04-01 South Lobby Singapore 039393 Tel. No.: +65 6212 2000
		JPMorgan Securities (Malaysia) Sdn Bhd Level 18, Integra Tower The Intermark 348, Jalan Tun Razak 50400 Kuala Lumpur Malaysia Tel. No.: +603 2718 0505
		Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2059 1888
JOINT BOOKRUNNERS *(in alphabetical order)*	:	CIMB Investment Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: +603 2261 8888

Credit Suisse Securities (Malaysia) Sdn Bhd
Suite 7.6, Level 7, Menara IMC
8 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel. No.: +603 2723 2020

Credit Suisse (Singapore) Limited
1, Raffles Link
#03/#04-01 South Lobby
Singapore 039393
Tel. No.: +65 6212 2000

JPMorgan Securities (Malaysia) Sdn Bhd
Level 18, Integra Tower
The Intermark
348, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel. No.: +603 2718 0505

Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel. No.: +603 2059 1888

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8, Finance Street Central
Hong Kong
Tel. No.: + 852 2536 1111

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch
21, Collyer Quay
#10-01 HSBC Building
Singapore 049320
Tel. No.: +65 6658 6079

MANAGING UNDERWRITER : Maybank Investment Bank Berhad
32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia
Tel. No.: +603 2059 1888

JOINT UNDERWRITERS
(in alphabetical order) : Affin Hwang Investment Bank Berhad
27th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel. No.: +603 2142 3700

1. CORPORATE DIRECTORY *(Cont'd)*

		CIMB Investment Bank Berhad 13th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia Tel. No.: +603 2261 8888 Maybank Investment Bank Berhad 32nd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Malaysia Tel. No.: +603 2059 1888 MIDF Amanah Investment Bank Berhad Level 21, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Tel. No.: +603 2173 8888
LEGAL ADVISERS	:	*To our Company as to Malaysian law* Adnan Sundra & Low Level 11, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia Tel. No.: +603 2070 0466 *To our Company as to United States federal securities and English law* Clifford Chance Pte Ltd Marina Bay Financial Centre 25th Floor, Tower 3 12, Marina Boulevard Singapore 018982 Tel. No.: +65 6410 2200 *To the Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters as to Malaysian law* Kadir Andri & Partners Level 10, Menara BRDB 285, Jalan Maarof Bukit Bandaraya 59000 Kuala Lumpur Malaysia Tel. No.: +603 2780 2888 *To the Joint Global Coordinators and Joint Bookrunners as to United States federal securities and English law* Cleary Gottlieb Steen & Hamilton LLP 37th Floor, Hysan Place 500, Hennessy Road Causeway Bay Hong Kong Tel. No.: +852 2521 4122

1. CORPORATE DIRECTORY *(Cont'd)*

INDEPENDENT MARKET RESEARCH CONSULTANT	:	Nexant Asia Limited 22nd Floor, Rasa Tower I 555, Phaholvothin Road Kwaeng Chatuchak Khet Chatuchak Bangkok 10900 Thailand Tel. No.: +662 793 4600
SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Malaysia Tel. No.: +603 2783 9299
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Tel. No.: +603 7841 8289
LISTING SOUGHT	:	Main Market of Bursa Securities
SHARIAH STATUS	:	Approved by the SAC

2. INTRODUCTION

This Prospectus is dated 16 June 2017.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus together with the Application Forms with CCM who takes no responsibility for their contents.

We have received the SC's approval for our IPO and our Listing on 26 May 2017. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss that you may suffer as a result of your reliance upon the whole or any part of the contents of this Prospectus.

On 5 May 2017, the SAC classified our Shares as Shariah-compliant based on our latest audited financial information for the year ended 31 December 2016 and this classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. Updates on the classification will be released in the updated list of Shariah-compliant securities on the last Friday of the month of May and November of each year.

You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of our IPO and an investment in our Company.

We have received Bursa Securities' approval on 1 June 2017 for the admission of our Shares to the Official List of the Main Market of Bursa Securities and our Listing. Our Shares will be admitted to the Official List of the Main Market of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all our IPO Shares have been credited into the respective CDS accounts of the successful applicants and the notices of allotment have been despatched to all successful applicants. Admission to the Official List of the Main Market of Bursa Securities will not be taken as an indication of the merits of our Company, our Shares or our IPO.

Under Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a prescribed security. Consequently, our Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to the successful applicants.

Under the Listing Requirements, we are required to have a minimum of 25% of our Shares to be held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing. We expect to achieve this at the time of our Listing. If the above requirement is not met, we may not be allowed to proceed with our Listing. If such an event were to occur, we will return in full, without interest, monies paid in respect of all applications. If such monies are not returned in full within 14 days after our Company become liable to do so, in accordance with Subsection 243(2) of the CMSA, then our Company and the officers of our Company will be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

In the case of an application by way of Application Form, you should state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you must open a CDS account with an ADA before making an application for our IPO Shares. For an application by way of Electronic Share Application, only an applicant who has a CDS account number can make an Electronic Share Application and you should furnish your CDS account number to a Participating Financial Institution by way of keying in your CDS account number if the instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. In the case of an application by way of Internet Share Application, only an applicant who has a CDS account opened with an Internet Participating Financial Institution can make an Internet Share Application. Your CDS account number will automatically appear in the electronic IPO online Application Forms. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application or Internet Share Application.

IF YOU ARE IN ANY DOUBT ABOUT THIS DOCUMENT OR IN CONSIDERING YOUR INVESTMENT, OR IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

3. SUMMARY

This section is only a summary of the salient information about us and our IPO and is extracted and summarised from the full text of this Prospectus. You should read and understand this section together with the entire Prospectus before you decide whether or not to invest in us.

3.1 OVERVIEW

We are an integrated petrochemical producer with two principal product categories, namely:

(i) polyolefins, comprising polyethylene and polypropylene; and

(ii) olefins, comprising ethylene and propylene, and other derivatives such as butadiene, TBA, benzene and toluene.

Polyolefins are used to produce a variety of consumer and industrial products including packaging film, trash bags, automotive parts, plastic bottles and caps, compounds for wire and cable insulation, while olefins are used as primary feedstock for the production of polyolefin products. For the year ended 31 December 2016, polyolefin product sales accounted for 80% of our total revenue.

In 2016, we represented 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia as well as a 57% capacity share in polyethylene production in Indonesia. We are the fourth largest producer of polyolefin products in Southeast Asia by production capacity in 2016, with a 42% capacity share in olefins production in Malaysia and 29% capacity share in polyolefin production in Indonesia.

As an integrated petrochemical producer, we own and operate 14 plants which are supported by on-site facilities such as co-generation plants, tank farms and waste water treatment facilities across Malaysia and Indonesia. These on-site facilities lower our costs of production and reduce our dependency on external utility suppliers.

We sell our products into both domestic and export markets. We have a diverse domestic customer base in Malaysia and Indonesia comprising principally plastic fabricators serving the packaging, household, automotive and construction markets. Our sales and distribution network spans the four cities of Johor Bahru, Kuala Lumpur, Penang and Jakarta.

We also export to a broad range of customers in about 60 countries including Southeast Asia, China, the ISC, South Korea and Europe. We are well-positioned to compete effectively in these key markets with our production competitive advantage and the existing free trade agreements within Southeast Asia and with China.

Moving forward, we intend to continue expanding our product portfolio to meet the increasing domestic and global demand. As such, we have four on-going projects to equip us with the necessary infrastructure to meet such demands:

- The TE3 Project which is expected to enhance our existing NC2 Plant by installing the K-COT to create a larger output of propylene and ethylene.
- The PP3 Project which involves the construction of a new polypropylene plant to create 200 KTA additional supply of polypropylene.
- The US Shale Gas Project which is a joint venture with LCC to construct and operate an ethane cracker plant and a MEG plant in the United States.
- The Integrated Petrochemical Facility which is part of our expansionary plan to develop our plants in Indonesia and increase our production of polyethylene.

3.2 COMPETITIVE STRENGTHS, STRATEGIES AND FUTURE PLANS

3.2.1 Competitive strengths

(i) Market leadership in attractive markets;

(ii) Long-standing relationship with diverse customer base;

(iii) We benefit from integrated production facilities in Malaysia and overall operational know-how;

(iv) Robust operating cash flow and balance sheet to support our future growth;

(v) Strong and experienced management team; and

(vi) Support from our controlling shareholder, LCC.

3.2.2 Strategies and future plans

(i) Pursue value-accretive organic growth through strategic new plant additions;

(ii) Pursue growth through selective merger and acquisition opportunities;

(iii) Continuous initiatives to improve operating efficiencies and increase cost savings;

(iv) Continue to focus on talent development and management continuity programmes; and

(v) Continual commitment to corporate governance and EH&S initiatives.

For detailed information on our competitive strengths, as well as our strategies and future plans, please refer to Sections 7.2 and 7.3 of this Prospectus, respectively.

3.3 FINANCIAL INFORMATION

3.3.1 Selected historical consolidated financial data

The following selected historical consolidated financial data for the years ended 31 December 2014 to 2016 have been extracted from the Accountants' Report included in Section 13 of this Prospectus.

The following selected historical consolidated financial data should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations for the years ended 31 December 2014, 2015 and 2016 and Prospects" in Section 12.2 of this Prospectus and the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	Year ended 31 December		
	2014	2015	2016
	(RM'000)	(RM'000)	(RM'000)
Selected consolidated statement of comprehensive income data:			
Revenue	8,611,229	8,147,847	8,136,628
Cost of goods sold	(8,375,064)	(6,828,703)	(6,154,673)
Gross profit	236,165	1,319,144	1,981,955
Other income	17,239	27,011	13,442
Distribution expenses	(104,754)	(107,087)	(102,193)
Administrative expenses	(73,823)	(87,009)	(87,770)
Foreign exchange differences	(1,233)	(84,731)	(21,126)
Fair value changes on derivatives	2,398	28,143	(5,418)
Other expenses	(18,139)	(21,694)	(56,161)
Profit from operations	57,853	1,073,777	1,722,729
Finance income	1,796	3,835	7,855
Finance costs	(41,074)	(22,883)	(15,076)
Net finance costs	(39,278)	(19,048)	(7,221)
Share of results of associates	(770)	(4,552)	(5,314)
Profit before tax	17,805	1,050,177	1,710,194
Income tax	(38,020)	(436,108)	(394,114)
Net (loss)/profit for the year	(20,215)	614,069	1,316,080
Net (loss)/profit for the year attributable to:			
Owner of the Company	(19,198)	613,211	1,315,386
Non-controlling interests	(1,017)	858	694
	(20,215)	614,069	1,316,080
Selected consolidated statement of financial position data:			
Non-current assets	3,761,713	3,767,346	5,978,747
Current assets	2,280,798	3,569,695	3,361,744
Total assets	**6,042,511**	**7,337,041**	**9,340,491**
Share capital	1,727,792	1,727,792	1,727,792
Share premium	294,113	294,113	294,113
Other reserves	434,308	1,539,547	1,943,750
Retained earnings	2,147,477	2,660,402	3,981,743
Total equity attributable to owner of the Company	4,603,690	6,221,854	7,947,398
Non-controlling interests	8,227	10,790	22,022
Total equity	**4,611,917**	**6,232,644**	**7,969,420**
Non-current liabilities	458,509	426,636	705,326
Current liabilities	972,085	677,761	665,745
Total liabilities	**1,430,594**	**1,104,397**	**1,371,071**
Other selected financial data:			
Gross profit margin (%)[1]	2.7	16.2	24.4
Depreciation of property, plant and equipment	338,996	420,959	398,363
Amortisation of prepaid lease payments	1,231	1,984	2,147
EBITDA[2]	398,080	1,496,720	2,123,239
EBITDA margin[3]	4.6%	18.4%	26.1%
Profit before tax margin (%)[4]	0.2	12.9	21.0
(Loss)/profit after tax margin (%)[5]	(0.2)	7.5	16.2
Basic and diluted (loss)/earnings per ordinary share (sen)[6]	(1.11)	35.49	76.13

Notes:

(1) Computed based on gross profit divided by revenue.

(2) Computed based on profit from operations plus depreciation of property, plant and equipment and amortisation of prepaid lease payments.

(3) Computed based on EBITDA divided by revenue.

(4) Computed based on profit before tax divided by revenue.

(5) Computed based on net (loss)/profit for the year divided by revenue.

(6) Computed based on loss for the year attributable to owner of the Company of RM19.2 million for the year ended 31 December 2014 and profit for the year attributable to owner of the Company of RM613.2 million and RM1,315.4 million for the years ended 31 December 2015 and 2016 respectively against our weighted average number of ordinary shares outstanding for the past three years of 1,727,792,000.

3.3.2 Pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position as at 31 December 2016 has been prepared for illustrative purposes only to show the effects of our IPO, Listing and the use of proceeds arising from the Public Issue as set out in Section 4.7 of this Prospectus, had these transactions been effected on 31 December 2016.

The pro forma consolidated statement of financial position should be read in conjunction with the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as set out in Section 12.5 of this Prospectus.

The pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been attained had the abovementioned transactions actually occurred on 31 December 2016. The pro forma consolidated statement of financial position has been prepared for illustrative purposes only, and because of its nature, may not give a true picture of the actual financial position of our Group.

	As at 31 December 2016	After subsequent adjustments	After our IPO, the Listing and use of proceeds
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	4,378,823	4,378,823	10,149,823
Prepaid lease payments	36,278	36,278	36,278
Investments in associates	1,552,117	1,552,117	1,552,117
Deferred tax assets	160	160	160
Derivative financial instruments	11,369	11,369	11,369
	5,978,747	**5,978,747**	**11,749,747**
Current assets			
Inventories	1,147,072	1,147,072	1,147,072
Trade and other receivables	1,143,346	1,143,346	1,143,346
Tax recoverable	8,805	8,805	8,805
Prepayments	21,008	21,008	21,008
Derivative financial instruments	1,169	1,169	1,169
Cash and bank balances	1,040,344	1,040,344	1,040,344
	3,361,744	**3,361,744**	**3,361,744**
Total assets	**9,340,491**	**9,340,491**	**15,111,491**

	As at 31 December 2016	After subsequent adjustments	After our IPO, the Listing and use of proceeds
	RM'000	RM'000	RM'000
Equity and liabilities			
Capital and reserves			
Share capital	1,727,792	(1)2,046,813	7,970,677
Share premium	294,113	(1)-	-
Other reserves	1,943,750	(1)1,918,842	1,918,842
Retained earnings	3,981,743	3,981,743	3,828,879
Total equity attributable to owner of the Company	7,947,398	7,947,398	13,718,398
Non-controlling interests	22,022	22,022	22,022
Total equity	**7,969,420**	**7,969,420**	**13,740,420**
Non-current liabilities			
Loans and borrowings	-	-	-
Provision	325,919	325,919	325,919
Deferred tax liabilities	364,440	364,440	364,440
Defined benefit obligation	14,967	14,967	14,967
	705,326	**705,326**	**705,326**
Current liabilities			
Loans and borrowings	75,365	75,365	75,365
Trade and other payables	590,182	590,182	590,182
Other financial liabilities	198	198	198
Derivative financial instruments	-	-	-
	665,745	**665,745**	**665,745**
Total liabilities	**1,371,071**	**1,371,071**	**1,371,071**
Total equity and liabilities	**9,340,491**	**9,340,491**	**15,111,491**

Note:

(1) Adjustment made to illustrate the transfer of the share premium account and capital redemption reserve as at 31 December 2016 to share capital in accordance with the transitional provision in Section 618(2) of the Act.

For detailed financial information relating to our Group, please refer to Sections 12 and 13 of this Prospectus.

3.4 DIVIDEND POLICY

We propose to pay dividends out of cash generated from our operations after setting aside the necessary funding for working capital and maintenance capital expenditure requirements. As part of this policy, we aim to pay dividends in the amount equal to approximately 50% of our net profits of every fiscal year on a consolidated basis after taking into account working capital and maintenance capital expenditure requirements. To this end, considering our financial condition, capital expenditure for the purposes of capacity expansion and major changes in market conditions, including potential mergers and acquisitions, our Board may amend or create exceptions to the dividend policy with respect to the relevant period.

Despite the above, the declaration of dividends is subject to the discretion of our Board and our Company's compliance with the requirements under Sections 131 and 132 of the Act. It is our Board's intention to pay dividends to our shareholders in the future to allow them to participate in our profits and we will obtain our shareholders' approval for the declaration of any final dividend for a particular year. However, our ability to pay dividends or make other distributions to our shareholders will depend upon a number of factors, including our earnings, distributable reserves, capital requirements, financial condition, expected financial performance and other factors considered relevant by our Board.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification at our Board's discretion.

As we are a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries and associates. The payment of dividends or other distributions by our subsidiaries and associates will depend upon their distributable profits, operating results, financial condition, capital expenditure plans and other factors that their respective boards of directors deem relevant. Dividend may only be paid out of distributable reserves. In addition, covenants in loan agreements, if any, for our subsidiaries and associates may limit their ability to declare or pay cash dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

3.5 DETAILS OF OUR IPO

IPO	:	Institutional Offering and Retail Offering
Institutional Offering	:	Offering of 684,700,000 IPO Shares at the Institutional Price, subject to the clawback and reallocation provisions and the Over-allotment Option, to the following: (i) Malaysian institutional and selected investors including Bumiputera investors approved by the MITI; (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S; and (iii) QIBs in the United States in reliance on Rule 144A or under applicable exemption from registration under the U.S. Securities Act
Retail Offering	:	Offering of 55,783,000 IPO Shares at the Retail Price, subject to the clawback and reallocation provisions, to the Eligible Persons and the Malaysian Public

The Final Retail Price to be paid by successful investors under the Retail Offering will be determined after the Institutional Price has been fixed on the Price Determination Date and will be the lower of the Retail Price of RM8.00 per IPO Share or the Institutional Price, subject to rounding to the nearest sen.

For detailed information relating to our IPO, please refer to Section 4 of this Prospectus.

3.6 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue[1] in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Funding for the following projects:			
- Integrated Petrochemical Facility	Within 36 months	4,931,000	83.24
- TE3 Project	Within 12 months	220,000	3.71
- PP3 Project	Within 12 months	620,000	10.47
Estimated listing expenses	Within 6 months	152,864	2.58
Total gross proceeds		**5,923,864**	**100.00**

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

For detailed information relating to the use of proceeds, please refer to Section 4.7 of this Prospectus.

3.7 RISK FACTORS

Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, prospective investors should carefully consider, along with the other matters set out in this Prospectus, the risks factors set out below.

3.7.1 Risks relating to the petrochemical industry

(i) Cyclicality in the petrochemical industry and fluctuations in crude oil prices have in the past, and may in the future, adversely affect our business, operating results, cash flows and financial condition;

(ii) We sell our products in highly competitive markets that may not allow us to preserve our market position;

(iii) Demand for, and the supply of, petrochemical products are dependent on general economic and market conditions, changes in consumer sentiment and preferences and other external factors;

(iv) Limitations on, or disruptions in, the supply of naphtha and fluctuations in naphtha prices may result in increased operating expenses and adversely affect our results of operations, cash flow and margins;

(v) Our operations and production processes are subject to significant operating hazards and risks, for which we may not be fully insured; and

(vi) We are subject to health and safety laws and regulations and are exposed to environmental compliance and cleanup costs.

3.7.2 Risks relating to our business and operations

(i) A significant interruption in our operations such as a power outage or interruption in water supply, mechanical failures or natural disasters could reduce our production;

(ii) We may not be able to obtain, renew or maintain our licences, permits, approvals or technology licences required to operate our business due to reasons beyond our control;

(iii) If our existing and proposed expansion plans are not completed on schedule or within budget, this may have an adverse effect on our future growth and prospects;

(iv) Limitations on or disruptions in, the supply of feedstock for our Indonesian plants and cracker may adversely affect our business, results of operations, cash flow and margins;

(v) We may be affected by negative publicity or other matters arising from the actions of LCC and/or the Lotte group of companies or other investigations or allegations involving their officers or major shareholders;

(vi) We rely on third party logistics providers for the transportation of feedstock and our products;

(vii) Our sites in Malaysia are interconnected and interdependent, and factors adversely affecting one site may affect the operations of the other;

(viii) Our development and operational plans require sufficient funding and capital resources, which are subject to a number of risks and uncertainties;

(ix) Our operations are dependent on our ability to obtain, maintain and renew land rights and location permits;

(x) Our performance may be affected by the loss of key members of our management or our inability to hire or retain qualified personnel;

(xi) Some of our employees are represented by labour unions, and we may be subject to labour disputes that disrupt our operations or be affected by changes in labour law or increases in labour cost;

(xii) We are controlled by LCC whose interests may not be aligned with those of the other shareholders of our Company and whose business in petrochemical products may compete with our business;

(xiii) Certain tax incentives or exemptions from the Government of Malaysia may no longer be available in the future;

(xiv) Changes in laws, regulations or governmental policies could reduce supply and demand in countries where we produce and sell our products or results in failure to renew, maintain or obtain the required licences, permits or approvals for us to operate our business; and

(xv) Legal disputes or proceedings could expose us to liability, divert our management's attention and negatively impact our reputation.

3.7.3 Risks relating to our Shares

(i) The offering of our Shares may not result in an active liquid market for our Shares;

(ii) Our Share price and trading volume may be volatile;

(iii) We may not be able to pay dividends to our shareholders;

(iv) The IPO price is higher than our NA per Share after giving effect to the issuance of 740,483,000 new Shares under our IPO and after adjusting for the estimated listing expenses for our IPO and our Listing, such that purchasers of our Shares in our IPO will experience immediate dilution;

(v) The sale or the possible sale of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares; and

(vi) There may be a delay or termination of the listing of our Shares.

3.7.4 Other risks

(i) Economic, business, investment, political and social developments in Malaysia, Indonesia and Southeast Asia may adversely affect our business, financial condition, results of operations and prospects;

(ii) The RM and/or the IDR may be subject to exchange rate fluctuations or further foreign exchange controls; and

(iii) Forward-looking statements.

For a detailed discussion on the risks associated with investing in our Company, please refer to Section 5 of this Prospectus.

4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

Applications for our IPO Shares under the Retail Offering will open at 10:00 a.m. on 16 June 2017 and will remain open until 5:00 p.m. on 28 June 2017 or such later date or dates as our Directors and the Managing Underwriter may decide in their absolute discretion.

4.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Date
Opening of the Institutional Offering[1]	16 June 2017
Issuance of Prospectus/Opening of the Retail Offering	10:00 a.m., 16 June 2017
Closing of the Retail Offering	5:00 p.m., 28 June 2017
Closing of the Institutional Offering	12:00 p.m., 29 June 2017
Price Determination Date	29 June 2017
Balloting of applications for our IPO Shares under the Retail Offering	3 July 2017
Allotment of our IPO Shares to successful applicants	7 July 2017
Listing	11 July 2017

Note:

(1) Other than the Institutional Offering to the Cornerstone Investors. The master cornerstone placement agreement for the subscription of our IPO Shares by the Cornerstone Investors was entered into on 2 June 2017.

The Institutional Offering will close on the date stated above or such later date or dates as our Directors and the Joint Global Coordinators may decide in their absolute discretion. The Retail Offering will close on the date stated above or such later date or dates as our Directors and the Managing Underwriter may decide in their absolute discretion.

In the event that the closing date and/or time of either the Institutional Offering or the Retail Offering is extended, the Price Determination Date and dates for the balloting of applications for our IPO Shares under the Retail Offering, allotment of our IPO Shares to successful applicants and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

4.3 PARTICULARS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus. Upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.3.3 and 4.3.4 of this Prospectus, respectively.

Our IPO of 740,483,000 IPO Shares, representing approximately 30.0% of the enlarged issued share capital of our Company are offered in the manner set out below. For the avoidance of doubt, the 740,483,000 IPO Shares offered under the Institutional Offering and the Retail Offering excludes the 55,537,000 Shares under the Over-allotment Option.

4.3.1 Institutional Offering

The Institutional Offering involves the offering of 684,700,000 IPO Shares at the Institutional Price, representing approximately 27.74% of the enlarged issued share capital of our Company in the following manner:

(i) 283,852,000 IPO Shares to Bumiputera investors approved by the MITI; and

(ii) 400,848,000 IPO Shares to the following persons:

(a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI);

(b) foreign institutional and selected investors outside the United States in reliance on Regulation S; and

(c) QIBs in the United States in reliance on Rule 144A or under applicable exemption from registration under the U.S. Securities Act.

On 2 June 2017, our Company and the Joint Global Coordinators entered into a master cornerstone placement agreement with the Cornerstone Investors (including a Bumiputera investor approved by the MITI) where the Cornerstone Investors agreed to subscribe, subject to the terms of the master cornerstone placement agreement and the individual cornerstone placement agreements, an aggregate of 136,000,000 IPO Shares representing approximately 5.5% of our Company's enlarged issued share capital, at RM8.00 per IPO Share or the Institutional Price, whichever is lower. None of the Cornerstone Investors will individually acquire 5.0% or more of our Company's enlarged issued share capital under the cornerstone placement agreements.

The cornerstone placement agreements are conditional upon, among others, the Retail Underwriting Agreement and the Placement Agreement being entered into and not having been terminated under their respective terms.

The Cornerstone Investors are not subject to any lock-up arrangements pursuant to the cornerstone placement agreements.

4.3.2 Retail Offering

The Retail Offering involves the offering of 55,783,000 IPO Shares at the Retail Price, representing approximately 2.26% of the enlarged issued share capital our Company in the following manner:

(i) Allocation to the Eligible Persons

6,417,000 IPO Shares are reserved for application by our Directors, eligible employees of our Group and persons who have contributed to the success of our Group in the following manner:

	No. of Eligible Persons	Aggregate no. of IPO Shares allocated
Eligible Persons		
- Our Directors[1]	6	142,500
- Eligible employees of our Group[2]	1,104	1,902,000
- Persons who have contributed to the success of our Group[3]	300	4,372,500
Total	**1,410**	**6,417,000**

Notes:

(1) The allocation of our IPO Shares to our Directors is as follows:

Name	No. of IPO Shares
Tan Sri Dato' Abdul Rahman bin Mamat	30,000
Lee Dong Woo	22,500
Lee Kwan Ho	22,500
Cho Seongtaeg	22,500
Tan Sri Datuk (Dr.) Rafiah binti Salim	22,500
Ang Ah Leck	22,500
Total	**142,500**

(2) The criteria for allocation to the eligible employees of our Group is based on job grade.

(3) The criteria for allocation to the persons who have contributed to the success of our Group, namely our customers, are based on, among others, their current and/or past contributions to our Group and length of their respective relationship with our Group.

(ii) Allocation via balloting to the Malaysian Public

49,366,000 IPO Shares are reserved for application by the Malaysian Public, of which 24,683,000 IPO Shares have been set aside for application by Bumiputera citizens, companies, co-operatives, societies and institutions.

In summary, our IPO Shares will be allocated and allotted, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.3.3 and 4.3.4 of this Prospectus, respectively, in the following manner:

	Public Issue	
Categories	**No. of IPO Shares**	**% of our enlarged issued share capital**
Retail Offering:		
Eligible Persons:		
- Our Directors and eligible employees of our Group	2,044,500	0.08
- Persons who have contributed to the success of our Group	4,372,500	0.18
Malaysian Public (via balloting):		
- Bumiputera	24,683,000	1.00
- Non-Bumiputera	24,683,000	1.00
Sub-total	**55,783,000**	**2.26**
Institutional Offering:		
Bumiputera investors approved by the MITI	283,852,000	11.50
Other Malaysian and foreign institutional and selected investors	400,848,000	16.24
Sub-total	**684,700,000**	**27.74**
Total	**740,483,000**	**30.00**

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as set out in Sections 2 and 4.3.7 of this Prospectus.

4.3.3 Clawback and reallocation

The Institutional Offering and the Retail Offering will be subject to the following clawback and reallocation provisions:

(i) if our IPO Shares allocated to Bumiputera investors approved by the MITI are not fully taken up, our IPO Shares which are not taken up may be allocated to other Malaysian and foreign institutional and selected investors under the Institutional Offering;

(ii) subject to item (i) above, if there is an over-subscription in the Retail Offering and an under-subscription in the Institutional Offering, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and

(iii) if there is an over-subscription in the Institutional Offering and an under-subscription in the Retail Offering, our IPO Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

There will be no clawback and reallocation if there is an over-subscription or under-subscription in both the Institutional Offering and the Retail Offering or an under-subscription in either the Institutional Offering or the Retail Offering but no over-subscription in the other.

Any IPO Shares not taken up by the Eligible Persons ("**Excess IPO Shares**") will be made available for application by the Eligible Persons who have applied for excess on top of their pre-determined allocation and allocated on a fair and equitable basis and in the following priority:

(a) firstly, allocation on a pro-rata basis to our Directors and eligible employees of our Group based on the number of Excess IPO Shares applied for, subject to a maximum amount of three times of their respective pre-determined allocation;

(b) secondly, allocation of any surplus Excess IPO Shares not taken up by our Directors and eligible employees of our Group, on a pro-rata basis to persons who have contributed to the success of our Group based on the number of Excess IPO Shares applied for; and

(c) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess IPO Shares applied for in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept any Excess IPO Shares application, in full or in part, without assigning any reason.

Once completed, the steps involving items (a) to (c) above will not be repeated. Should there be any balance of Excess IPO Shares thereafter, such balance will be made available for application by the Malaysian Public under the Retail Offering, with any remaining IPO Shares to be underwritten by the Joint Underwriters, subject to the clawback and reallocation provisions.

4.3.4 Over-allotment Option and stabilisation

LCC, as the Over-allotment Option provider, may grant an Over-allotment Option to the Stabilising Manager (on behalf of the Placement Managers) and may appoint the Stabilising Manager to undertake any price stabilisation actions. The Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may at its absolute discretion, over-allot our Shares (on behalf of the Placement Managers) and subsequently, effect transactions to stabilise or maintain the market price of our Shares at levels that might not otherwise prevail in the open market. Such transactions consist of bids or purchases to peg, fix or maintain the market price of our Shares. If the Stabilising Manager creates a short position in our Shares in connection with the Institutional Offering, the Stabilising Manager may reduce that short position by purchasing our Shares in the open market. The Stabilising Manager may also elect to reduce any short positions by exercising all or part of the Over-allotment Option.

If granted, the Over-allotment Option will be exercisable in whole or in part by the Stabilising Manager, on one or more occasions, by giving written notice to LCC at any time within 30 days from the date of our Listing, to purchase from LCC up to an aggregate of 55,537,000 Shares at the Institutional Price for each IPO Share, representing up to approximately 7.50% of the total number of IPO Shares offered, solely for purposes of covering over-allotments of our Shares (if any).

Subject to there being an over-allotment, the Stabilising Manager will (on behalf of the Placement Managers) enter into the Share Lending Agreement with LCC to borrow up to 55,537,000 Shares to cover the over-allotments. Any Shares that may be borrowed by the Stabilising Manager under the Share Lending Agreement will be returned by the Stabilising Manager to LCC through the purchase of our Shares in the open market by the Stabilising Manager in the conduct of stabilisation activities or deemed returned through the exercise of the Over-allotment Option by the Stabilising Manager, or a combination of both. The exercise of the Over-allotment Option will not increase the total number of Shares issued and is not intended to constitute an offer for sale of our Shares by LCC under our IPO.

Purchases of a security to stabilise the price or to cover the over-allotment may cause the price of the security to be higher than it might be in the absence of these purchases. Such transactions may be effected on the Main Market of Bursa Securities and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the CMSA and any regulations thereunder. The number of Shares that the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) may buy to undertake stabilising action, shall not exceed an aggregate of 55,537,000 Shares, representing up to approximately 7.50% of the total number of IPO Shares offered. However, there is no obligation on the Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) to undertake any such stabilising action. Such stabilising actions may commence on or after the commencement of trading of our Shares on the Main Market of Bursa Securities and, if commenced, may be discontinued at any time and cannot be effected after the earlier of (i) the date falling 30 days from the commencement of trading of our Shares on the Main Market of Bursa Securities; or (ii) the date when the Stabilising Manager has bought, on the Main Market of Bursa Securities, an aggregate of 55,537,000 Shares, representing approximately 7.50% of the total number of IPO Shares offered to undertake the stabilising action.

Neither our Company, LCC nor the Stabilising Manager makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, neither our Company, LCC nor the Stabilising Manager makes any representation that the Stabilising Manager will engage in such transactions, or that such transactions once commenced, will not be discontinued without notice (unless such notice is required by law).

4.3.5 Share capital

Upon the completion of our IPO, our share capital would be as follows:

	No. of Shares	RM
Total number of issued shares and share capital:		
- As at the date of this Prospectus	1,727,791,500	2,046,813,683
- To be issued under the Public Issue	740,483,000	(1)5,923,864,000
Enlarged total number of issued shares and share capital upon Listing	**2,468,274,500**	**(1)7,970,677,683**

Note:

(1) Assuming the Final Retail Price and the Institutional Price are equivalent to the Retail Price.

4.3.6 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares. Our IPO Shares will, upon allotment and issue, rank equally in all respects with our other existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distribution that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable Rules of Bursa Depository.

Upon allotment and issue and subject to any special rights attaching to any Shares we may issue in the future, our shareholders will, in proportion to the amount paid or credited as paid on our Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders will be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, each of our shareholders will be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. On a show of hands, every one of our shareholders present either in person, by proxy, by attorney or by other duly authorised representative will have one vote. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative will have one vote for each Share held or represented.

4.3.7 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised by our Company from our IPO. However, to comply with the public shareholding spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by the public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, a minimum of 25% of our Shares are required to be held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the public shareholding spread requirement is not met under our IPO and/or if we decide in our absolute discretion not to proceed with our Listing, monies paid in respect of any application for our IPO Shares will be returned in full, without interest. If such monies are not returned in full within 14 days after our Company become liable to do so, in accordance with the provision of Subsection 243(2) of the CMSA, then our Company and the officers of our Company will be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES AND REFUND MECHANISM

4.4.1 Retail Price

The Retail Price of RM8.00 per IPO Share was determined and agreed upon by our Directors in consultation with the Joint Global Coordinators, after taking into consideration the following factors:

(i) continuing favourable feedstock prices in line with the low crude oil price environment which has contributed significantly to our strong financial performance since cost of feedstock is the largest component of our cost of goods sold, accounting for about 88.0%, 79.2% and 78.1% of our cost of goods sold for the years ended 31 December 2014, 2015 and 2016, respectively;

(ii) our higher production capacity in Malaysia in the short to medium term which will directly impact our production volumes and consequently, our sales. Our production capacities will increase after the completion of the TE3 Project in the second half of 2017 and PP3 Project in the first half of 2018 as follows:

(a) for ethylene, by 13.3% from 700 KTA to 793 KTA;
(b) for propylene, by 44.9% from 379 KTA to 549 KTA, if we re-commence operations for our OCU Plant after completion of the TE3 Project, depending on the market prices of ethylene and propylene then;
(c) for BTX, by 86.5% from 155 KTA to 289 KTA; and
(d) for polypropylene, by 45.5% from 440 KTA to 640 KTA.

Our production capacity is expected to increase further once the Integrated Petrochemical Facility commences commercial operation in 2023;

(iii) our capacity share in 2016 as follows:

(a) 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia;

(b) 57% capacity share in polyethylene production in Indonesia;

(c) fourth largest producer of polyolefin products in Southeast Asia by production capacity, with a 42% capacity share in olefins production in Malaysia and 29% capacity share in polyolefin production in Indonesia; and

(d) sole producer of butadiene in Malaysia with a 100% capacity share in butadiene production;

(iv) our strategies and future plans, as follows:

(a) pursuing growth through selective mergers and acquisition opportunities to further expand and diversify our product portfolio. In April 2016, we have, through our investment in LC USA, invested in a minority stake of a shale gas project in Lake Charles, Louisiana, United States. The highly cost-competitive ethane feedstock in the United States makes this an attractive investment opportunity for us. We intend to pursue other investment opportunities similar to the US Shale Gas Project to enhance our profitability;

(b) continuous initiatives to improve operating efficiencies, through our debottlenecking projects, efficiency enhancements and equipment modifications and cost savings;

(c) continuing to focus on talent development coupled with structured management continuity programmes; and

(d) continual commitment to corporate governance and EH&S initiatives to preserve our brand equity and loyalty;

(v) the outlook of the industry in which we operate where our prospects are supported by the following growth drivers as described in the IMR Report:

(a) demand growth for petrochemicals in Asia Pacific from 2017 to 2027 which will continue to outpace the rate of new supply additions in the region such that Asia Pacific is expected to remain a significant importer of various chemical intermediates and polymers. The demand growth for both ethylene and propylene is forecasted to be over 3% to 4% CAGR over the period of 2017 to 2027;

(b) consumption of polyolefins in Southeast Asia and Asia Pacific which is expected to grow at a CAGR of 4.4% and 4.5% over the period of 2017 to 2027; and

(c) significant consumption growth potential from the developing markets for material substitution, with petrochemical polymers substituting basic materials such as wood, glass, metals, paper and card in packaging, automotive and building and construction industries; and

(vi) prevailing market conditions which include among others, market performance of key global indices and companies which are in businesses similar to ours listed on Bursa Securities as well as other exchanges, current market trends and investors' sentiments.

Based on our proforma NA per Share as at 31 December 2016 of RM5.57, our price-to-book ratio is approximately 1.44 times which falls within the range of other petrochemical players operating in Southeast Asia.

The Final Retail Price will be determined after the Institutional Price is determined on the Price Determination Date and will be the lower of:

(i) the Retail Price of RM8.00 per IPO Share; or

(ii) the Institutional Price,

subject to rounding to the nearest sen.

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. Further details on the refund mechanism are set out in Section 4.4.3 of this Prospectus.

Prospective retail investors should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price of RM8.00 per IPO Share.

The Final Retail Price and the Institutional Price are expected to be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network (Bursa LINK). In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment for our IPO Shares.

Applicants should also note that the vagaries of market forces and other uncertainties may affect the market price of our Shares after our Listing.

4.4.2 Institutional Price

The Institutional Price will be determined by a bookbuilding process where prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of our IPO Shares they would be prepared to acquire and the price they would be prepared to pay for our IPO Shares in respect of the Institutional Offering. This bookbuilding process will commence on 16 June 2017 and will end on 29 June 2017, or such later date or dates as our Directors and the Joint Global Coordinators may decide in their absolute discretion. Upon the completion of the bookbuilding process, the Institutional Price will be fixed by our Directors in consultation with the Joint Global Coordinators on the Price Determination Date.

4.4.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. For applications made via the Application Form, the refund will be credited into the successful applicants' bank accounts for purposes of cash dividend/distribution if the successful applicants have provided such bank account information to Bursa Depository or despatched, in the form of cheques, by ordinary post to the successful applicants' address maintained with Bursa Depository if the successful applicants have not provided such bank account information to Bursa Depository. For applications made via the Electronic Share Application or Internet Share Application, the refund will be credited into the accounts of the successful applicants with the Participating Financial Institution or the Internet Participating Financial Institution, respectively. All refunds will be made within 10 Market Days from the date of final ballot of applications, at the successful applicants' own risk.

For further details on the refund mechanism, please refer to Section 16.10 of this Prospectus.

4.4.4 Expected market capitalisation

Based on the Retail Price of RM8.00 per Share, the total market capitalisation of our Company upon Listing will be approximately RM19,746.2 million.

You should also note that the market price of our Shares upon Listing is subject to the market forces and other uncertainties. You are reminded to consider carefully the risk factors as set out in Section 5 of this Prospectus.

4.5 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

(i) to gain better access to cost effective funding from the capital markets to undertake our projects described in Section 4.7.1 of this Prospectus and to provide us the financial flexibility to pursue growth opportunities in Southeast Asia;

(ii) to increase our visibility as the largest integrated producer of polyolefins in Malaysia, the largest polyethylene producer in Indonesia and the fourth largest polyolefins producer in Southeast Asia;

(iii) to enhance our profile through our Listing as well as provide a platform for us to develop our brand equity to support our expansion;

(iv) to create a liquid market for our Shares via the Listing; and

(v) to provide an opportunity for the general public and investing community including the Eligible Persons, to become our shareholders and participate directly in the continuing growth of our Group by way of equity participation.

4.6 DILUTION

Dilution is the amount by which the price paid by retail, institutional and selected investors for our Shares exceeds our consolidated NA per Share after our IPO. Our pro forma consolidated NA per Share as at 31 December 2016 was RM4.61, based on the total number of issued shares of 1,727,791,500 Shares before adjusting for our IPO.

After giving effect to the issuance of 740,483,000 IPO Shares under the Public Issue, and after adjusting for the expenses relating to our IPO, our pro forma consolidated NA per Share as at 31 December 2016 (based on our enlarged total number of issued shares of 2,468,274,500 Shares) would be RM5.57. This represents an immediate increase in NA per Share of RM0.96 to our existing shareholders and for illustrative purposes, an immediate dilution in NA per Share of RM2.43, representing 30.38% of the Retail Price and the Institutional Price (assuming the Institutional Price and the Final Retail Price will be the Retail Price), to the retail, institutional and selected investors. For details on our NA per Share, please refer to Section 12.4 of this Prospectus.

The following table illustrates such dilution on a per Share basis assuming the Final Retail Price and the Institutional Price are equal to the Retail Price:

	RM
Assumed Final Retail Price/Institutional Price	8.00
Pro forma consolidated NA per Share as at 31 December 2016, before adjusting for our IPO	4.61
Pro forma consolidated NA per Share as at 31 December 2016, after giving effect to our IPO	5.57
Increase in NA per Share	0.96
Dilution in pro forma consolidated NA per Share to retail/institutional and selected investors	2.43
Dilution in pro forma consolidated NA per Share to retail/institutional and selected investors as a percentage of the Retail Price/Institutional Price	30.38%

None of our substantial shareholder, Directors, key management or persons connected to them has acquired Shares in our Company in the past three years up to the LPD.

4.7 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of RM5,923.86 million[1] in the following manner:

Details of use of proceeds	Estimated timeframe for use from the date of our Listing	RM'000	%
Funding for the following projects:			
- Integrated Petrochemical Facility	Within 36 months	4,931,000	83.24
- TE3 Project	Within 12 months	220,000	3.71
- PP3 Project	Within 12 months	620,000	10.47
Estimated listing expenses	Within 6 months	152,864	2.58
Total gross proceeds		**5,923,864**	**100.00**

Note:

(1) We have assumed that the Institutional Price and the Final Retail Price will be equal to the Retail Price.

4.7.1 Funding for projects

(i) Integrated Petrochemical Facility

Our existing PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia) with a combined capacity of 450 KTA of polyethylene depending on production mix is situated on 77.85 acres (or approximately 31.50 hectares) of land in Merak, Cilegon, Banten province, Indonesia. As part of our initiative to develop our plants in Indonesia and increase our production of polyethylene, we plan to set up the Integrated Petrochemical Facility, the details of which are as follows:

Description of the facility : Subject to the FEED study, the facility will comprise of a cracker plant as well as polyolefins, olefins and derivatives plants.

Location total : To be erected on several pieces of land totalling approximately 245.03 acres (or approximately 99.16 hectares), comprising:

(i) a leasehold industrial land ("**New Land**") with an acreage of 114.96 acres (or approximately 46.52 hectares);

(ii) one of our existing vacant lands with an acreage of 92.51 acres (or approximately 37.44 hectares) which is adjacent to the New Land ("**Vacant Land 1**");

(iii) another of our existing vacant lands with an acreage of 16.31 acres (or approximately 6.60 hectares) which is situated next to our existing Merak site ("**Vacant Land 2**"); and

(iv) additional connecting lands proposed to be acquired totalling to approximately 21.25 acres (or approximately 8.60 hectares), as further described below.

Purpose : To allow the intake of naphtha to produce ethylene and other products such as propylene, butadiene, benzene or toluene.

When completed, the facility is expected to supply sufficient feedstock of up to 1,000 KTA of ethylene to fully meet the requirements of our Indonesian plants, as well as olefins and derivatives which will significantly increase our production of among others, polyethylene.

Any surplus ethylene produced not utilised by our plants will be sold to third parties.

Total estimated costs for the project : Approximately USD3,500.0 million (equivalent to RM15,086.8 million), the breakdown of which is as follows:

Component of project	**USD'000**	**RM'000**
Acquisition of land (note a)	70,000	301,735
Feasibility study	20,000	86,210
Development works	3,410,000	14,698,805
Total	**3,500,000**	**15,086,750**

Note:

(a) Comprising the 114.96 acres (or approximately 46.52 hectares) of leasehold industrial land acquired on 14 February 2017 (USD53.0 million) and another 21.25 acres (or approximately 8.60 hectares) earmarked for acquisition (estimated at USD17.0 million)

Source of funding : (i) RM4,931.0 million of the total gross proceeds from our Public Issue for the acquisition of land, feasibility study and part of the development works; and

(ii) Balance of RM10,155.8 million to be financed through borrowings and internally generated funds, the specific allocation of which has not been determined by our Company at this juncture.

Expected year of commencement of commercial operation : 2023

Below is a description of each component of the project:

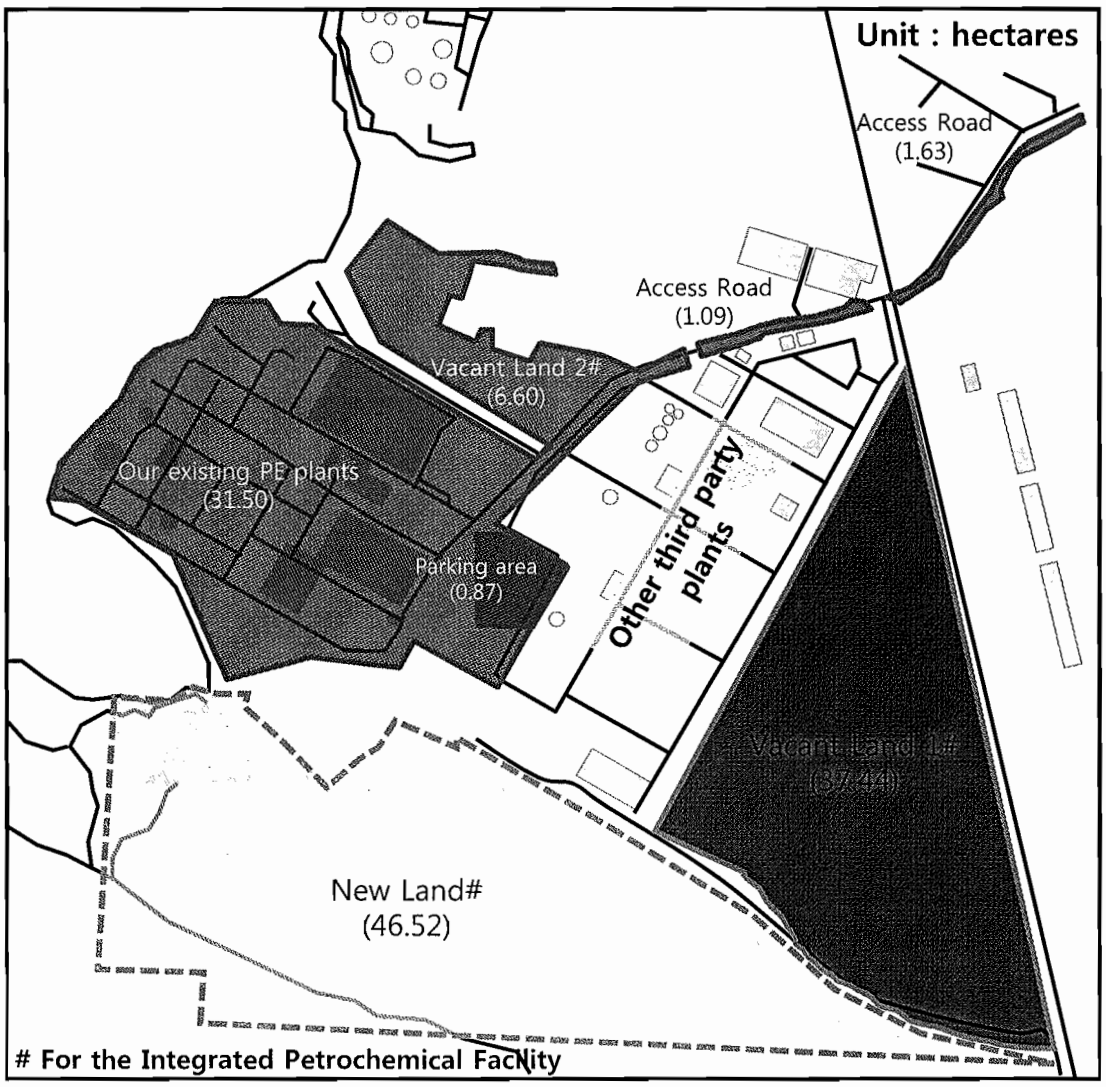
(a) Acquisition of land

We had previously via our subsidiary, PT LCT Nusantara on 23 November 1995 acquired Vacant Land 1 and Vacant Land 2 for the purpose of setting up future plants.

Pursuant to the project and as part of the initial project phase, we had on 14 February 2017 completed the acquisition of approximately 114.96 acres (or approximately 46.52 hectares) of the New Land through our wholly-owned subsidiary, PT LC Indonesia, for a cash consideration of USD53.0 million (equivalent to RM228.5 million). The New Land purchased is located approximately 0.06 kilometres (via a vacant land) from our existing Merak plants.

We also intend to acquire additional parcels of privately-owned connecting lands totalling approximately 21.25 acres (or approximately 8.60 hectares) at an estimated cost of approximately USD17.0 million (equivalent to RM73.3 million), to improve logistics and connectivity between our existing Merak plants and the Integrated Petrochemical Facility. We are currently in negotiations with the owners of the lands and expect an outcome of these negotiations by end of 2017.

The map below shows the location of our existing PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia), the New Land, Vacant Land 1 and Vacant Land 2:



(b) Feasibility study

In August 2016, we carried out a marketing feasibility study to determine market conditions for the Integrated Petrochemical Facility. We are in the process of awarding the FEED study to a FEED company. We will be conducting the FEED study for the project in the second quarter of 2017 to determine, among others, the conceptual design and a more detailed breakdown of the costs to be incurred and procurement of approvals and licences. The FEED study is anticipated to be completed by end of 2017.

(c) Development works

Development works include geological reinforcement and engineering, procurement and construction, and costs related to procurement of environmental permits and approvals from authorities. The development works are expected to commence in 2019.

The remittance of the funds for the Integrated Petrochemical Facility does not require the approval of BNM. BNM's foreign exchange administration rules allow a resident entity with domestic ringgit borrowing to undertake an investment abroad of up to the amount of proceeds sourced from the initial public offering on the Main Market of Bursa Securities.

(ii) TE3 Project

We commenced the TE3 Project in 2015. The TE3 Project involves the construction of K-COT catalytic cracking reactor, to be attached to our existing NC2 Plant in Pasir Gudang, Johor. The technology converts heavy feedstock blend into higher olefins product and can maximise the ethylene and propylene production by using existing recycled products, such as C5, Non Aromatics and C4 Raffinate-2. This technology also supports an increased production of basic hydrocarbons such as BTX when naphtha is first converted. We will also be able to deliver a greater volume of ethylene to our Indonesian plants as feedstock because of the increased production of ethylene upon the expected completion of the TE3 Project in the second half of 2017.

As the TE3 Project uses a more efficient technology to obtain larger quantities of ethylene and propylene, we expect the completion of the TE3 Project to enhance the cost competitiveness of our plants in Malaysia by increasing product yield.

The estimated investment cost of the TE3 Project is USD317.5 million (equivalent to RM1,368.5 million). As at the LPD, we have already paid USD292.4 million (equivalent to RM1,260.3 million). The balance USD25.1 million (equivalent to RM108.2 million) will be funded from the gross proceeds from the Public Issue. Given the timing of the receipt of proceeds from the Public Issue, we have already incurred USD25.9 million (equivalent to RM111.8 million) using our internally generated funds out of the RM220.0 million earmarked from the Public Issue which will be reimbursed from the proceeds from the Public Issue.

Upon completion, we expect our production capacities of ethylene, propylene and BTX to increase by 93 KTA, 170 KTA and 134 KTA, respectively. While the increased licensed nameplate capacity in relation to propylene is 127 KTA, we plan to re-commence operations for our OCU Plant after completion of the TE3 Project, depending on the market prices of ethylene and propylene then. As a result, our propylene capacity may increase by a further 43 KTA, taking the total increased propylene capacity figure to 170 KTA.

(iii) PP3 Project

We commenced the PP3 Project in March 2017 which involves the construction of a new polypropylene plant in Pasir Gudang, Johor to create 200 KTA additional supply of polypropylene. The PP3 Project is designed and constructed by Lotte E&C with technology provided by LCC. We are undertaking the PP3 Project to complement the TE3 Project and utilise the additional propylene feedstock produced as part of the TE3 Project.

The estimated investment cost for the PP3 Project is USD140.0 million (equivalent to RM603.5 million) which is to be funded entirely from the gross proceeds from the Public Issue, with the balance from internally generated funds, if required. Since the PP3 Project is already on-going and given the timing of the receipt of proceeds from the Public Issue, we have already incurred USD6.6 million (equivalent to RM28.4 million) using our internally generated funds which will be reimbursed with the proceeds from the Public Issue.

Commercial operation of the PP3 Project is expected to commence in the second half of 2018, which we expect will increase our production capacity of polypropylene by 200 KTA.

4.7.2 Estimated listing expenses

The fees and expenses for our IPO to be borne by us are as follows:

	RM'000
Professional fees	15,166
Fees to authorities	1,189
Brokerage, underwriting and placement fees	100,825
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the Public Issue	15,786
Miscellaneous expenses and contingencies	19,898
Total	**152,864**

If the actual fees and expenses for our IPO are higher than estimated, the deficit will be funded out of internally generated funds. However, if the actual fees and expenses are lower than estimated, the excess will be used for the funding of projects mentioned above.

Through our quarterly reports which will be reviewed by our Audit and Risk Management Committee as part of its duties and functions as set out in Section 9.1.6(viii)(b) of this Prospectus prior to release via an announcement to Bursa Securities, we will update our shareholders on the following:

(a) status of the use of proceeds raised from the Public Issue which is in accordance with the Listing Requirements; and

(b) status and progress of each project as set out in Section 4.7.1 of this Prospectus, namely the Integrated Petrochemical Facility, TE3 Project and PP3 Project.

Given the status and timing, we will place the proceeds earmarked for the Integrated Petrochemical Facility in a designated account. Pending full use of the gross proceeds received, we intend to place the proceeds raised from the Public Issue (including accrued interest, if any) or the balance in the following:

(aa) as deposits or short-term money-market instruments namely, money-market deposits and repurchase agreements in Malaysia with licensed financial institution(s) or exempt finance company(ies), under the Financial Services Act, 2013; or

(bb) as placements in money-market unit trust funds and/or cash unit trust funds in Malaysia with bank-backed fund management company(ies) licensed under the CMSA.

Our use of proceeds from the Public Issue is expected to have the following financial impact to us:

(i) Increase in production capacity and efficiency

We will use the proceeds to construct new facilities and plants to enhance our production capacity and promote greater efficiency by using newer technology.

(ii) Enhancement in capital structure

Through the Public Issue, we will be increasing our shareholders' funds. We expect this enhanced capital structure to provide us the financial flexibility to pursue our growth opportunities in Southeast Asia.

We have illustrated the financial impact of the use of proceeds from our IPO on our pro forma consolidated statement of financial position as at 31 December 2016 in Section 12.4 of this Prospectus.

4.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.8.1 Brokerage

We will pay brokerage in respect of our IPO Shares under the Retail Offering at the rate of 1.0% of the Final Retail Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

The Joint Global Coordinators and the Joint Bookrunners are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us.

4.8.2 Underwriting commission

As stipulated in the Retail Underwriting Agreement, the Managing Underwriter and the Joint Underwriters have agreed to underwrite our IPO Shares under the Retail Offering for an underwriting commission of 1.5% of the Retail Price multiplied by the number of IPO Shares underwritten under the Retail Offering in accordance with the terms of the Retail Underwriting Agreement.

4.8.3 Placement fee

We will pay the Joint Global Coordinators (for themselves and on behalf of the Placement Managers) an aggregate placement fee and selling commission of 1.5% and may pay to the Joint Global Coordinators an aggregate discretionary incentive fee of up to 0.25%, as computed in accordance with the terms of the Placement Agreement.

4.9 DETAILS OF THE UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

4.9.1 Underwriting

Under the Retail Underwriting Agreement, the Managing Underwriter and the Joint Underwriters have agreed to severally and not jointly underwrite 55,783,000 IPO Shares under the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus and upon the terms and subject to the conditions of the Retail Underwriting Agreement.

Details of the underwriting commission are set out in Section 4.8.2 of this Prospectus, while the salient terms of the Retail Underwriting Agreement are as follows:

Subject to certain conditions precedent set out in the Retail Underwriting Agreement, the Joint Underwriters agreed to underwrite 55,783,000 IPO Shares.

Two or more Joint Underwriters (including the Managing Underwriter) who have agreed to underwrite, in aggregate more than 50% of the IPO Shares under the Retail Offering (collectively, the "**Majority Underwriters**") may, on behalf of the Joint Underwriters, in such manner as the Majority Underwriters will reasonably determine by notice in writing to our Company by the Managing Underwriter given at any time before the Joint Underwriters are discharged or required to carry out its underwriting obligation, terminate, cancel and withdraw their respective underwriting commitments if:

(i) there is any breach by our Company of any of the representations, warranties or undertakings set out in the Retail Underwriting Agreement in any respect; or

(ii) without prejudice to Section 4.9.1(i) above, there is failure on the part of our Company to perform any of our obligations in the Retail Underwriting Agreement which in the reasonable opinion of the Majority Underwriters, have or could be expected to have a material adverse effect or change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business on the following:

(a) the condition (financial, business, operations or otherwise), management, general affairs, business, assets, liquidity, liabilities, prospects, earnings, properties or results of operations of our Company and/or our Group taken as a whole;

(b) the ability of our Company to perform its obligations under or with respect to, or to consummate the transactions contemplated by this Prospectus, the Placement Agreement, the cornerstone placement agreements with the Cornerstone Investors or the Retail Underwriting Agreement;

(c) the ability of our Company and/or LCTM to conduct its businesses; or

(d) the IPO.

("**Material Adverse Effect**");

(iii) our Company withholds any information of a material nature from the Managing Underwriter and/or the Joint Underwriters which would have or is likely to have a Material Adverse Effect; or

(iv) there shall have occurred, or happened any other event in which Material Adverse Effect having occurred or which in the opinion of the Managing Underwriter is likely to occur; or

(v) the closing date of the Retail Offering ("**Closing Date**") does not occur by 28 July 2017, subject to such extension which may be agreed between our Company and the Majority Underwriters; or

(vi) the occurrence of any of the following events:

(a) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which would have or is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of our IPO Shares or a material adverse effect on our Listing or our IPO. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

(i) on or after the date of the Retail Underwriting Agreement; and

(ii) prior to the Closing Date,

lower than 85% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition;

(b) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court or authorities which has or is likely to have a Material Adverse Effect; or

(c) any *force majeure* event which is any event or series of events beyond the reasonable control of the Managing Underwriter or any of the Joint Underwriters including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami, fire, lightning, tempest, accident, epidemics and/or earthquakes), acts of hijacking, commotion, terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, hostilities, invasion, incursion by armed force, sabotage, acts of war, diseases, accidents, riot, uprising against constituted authority, disorder, rebellion, insurrection, revolt, military, any material disruptions in securities settlements, payment or clearance procedures in the United States, Hong Kong, the United Kingdom, South Korea, Malaysia, Indonesia or Singapore or any general moratorium on banking activities in any of the aforementioned which has or is likely to have a Material Adverse Effect or which has or is likely to have the effect of making any material obligation of the Retail Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments under our IPO or pursuant to the underwriting of our Shares under the Retail Offering that are underwritten; or

(d) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities for a period exceeding three consecutive Market Days due to exceptional financial circumstances or otherwise;

(e) any government requisition or occurrence of any other nature whatsoever which is likely to have a Material Adverse Effect;

(f) there shall have announced or carried into force any new law or regulation, directive, policy or ruling or change in law, regulation, directive, policy, ruling in any jurisdiction which in the reasonable opinion of the Majority Underwriters may prejudice the success of our IPO or our Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and/or transfer our Shares or making the Retail Underwriting Agreement incapable of being performed in accordance with its terms;

(g) the Institutional Offering and/or Retail Offering is stopped or delayed by our Company or any relevant authorities for any reason whatsoever (unless such delay has been approved by the Managing Underwriter); or

(h) any commencement of legal proceedings or action against any member of our Group and associates or any of their directors, which would have or is likely to have a material adverse effect or make it impracticable to market our IPO or to enforce contracts to allot and/or transfer our Shares.

(vii) our Listing does not take place by 11 August 2017 or such other extended date as may be agreed by the Managing Underwriter;

(viii) any of the approvals by our Board, the SC, the board of directors of LCC, MITI and Bursa Securities in relation to our IPO is revoked, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms that would have or is likely to have a Material Adverse Effect;

(ix) in the event that our Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Managing Underwriter (acting reasonably);

(x) if the SC or any other relevant regulatory authority issues an order under Malaysian laws such as to make it, in the reasonable opinion of the Majority Underwriters, impracticable to market our IPO or to enforce contracts to transfer our IPO Shares;

(xi) any material statements contained in this Prospectus and application forms has become or been discovered to be untrue, inaccurate or misleading in any respect; or

(xii) any one of the Retail Underwriting Agreement, the Placement Agreement, the Share Lending Agreement, each lock-up letter, the cornerstone placement agreements with the Cornerstone Investors (i) having been terminated or rescinded in accordance with its terms; (ii) ceased to have any effect whatsoever, or (iii) varied or supplemented upon terms and such variation or supplementation would have or is likely to have a Material Adverse Effect.

4.9.2 Placement

We expect to enter into the Placement Agreement with, *inter-alia,* the Placement Managers in relation to the placement of 684,700,000 IPO Shares under the Institutional Offering, subject to the clawback and reallocation provisions and the Over-allotment Option as set out in Sections 4.3.3 and 4.3.4 of this Prospectus, respectively. We will be requested to give various representations, warranties and undertakings, and to indemnify the Placement Managers against certain liabilities in connection with our IPO.

4.9.3 Lock-up arrangement

(i) In conjunction with the Placement Agreement, we have agreed that, save in relation to our IPO, for a period beginning on the date of the lock-up letter being 2 June 2017 and ending on, and including, the date that is six months after the date of admission of our Company's entire issued share capital to the Official List of Bursa Securities and our Listing becoming effective ("**Admission**"), we will not and will procure that our affiliates and nominees and/or trustees holding our Shares in trust for our Company or on our behalf will not, without the prior written consent of the Joint Global Coordinators:

(a) issue, allot, sell, offer to sell, contract or agree to sell, hypothecate, pledge, mortgage, charge, assign, grant any option, right or warrant to purchase, lend, subscribe for, or security over, or otherwise dispose of or agree to dispose of, directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company that are substantially similar to Shares (or any interest in respect of it), or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

(b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company that are substantially similar to Shares, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) and (b) above; and

(d) publicly announce an intention to effect any transaction specified in (a) or (b).

(ii) In conjunction with the Placement Agreement, LCC has agreed that, save in relation to our IPO and Listing, for a period beginning on the date of the lock-up letter being 2 June 2017 and ending on, and including, the date that is six months after the date of the Admission, LCC will not and will procure that its affiliates and nominees and/or trustees holding our Shares in trust for LCC or on its behalf will not, in respect of our Shares, without the prior written consent of the Joint Global Coordinators:

(a) issue, allot, sell, offer to sell, contract or agree to sell, hypothecate, pledge, mortgage, charge, assign, grant any option, right or warrant to purchase, lend, subscribe for or security over, or otherwise dispose of or agree to dispose of, directly or indirectly, conditionally or unconditionally, any Shares or any other securities of LCC that are substantially similar to Shares (or any interest in respect of it), or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

(b) enter into any swap, hedge or derivative or other transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of LCC that are substantially similar to Shares, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) and (b) above; and

(d) publicly announce an intention to effect any transaction specified in (a) or (b) above.

4.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their names or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

(i) to facilitate a share buy-back;

(ii) to facilitate conversion of debt securities;

(iii) to facilitate a company restructuring process;

(iv) where a body corporate is removed from the Official List;

(v) to facilitate a rectification of any error; and

(vi) in any other circumstances determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities approximately eight Market Days after the closing date of the Institutional Offering. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfer to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

5. RISK FACTORS

Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, prospective investors should carefully consider, along with the other matters set out in this Prospectus, the risk factors set out below. These risk factors set out below are not an exhaustive list of the challenges we are currently facing or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

5.1 RISKS RELATING TO THE PETROCHEMICAL INDUSTRY

5.1.1 Cyclicality in the petrochemical industry and fluctuations in crude oil prices have in the past, and may in the future, adversely affect our business, operating results, cash flows and financial condition

The petrochemical industry is capital intensive and the operating rates and margins in this industry have historically been cyclical. Operating and profit margins are sensitive to supply and demand balances, both domestically and internationally. Demand for our petrochemical products is generally linked to the level of economic activity, and weak economic conditions tend to reduce demand. Typically, higher demand during peaks in the industry business cycle leads producers to increase their production capacity. Although peaks in the business cycle have been characterised by increased selling prices and higher operating margins, in the past, such peaks have led to overcapacity with supply exceeding demand. Low periods during the industry business cycle are characterised by a decrease in selling prices and excess capacity, which can depress operating margins. In short, the petrochemical industry's cycles are characterised by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and margins. Our historical operating results reflect the cyclical and volatile nature of the petrochemical industry.

The petrochemical industry is also considerably affected by fluctuations in crude oil prices. The international market for crude oil is volatile, and has in recent years been characterised by significant price fluctuations which is subject to a variety of factors beyond our control. While lower crude oil prices in recent years have contributed to increased profit margins for us, there can be no assurance that the lower crude oil prices will sustain in the future. Any increase in crude oil prices may not always translate into an increase or similar increase in the prices of our petrochemical products. As a consequence, such increase in crude oil prices may reduce our profit margins if such increase cannot be completely passed on to our customers by increasing the prices of our petrochemical products by the same amount. Volatility and future increases in crude oil prices may reduce our profit margins and in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.2 We sell our products in highly competitive markets that may not allow us to preserve our market position

We sell our products in highly competitive markets. Due to the commoditised nature of many of our products, competition in these markets is based to a large extent on price. Price remains one of the key competitive factors for our commoditised products because although there are benchmark prices that apply to commodities, it is not mandatory for exports or imports to adopt such benchmark prices as international trade is often based on supply and demand, proximity and competitive pricing. Competition is also based on, to a lesser extent, product reliability and quality, product deliverability and customer service. While we have in the past been able to differentiate ourselves to a certain extent in our domestic markets of Malaysia and Indonesia by the range and quality of our products, speed of our delivery as well as our level of customer service, there can be no assurance that our customers will continue to value such factors. As a result, we may not be able to preserve our market position for such products by product differentiation or other non-price related factors.

We command a sizeable market share in the sale of polyethylene and polypropylene in Malaysia and polyethylene in Indonesia. In Malaysia, we compete against a number of overseas producers and Petronas Chemicals Group Berhad ("**Petronas Chemicals**"), which has several joint-venture production facilities. In Indonesia, our main competitor in polyethylene production is PT Chandra Asri. Although we are one of the leading producers in Malaysia and Indonesia for polyolefin products, there can be no assurance that we will be able to maintain our market share against domestic and foreign competitors or against new entrants in the Malaysian or Indonesian markets. This may also adversely impact our ability to continue to sell our products in domestic markets at prices typically higher than our export prices, which we attribute to a premium placed on our goods in the domestic markets based on recognition of our product quality, services and efficient delivery.

We may also face competition from Petronas Chemicals' RAPID project in Johor, which is anticipated to complete by 2020. Based on media reports, the RAPID project involves the construction of a refinery and integrated petrochemical complex and is expected to have a production capacity of up to 7,700 KTA of petrochemical products. Its close proximity to our Pasir Gudang and Tanjung Langsat sites may result in increased competition in the future and there can be no assurance that we will be able to maintain our market share of polyolefin products in Malaysia and within Southeast Asia.

We also compete with other petrochemical producers, many of which are larger than us and may have greater financial resources than us. Such competitors may also benefit from greater economies of scale and operating efficiencies, or access to cheaper feedstock. Some of these competitors also have a broader range of products which makes them less susceptible to cyclical downturns. There can be no assurance that we can continue to effectively compete with such producers in the future which may have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.3 Demand for, and the supply of, petrochemical products are dependent on general economic and market conditions, changes in consumer sentiment and preferences and other external factors

Demand for petrochemical products typically depends on the level of general economic activity as petrochemicals are used across a wide range of industries in both industrial and consumer products. If general economic conditions are weak, demand for our petrochemical products will be adversely affected. The supply of petrochemical products is affected by expansion of production capacity by petrochemical companies and their ability to expand their capacity depends significantly on the general health of the economy. There can be no assurance that future changes in the supply and demand for our products will not adversely affect our operating margins and profitability.

It is also not possible to accurately predict supply and demand balances, general economic and market conditions, and other factors that may affect the future operating rates and margins in the petrochemical industry. It is not clear if economic growth in Malaysia, Indonesia or globally will remain strong. The uncertainty as to the growth trend of international trade and the general global economic climate may continue to have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, demand for our products may be susceptible to changes in consumer sentiment towards the use of plastic goods as a result of individual preferences or concerns for the environment. Such changes in consumer sentiment and preferences, which are largely beyond our control, may affect the future levels of demand for our polyolefin products which in turn may have an adverse effect on our business, financial condition, results of operations and prospects.

External factors beyond our control can cause volatility in, and adversely affect, feedstock prices, demand for our products, product prices and operating margins. Examples of such external factors include:

- currency fluctuations;
- international events and circumstances such as wars, terrorist attacks and political instability, including continued hostilities in the Middle East that may cause disruptions in the supply of feedstock and affect feedstock prices;
- changes in legal regimes and governmental regulations such as taxation, duties and tariffs, in Malaysia, Indonesia and abroad in our key export markets;
- disruption in the supply of feedstock; and
- recurrence of epidemics such as SARS, avian flu or MERS that constrain demand temporarily.

5.1.4 Limitations on, or disruptions in, the supply of naphtha, and fluctuations in naphtha prices may result in increased operating expenses and adversely affect our results of operations, cash flow and margins

We purchase significant amounts of naphtha to manufacture our products and the cost of naphtha represents a substantial portion of our total cost of goods sold, accounting for about 69.1%, 58.9% and 53.5% for the years ended 31 December 2014, 2015, and 2016, respectively. The price of naphtha generally follows the price trend of, and varies with market conditions for, crude oil, which in recent times have been highly volatile. Naphtha price increases are not always of the same magnitude or direction as changes in the prices we receive for our products. As a result, increases in naphtha prices may have a material adverse effect on our margins and cash flows if such increases cannot be passed on to the price of the products we sell. Significant volatility in naphtha costs also affects our procurement costs and puts pressure on our margins as any sales price increases for our products may lag behind naphtha price increases. Naphtha price increases may also increase our working capital needs and cash flow requirements and, if significant, may also affect our liquidity.

While naphtha is a globally traded commodity and can be obtained from various sources, if external events beyond our control result in a disruption in the global supply of naphtha, this would have a material adverse effect on our operations. At times, we may also face issues relating to the quality of naphtha feedstock obtained from our suppliers such that there can be no assurance that feedstock quality can always be maintained.

We currently purchase our naphtha supply from a variety of sources through contracts that are typically renewable annually. In the event we cannot renew the supply agreements with our suppliers on acceptable terms, or at all, or our suppliers fail to deliver on their volume commitment, we will need to seek alternative supply sources, which may not be on acceptable terms. We also purchase a portion of our naphtha feedstock from the spot market. While we have not experienced any significant difficulties to-date in obtaining naphtha to satisfy our production requirements, there can be no assurance that we will be able to satisfy any shortfall in our naphtha requirements on the spot market on acceptable terms or at all. Our inability to obtain naphtha in sufficient quantities on a timely basis on commercially acceptable terms may also impair our ability to manufacture our products or could increase our production costs, which could have a material adverse effect on our business, financial condition and results of operations.

The stability of operations and business strategy of our major naphtha suppliers, which are beyond our control, will also affect us. Any material disruption to their operations due to causes such as weather, riots, political instability, natural disaster, fire or other technical or mechanical problems could adversely affect our procurement process, such as causing non-delivery or delays in the delivery of feedstock to us. If that occurs, our results of operations could be adversely affected. Similarly, if our major naphtha suppliers change their business strategies substantially, for instance, with regards to their product portfolio and distribution channel, they could reduce their volume of supply to or cease business relationship with us, which in turn could materially affect our business and results of operations.

5.1.5 Our operations and production processes are subject to significant operating hazards and risks, for which we may not be fully insured

We are subject to operational risks that are common among companies in the petrochemical industry, including but not limited to, the following:

- risks relating to leaks and ruptures to our facilities, including pipelines and storage tanks;

- risks relating to mechanical failure and power outages;
- risks relating to prolonged equipment breakdown or plant shutdown;
- risks relating to labour difficulties; and
- risks relating to terrorist attacks.

In particular, our business is subject to significant risk of fire, explosion, leakage, release of toxic fumes and other unexpected or dangerous conditions that may cause personal injuries or death, property damage, environmental damage and interruption of operations. On 8 June 2015, a fire occurred at one of our plants caused by the unauthorised opening of a manhole cover by an external contractor while carrying out blinding works, resulting in the deaths of two external contractors.

While we are prepared and our personnel are trained to deal with such hazards, if we are unable to quickly fix any resulting damage, our plant production schedules and operations could be materially delayed and our financial condition and results of operations would be materially and adversely impacted.

Our employees, as well as employees of our contractors, suppliers and customers, and residents in the vicinity of our sites and facilities are exposed to these hazards. These type of risks cannot be completely eliminated through preventive efforts, including through preventive measures that we have taken and insurance coverage that we have obtained. There can be no assurance that accidents at our sites or supporting facilities (which may result in property damage, litigation claims, severe personal injuries or fatalities) will not occur in the future.

Our earnings and cash flow may be adversely affected by any disruption of operations of, or damage to, our existing production facilities that are not fully covered by insurance.

Our insurance policies include all risks property damage (including machinery breakdown and business interruption) for both our facilities in Malaysia and Indonesia, additional comprehensive general liability insurance policy for Malaysia and Indonesia, charterers' legal liability for Malaysia, terminal operators' liability for Malaysia and a further excess liability coverage for Malaysia, and marine open cover policy. However, these insurance policies are subject to certain limits. For example, disruptions to our operations may not be covered by our business interruption insurance policy if the number of shutdown days falls below the insurance deductible period of 45 days for losses related to machinery breakdown and 45 days following property damage. In addition, as a result of the terrorist attacks of 11 September 2001 and other events, our insurance carriers have created exclusions for losses from terrorism from our "all risk" property insurance policies. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected. There can be no assurance that material losses in excess of insurance proceeds will not occur in the future or that adequate insurance coverage will be available to us in the future on commercially reasonable terms or at all.

5.1.6 We are subject to health and safety laws and regulations and are exposed to environmental compliance and cleanup costs

Our business involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. Furthermore, our production processes generate gaseous chemical wastes, liquid wastes, wastewater and other industrial wastes at various stages of the manufacturing process. We are subject to stringent environmental, health and safety laws and regulations in the jurisdictions where our sites are located, including regulations in relation to air pollutant emissions, discharge of treated waste, solid waste management and other aspects of our operations. Some of these laws and regulations require our plants to operate under permits that are subject to renewal or modifications. Typically, these laws provide for substantial fines and potential criminal sanction for violations. Violations of these laws can also result in permits being revoked and/or plants being shutdown. For example, LCTM was fined a total of RM20,000 for violations of Malaysian health and safety regulations in connection with the fire incident that occurred on 8 June 2015.

In addition, we may face civil liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances at our plants or chemicals that we otherwise produce, handle or own. Such claims can be substantial and could materially adversely affect our business, financial condition, results of operations or cash flows, if they are not adequately covered by insurance.

We also incur and expect to continue to incur capital and costs to comply with environmental, health and safety laws and regulations. In addition, new laws and regulations, stricter enforcement of, or changes to, existing laws and regulations, or the imposition of new clean-up requirements could in the future require us to incur costs, or affect our production or revenues in ways that may have an adverse effect on our financial condition or results of operations. There can be no assurance that material capital expenditure, costs or operating expenses beyond those currently anticipated will not be required under applicable environmental, health, and safety laws and regulations, or that developments with respect to such laws and regulations will not materially adversely affect our production or revenues.

5.2 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

5.2.1 A significant interruption in our operations such as a power outage or interruption in water supply, mechanical failures or natural disasters could reduce our production

In October 2014, our plants in Malaysia suffered an emergency shutdown period of an aggregate of 38.3 days caused by a power outage and as a result, all our production in Malaysia ceased during this period. This led to a fall in production volume for the year ended 31 December 2014. For further information on the incident, please refer to Section 7.12 of this Prospectus.

In April 2017, our plants in Malaysia suffered a controlled shutdown period caused by an interruption in water supply. For further information on the incident, please refer to Section 7.6.18 of this Prospectus.

As our plants are dependent on a continuous supply of electricity and water to maintain stable operations, any significant power outages or interruptions in water supply could materially and adversely affect our business, financial condition and results of operations. Similarly, any interruption to our operations as a result of mechanical failures or natural disasters will also materially and adversely affect our business, financial condition and results of operations.

While we currently have in place systems to monitor our plant equipment and support facilities to reduce the risk of emergency shutdowns, there can be no assurance that these systems will always function in a reliable manner.

5.2.2 We may not be able to obtain, renew or maintain our licences, permits, approvals or technology licences required to operate our business due to reasons beyond our control

We require certain licences, permits and approvals to operate our business. We will be required to renew such licences, permits and approvals and/or to obtain new ones. For a description of our licences, permits and approvals, including applicable approving authorities, expiration dates and non-compliances, please refer to Annexure A of this Prospectus.

In addition, the operation of our plants relies on technology that is licensed to us by certain third parties. There can be no assurance that we will not breach the terms of the technology licences. Failure by us to renew, maintain or obtain the required permits, approvals or technology licences due to reasons beyond our control may result in the interruption of our operations or delay or prevent our product enhancement or capacity expansion programme, or require us to renew or obtain technology licences from third parties on less favourable terms and may have a material adverse effect on our business, financial condition, results of operations and prospects. For more information on our permits, approvals and technology licences required for our business and operations, please refer to Section 7.10 and Annexure A of this Prospectus.

5.2.3 If our existing and proposed expansion plans are not completed on schedule or within budget, this may have an adverse effect on our future growth and prospects

We are currently implementing certain expansion plans as described in Section 7.6.8 of this Prospectus. As at the LPD, we have four on-going projects as part of our long-term plan for growth. These expansion projects are expected to provide additional value by increasing our production of polyethylene, polypropylene and derivatives from by-products through increased production efficiencies and an improved ability to crack raw feedstock material.

If any of our expansion projects are not completed on schedule or within budget or at all, this may have an adverse effect on our operations and results. In addition, there can be no assurance that even if our expansion plans are completed, we will be able to achieve the expected increase in production volumes or sell our products profitably.

In addition, any new projects and capital expenditures we decide to undertake in the future may expose us to large-scale, project-related risks that may be beyond our control. Actual costs and expenditures related to any project could exceed planned costs and expenditures, and any delay in completion of these projects could adversely affect our operations and financial condition.

5.2.4 Limitations on or disruptions in, the supply of feedstock for our Indonesian plants and cracker may adversely affect our business, results of operations, cash flow and margins

Our Indonesian plant uses ethylene as feedstock to produce polyethylene products. We may not always be able to obtain sufficient ethylene from the Indonesian market to supplement the portion of ethylene produced by our Malaysian crackers for our Indonesian plants to consume as feedstock. For example, in 2015, there were constraints in the supply of ethylene in Indonesia due to increased ethylene prices and tightened ethylene supply, which resulted in a decline in the sales volume of polyethylene produced from our Indonesian plants from 361.2 million KT to 320.0 million KT between the years ended 31 December 2014 and 31 December 2015.

We may also face difficulty securing sufficient naphtha as feedstock for our Indonesian cracker that will form part of the Integrated Petrochemical Facility when completed.

Shortages of ethylene and naphtha feedstock can lead to our Indonesian plants and cracker operating at under-capacity levels that in turn may adversely affect our volume of production, operational efficiency and overall profit margins.

5.2.5 We may be affected by negative publicity or other matters arising from the actions of LCC and/or the Lotte group of companies or other investigations or allegations involving their officers or major shareholders

We may be affected by negative publicity surrounding LCC and/or the Lotte group of companies of which we are a member. The negative publicity surrounding the criminal trial in South Korea to hear charges of corruption and embezzlement against Shin Dongbin, a director of our Promoter, LCC, and other executives in the Lotte group of companies, commenced on 21 March 2017. As part of these trials, our former Chairman and the current chairman and director of LCC, Huh Soo Young, is facing five charges, including allegations of tax fraud, breach of trust and corruption.

We may also be affected by the following:

(i) the boycott of Lotte supermarkets in China as a result of a Lotte group company handing over its land in Seongju, South Korea, for the deployment of the United States Terminal High Altitude Area Defence anti-ballistic missile system;

(ii) the KRW42.3 million (equivalent to approximately RM163,067) fine imposed on LCC by the Korea Fair Trade Commission for violating the Monopoly Regulation and Fair Trade Act;

(iii) the civil lawsuit filed by the Korean Government against LCC claiming for approximately KRW24.8 billion (equivalent to approximately RM95.6 million) in damages for fraudulent corporate tax refund; and

(iv) the KRW2.8 billion (equivalent to approximately RM10.8 million) consumption tax imposed on LCC by the head of Yeosu tax office under the National Tax Services of Korea on the grounds of consumption tax evasion.

Please refer to Section 9.5 of this Prospectus for further information on the matters described under items (ii) to (iv) above. These matters could adversely affect our business reputation and public image and consequently, lead to a reduction in the demand for our products or loss of business opportunities.

These instances of negative publicity or other matters arising from the actions of LCC and/or the Lotte group of companies or other investigations or allegations involving their officers or major shareholder(s) could affect the demand for our products, lead to lost business opportunities or have a material adverse effect on our business, financial condition, results of operations and prospects.

5.2.6 We rely on third party logistics providers for the transportation of feedstock and our products

We primarily utilise third party logistics providers to transport feedstock and our products, to and from our sites. We rely on third party logistics providers for substantially all of our product transport requirements. This is particularly so in Indonesia where our plants do not have pipelines similar to those that link our Pasir Gudang and Tanjung Langsat sites in Malaysia, such that the plants are totally dependent on third party logistics providers for their supply of feedstock. The costs of these services are significant and prevailing rates can be volatile depending on market conditions. Increases in transportation rates can result in increased feedstock costs or product distribution costs. We may experience an interruption of supply or increase in costs to deliver our products to the market if the ability of vehicles or vessels to transport our required feedstock or our products is disrupted due to inclement weather, natural disasters, accidents, governmental regulations or unanticipated third party actions, including terrorist attacks or piracy.

Our transport network is dependent on our ability to continue to renew our contracts with these third party logistics providers or to enter into new contracts on acceptable terms and on a timely basis. Any prolonged or unanticipated disruption in the transportation of our required feedstock or our products could have a material adverse effect on our business, financial condition and results of operations.

5.2.7 Our sites in Malaysia are interconnected and interdependent, and factors adversely affecting one site may affect the operations of the other

Although our Pasir Gudang and Tanjung Langsat sites are 12 kilometres apart, the two sites have many shared services such as land transportation, medical personnel and other operational resources. Additionally, the two sites are connected through underground pipelines that deliver feedstock from Pasir Gudang to Tanjung Langsat, and purge gas from Tanjung Langsat to Pasir Gudang. The two sites are therefore largely interdependent on one another. As such, internal or external factors that affect one site will likely affect the other, which may have a material adverse effect on our business, financial condition and results of operations as we derive a substantial portion of our revenue from sales of products produced from our sites in Malaysia.

5.2.8 Our development and operational plans require sufficient funding and capital resources, which are subject to risks and uncertainties

The petrochemical business is capital intensive. Our ability to maintain and increase our revenues, net income and cash flows depend upon continued capital spending. Our current business strategy contemplates capital expenditures for the year ending 31 December 2017 of about RM2,793.3 million, which we expect to fund using funds generated from our operations, financing activities and net proceeds from our IPO.

For further information on the use of proceeds from our IPO, please refer to Section 4.7 of this Prospectus. Our actual capital expenditures may vary significantly from these planned amounts due to various factors, such as our ability to generate sufficient cash flows from operations to finance capital expenditures, ability to finance such expenditures through borrowings, other necessary investments and other factors that may be beyond our control. In addition, there can be no assurance whether, or at what cost, our capital projects will be completed or the success of these projects if they are completed.

We may incur substantial capital expenditures from time to time in connection with projects intended to expand our production capacity or operational capabilities and improve our business. These projects may include, but are not limited to, de-bottlenecking, increasing the production capacity of our existing manufacturing plants and constructing new facilities. Failure to successfully complete these projects due to inadequate capital resources or otherwise may have an adverse effect on our operations and our development plans. In addition, if we are not able to obtain sufficient funding for our planned capital expenditures, our business, results of operations and prospects could be adversely affected.

Our ability to obtain external financing and make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and Indonesian economies and the markets for our products, the cost of financing and the condition of financial markets, the issuance of relevant government approvals and other project risks associated with the development of infrastructure in Malaysia and Indonesia, and the continuing willingness of banks to provide new loans. There can be no assurance that any required additional financing, either on a short-term or long-term basis, will be available to us on satisfactory terms, if at all. If adequate funds are not available on satisfactory terms, we may be forced to defer or cease our expansion plans, which could result in a loss of customers, inability to successfully implement our business strategies and limitations on the growth of our business.

In addition, our investments in our associates could require us to make significant additional capital contributions, shareholder financing or contingent support, such as the provision of guarantees for bank financing activities, to fund our associates' operations or expansion. For example, in March 2017 we injected a further USD168.0 million (equivalent to RM724.2 million) into LC USA to meet its on-going funding requirements. The US Shale Gas Project is expected to require substantial external financing to become operational. The on-going negative publicity surrounding the Lotte group of companies, of which we are a member, could make it more difficult for us to obtain external financing for this or other projects.

5.2.9 Our operations are dependent on our ability to obtain, maintain and renew land rights and location permits

Our operations are dependent on our ability to obtain, maintain and renew relevant land rights over the land where our plants and supporting facilities are located. The Government of Malaysia and Indonesia may change the authorised land use of any part of our land. If we are unable to obtain, maintain or renew land titles over the relevant parcels of land, if we have to incur significant additional costs to obtain or renew such land titles, or if we are adversely affected by changes in land use, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We currently operate 14 plants across three sites in Malaysia and Indonesia. For our two integrated industrial sites at Pasir Gudang and Tanjung Langsat in Malaysia, we hold land rights under temporary occupational licenses and have the right to use the land for our production operations. We lease our approximately 122-acre Pasir Gudang site from the State Authority and hold them under four separate 60-year leases. Two of these leases will expire in 2051 while the other two will expire in 2050. We lease our 100-acre Tanjung Langsat site from the State Authority under a 60 year lease which expires in 2061. Our two naphtha and tank farm sites are under 36-year leases, which expire in 2052 and are leased from the Johor Port Authority. Another tank farm is located on a 20-acre site leased from TNB under a 30-year lease expiring in 2028.

In Indonesia, we have acquired additional plots of land for the construction of the Integrated Petrochemical Facility, covering an area of approximately 46.52 hectares in total ("**Land Plot**").

The Land Plot is registered under the right to manage (*hak pengelolaan*) owned by PT Krakatau Industrial Estate Cilegon. Pursuant to the Minister of Agrarian Regulation No. 9 of 1999 on Procure of Issuance and Revocation of Right Over State Land and Right to Manage ("**MAR 9/1999**"), the right to manage may only be revoked because of an administrative defect during the issuance process or a final and binding court decision. However, any overlap in ownership or any claim by a third party may lead to an application for revocation either by alleging an administrative defect or obtaining a court decision. Further, based on feedback from the Ministry of Agrarian, other than the reasons stated under the MAR 9/1999, the Indonesian Government is also entitled to revoke the right to manage due to an emergency interest such as for national security or for military purposes. If such revocation occurs, it may have a material adverse effect on our expansion plans in relation to the Integrated Petrochemical Facility.

In order to utilise the Land Plot, we need a valid right to build certificate. We obtained this certificate on 14 February 2017 which is valid until 8 February 2047. Upon its expiry, we can apply for a first renewal for a maximum period of 20 years and subsequently, a second renewal for a maximum period of 30 years. The issuance of an extension or renewal for a right to build certificate shall be subject to (i) the recommendation from PT Krakatau Industrial Estate Cilegon as the owner of the right to manage certificate; and (ii) approval of the local land office. If we are unable to obtain the requisite recommendation and approval, ownership of the Land Plot may be terminated and the Integrated Petrochemical Facility may need to be disassembled.

We require from the local authorities (i) building permits (*Izin Mendirikan Bangunan*) for us to construct the Integrated Petrochemical Facility and (ii) certificates of function worthiness (*Sertifikat Laik Fungsi*) for us to commence the operation of the Integrated Petrochemical Facility. If we are unable to obtain the relevant location permits or if such process is delayed, we will not be able to commence the construction or commence the operation, as the case may be, of the Integrated Petrochemical Facility which may have a material adverse effect on our plans for expansion and our prospects.

As at the LPD, we currently do not have the certificates of function worthiness from the local authority for our Indonesian plants. For further information, please refer to note 1 of Annexure B.1 of this Prospectus. If we are unable to obtain such certificates and receive a suspension order from the local authority, we will not be able to operate the Indonesian plants and this may have an adverse effect on our business, financial condition, results of operations and prospects and upon the commencement of the commercial operation of the Integrated Petrochemical Facility, the ethylene produced by the Integrated Petrochemical Facility which is meant to meet the requirements of the Indonesian plants have to be sold to third parties instead.

5.2.10 Our performance may be affected by the loss of key members of our management or our inability to hire or retain qualified personnel

Our business and the implementation of our strategy are dependent upon our management team. If one or more members of our management team is unable or unwilling to continue in their present positions, such persons may be difficult to replace because of their experience and expertise, and our business, prospects and results of operations may be materially adversely affected.

In addition, our business is also dependent on our ability to attract, retain and motivate qualified industry personnel. In particular, our PTC, which supports our growth and business strategies, requires skilled and experienced engineers and technical personnel. Currently, we rely in part on expertise from LCC for product development support. Any failure to successfully manage our personnel needs or coordinate with LCC's research and development team could adversely affect our business, results of operations and prospects. These risks could be heightened to the extent we invest in businesses or geographical regions in which we have limited experience which could materially affect our business, financial condition and results of operations.

Specifically, we may face difficulty in hiring or retaining qualified industry personnel in Malaysia and Indonesia. Our business depends on our ability to attract, train and retain highly qualified individuals for positions that require specialist experience and in some cases specific certifications, such as certified engineers and technical experts in the operation of petrochemical facilities, and we compete for such personnel with other companies, including our competitors. For example, we expect to face competition for qualified industry personnel from Petronas Chemicals' RAPID project. Increased competition for skilled personnel may result in shortages of such personnel, which could also result in increases in wages that we need to pay to hire and retain these personnel. In addition, some of our key personnel could leave us to join our competitors. The loss of the services of key personnel or the inability to attract qualified personnel or to retain existing personnel could have a material adverse effect on our business, financial condition, results of operations and prospects.

5.2.11 Some of our employees are represented by labour unions, and we may be subject to labour disputes that disrupt our operations or be affected by changes in labour law or increases in labour cost

Approximately 90% of our employees in Indonesia are members of a labour union and have signed the relevant collective bargaining agreement which is negotiated every two years and is due to be renegotiated on 30 June 2018 with wage adjustments occurring every year in April. The employment of union-affiliated employees and industrial action limits our flexibility in dealing with employees and may lead to increased operating costs and reduced production levels in our Indonesian plants. Any prolonged work stoppage or strike at our Indonesian site, or any significant increase in employee costs, including wages, could have a material adverse effect on our business, financial condition, results of operations or prospects. In the past three years, there has been no incident of collective union action on our Indonesian plant operations. However, labour disputes are common in Indonesia and there can be no assurance that such disputes will not arise in the future.

Changes in labour law may occur due to the enactment of new labour laws by the Indonesian Parliament or any judicial review by the Indonesian Constitutional Court. To-date, Indonesian Labor Law No. 13 of 2003, a key piece of legislation that provided a statutory basis for increased worker rights, has been subject to several judicial reviews, which resulted in the invalidation and amendment of certain labour law provisions relating to worker rights. Changes in labour law are frequently the subject of significant political disagreement. Labour unrest and activism in Indonesia could disrupt our Indonesian plant operations and the operations of our suppliers or contractors and could affect the financial condition of Indonesian petrochemical producers in general. Such events could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, general inflationary pressures in Malaysia and Indonesia could increase labour costs, which could have a material adverse effect on our results of operations and financial condition.

5.2.12 We are controlled by LCC whose interests may not be aligned with those of the other shareholders of our Company and whose business in petrochemical products may compete with our business

Following completion of our IPO, LCC will own no less than 67.75% of our Shares and will continue to be our controlling shareholder. As our controlling shareholder, other than in respect of certain votes regarding matters in which LCC is an interested party and must abstain from voting under the Listing Requirements or matters that require the passing of a special resolution, it will be able to influence the approval of all corporate matters requiring a shareholder resolution under the Act without the approval of other shareholders of our Company.

This includes the appointment of directors. Through LCC's ability to vote in the election of our directors, it will have influence over matters concerning our Company determined at the level of our board of directors. Currently, three of the six directors are Non-Independent Directors who are representatives of LCC on our Board and have spent substantial portions of their careers working for LCC or its subsidiaries.

Furthermore, due to the complex nature of shareholdings within the Lotte group of companies, we may be unable to identify who its ultimate beneficial owners are. In some circumstances, this may make it harder for us to clearly identify and address any potential conflicts of interests.

In addition, LCC is in the business of producing and selling a diverse range of petrochemical products, including certain petrochemical products that we produce and sell in our existing operations. While we focus on Southeast Asia, including in our domestic markets of Malaysia and Indonesia, and LCC focuses primarily on other markets such as Northeast Asia, Europe, Africa and South America, there are other markets where we and LCC are both active, such as China and Turkey.

There can be no assurance that in the future, LCC will not compete with us as a result of changes in supply and demand conditions in markets where we and LCC are both active. Accordingly, any increased competition from LCC may have a material adverse effect on our business, financial condition, results of operations and prospects.

5.2.13 Certain tax incentives or exemptions from the Government of Malaysia may no longer be available in the future

We are the recipient of the PHI, a tax incentive introduced under the Malaysian 2015 Budget, and subsequently established by MIDA on 1 May 2015. Under the PHI, we are entitled to the following:

(i) full income tax exemption on the services income and trading income arising from the principal hub activities for five years, lasting from 2017 to 2021; and

(ii) income tax exemption equivalent to a tax rate of 10% on the services income and trading income from the principal hub activities, lasting from 2022 to 2026.

There can be no assurance that such tax incentive will not be prematurely terminated by the Government of Malaysia or that we will continue to enjoy similar benefits after its expiry in 2026. If the PHI is prematurely terminated, this may have a material adverse effect on our cash flows and impact our after tax profitability.

5.2.14 Changes in laws, regulations or governmental policies could reduce supply and demand in countries where we produce and sell our products or results in failure to renew, maintain or obtain the required licences, permits or approvals for us to operate our business

The conduct of our business, including production, storage, distribution, sale, advertising, marketing, labelling, health and safety practices, transportation and use of many of our products, is subject to various laws and regulations administered by the government in countries where we sell our products. These laws and regulations and interpretations thereof may change as a result of political, economic or social events. Such changes may include changes in advertising and marketing practices, laws relating to the import of feedstock used in our products, laws relating to the import or export of our products, laws directly relating to some of our products, taxation requirements including taxes that will increase the cost of our products to our customers, competition laws, employment laws, laws regulating the price we may charge for our products, laws regulating our access to and use of water or utilities, and environmental laws including laws relating to the regulation of water rights and treatment.

New laws, regulations or governmental policies and their related interpretations, or any changes thereof, may change the environment in the markets where we conduct our business, affect demand in countries where we sell our products, and affect our operations or increase our costs or liabilities.

In particular, Indonesia is a developing market and its legal and regulatory regime may be less certain than in more developed markets and may be subject to unforeseen changes. At times, the interpretation or application of laws and regulations may be unclear and the content of applicable laws and regulations may not be immediately available to the public. Under such circumstances, consultation with the relevant authority in Indonesia may be necessary to obtain a better understanding or clarification of applicable laws and regulations. There can be no assurance that such clarification will be available in a timely manner. Further, there can also be no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof will not have an adverse effect on our business or prospects.

Separately, imposition of anti-dumping or countervailing duties, import quotas or tariffs, whether adopted by individual governments or addressed by regional trade blocs, may affect the competitive position of our products or prevent us from being able to sell our products in certain countries. Such measures may have a material adverse effect on our sales, which in turn will have a material adverse effect on our business, financial condition and results of operations.

In addition, we require certain licences, permits and approvals to operate our business. New laws, regulations or governmental policies and their related interpretations, or any changes thereof may result in our failing to renew, maintain or obtain the required licences, permits or approvals. This may cause the interruption of our operations or delay or prevent our product enhancement or capacity expansion programme and may have a material adverse effect on our business, financial condition, results of operations and prospects.

5.2.15 Legal disputes or proceedings could expose us to liability, divert our management's attention and negatively impact our reputation

As we are one of Southeast Asia's largest petrochemical producers with complex operations across Malaysia and Indonesia and sales to over 60 countries, we may at times be involved in potential legal disputes or proceedings relating to, among other things, product or other types of liability, employees' claims, labour disputes or contract disputes that could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects. We are currently not involved in any material legal proceedings or governmental investigations or enquiries and we are unaware of any material pending claims or legal proceedings. If we become involved in material or protracted legal proceedings or other legal disputes in the future, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

5.3 RISKS RELATING TO OUR SHARES

5.3.1 The offering of our Shares may not result in an active liquid market for our Shares

There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There can be no assurance that the trading price of our Shares will reflect our operations and financial conditions, our growth prospects or the growth prospects of the industry in which we operate. Our Shares could trade at prices that may be lower than the Retail Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. None of us, the Promoter, the Joint Global Coordinators or Joint Bookrunners have an obligation to make a market for our Shares or if such market does develop, to sustain it.

Bursa Securities has granted its approval for our Listing. It is expected that there will be an approximate eight Market Days' gap between the closing of the Retail Offering and the trading of our Shares. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us during this period that would adversely affect the market price of our Shares when they begin trading, and we cannot assure you that we will be able to maintain the Listing in the future.

5.3.2 Our Share price and trading volume may be volatile

The market price and trading volume of our Shares may be volatile and could be affected by numerous factors, including the following:

(i) general market, political and economic conditions;

(ii) trading liquidity of our Shares;

(iii) differences in our actual financial and operating results and those expected by investors and analysts;

(iv) changes in earnings estimates and recommendations by financial analysts;

(v) changes in market valuations of listed shares in general or shares of companies comparable to ours;

(vi) perceived growth prospects of our business and the petrochemical industry in the countries where we operate;

(vii) changes in government policy, legislation or regulation; and/or

(viii) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could have a material adverse effect on the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Institutional Price or the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the security prices of many companies. Security prices of many companies have experienced wide fluctuations that are often unrelated to the operating performance of these companies. There can be no assurance that the price and trading of our Shares will not be subject to the same fluctuations.

Recent events affecting the world economy including (i) the gradual slowdown and re-balancing of economic activity in China away from investment and manufacturing toward consumption and services; (ii) lower prices for energy and other commodities; (iii) a gradual tightening in monetary policy in the United States in the context of a resilient United States recovery as central banks of other major advanced economies continue to ease monetary policy; (iv) the United Kingdom's impending exit from the European Union; (v) the new United States political administration; and (vi) the possibility of domestic and international trade restrictions, have had a bearing on the overall stability of financial markets, particularly in emerging market and developing economies. Unless the above transitions are successfully navigated, there could be a sudden rise in risk aversion and market volatility that affect confidence and jeopardise the stability of financial markets. This in turn could have a material adverse effect on the value of our Shares, as well as our business, financial position and results of operations.

5.3.3 We may not be able to pay dividends to our shareholders

Our ability to pay dividends or make other distributions to our shareholders are subject to restrictions contained in our loan agreements which limit the payment of dividends without the prior written consent of the lenders, as well as to us having sufficient funds which are not needed to fund our operations, other obligations or business plans. For further information, please refer to Section 12 of this Prospectus.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval. We are not permitted to pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits. If we do not pay dividends, the market price of our Shares may be adversely affected and the value of your investment in our Shares may be reduced. For a description of our dividend policy, please refer to Section 12.6 of this Prospectus.

5.3.4 Our IPO price is higher than our NA per Share after giving effect to the issuance of 740,483,000 new Shares under our IPO and after adjusting for the estimated listing expenses for our IPO and our Listing, such that purchasers of our Shares in our IPO will experience immediate dilution

Our IPO price per Share is higher than our NA per Share after giving effect to the issuance of 740,483,000 new Shares under our IPO and after adjusting for the estimated listing expenses for our IPO and our Listing. Therefore, purchasers of our Shares in our IPO will experience an immediate dilution in NA of RM2.43 per Share as at 31 December 2016 assuming that our IPO price is RM8.00.

5.3.5 The sale or the possible sale of a substantial number of our Shares in the public market following our IPO could adversely affect the price of our Shares

Following our IPO, we will have in issue 2,468,274,500 Shares, of which 740,483,000 Shares, or about 30%, will be held by investors participating in our IPO, and 1,727,791,500 Shares, or about 70%, will be held by the Promoter. Our Shares sold in our IPO will be tradable on the Main Market of Bursa Securities without restriction following Listing. Our Shares may also be sold in the United States, subject to the restrictions of the U.S. Securities Act or outside the United States, subject to the restrictions of the Regulation S.

Nothwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with financing activities or otherwise. In addition, if the Promoter could dispose of some or all of our Shares that it holds after the moratorium period pursuant to its own investment objectives. If the Promoter sells, or is perceived as intending to sell, a substantial amount of our Shares that it holds, the market price for our Shares could be adversely affected.

5.3.6 There may be a delay or termination of the listing of our Shares

The occurrence of certain events, including the following, may cause a delay in or termination of the listing of our Shares on the Main Market of Bursa Securities:

(i) we are unable to meet the minimum public spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of the Listing; and

(ii) the revocation of approvals from the relevant authorities for our Listing for whatever reason.

In such an event, investors will not receive any IPO Shares and we will be liable to return in full, all monies paid in respect of any application for our IPO Shares. If such monies are not paid within 14 days after we become liable to repay it, then pursuant to Subsection 243(2) of the CMSA, we will become liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event that our Listing is aborted and our Shares have been allotted to the shareholders, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either (i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya or (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors. In the event the approval of the High Court of Malaya is not obtained or the directors are unable to provide the solvency statement as required under the Act, there can be no assurance that such monies can be returned within a short period of time or at all such circumstances.

5.4 OTHER RISKS

5.4.1 Economic, business, investment, political and social developments in Malaysia, Indonesia and Southeast Asia may adversely affect our business, financial condition, results of operations and prospects

Sales of our products are concentrated in Malaysia, Indonesia and, to a lesser extent, other markets in Southeast Asia. As a result, our revenues and results of future growth depend, to a large extent, on the growth and economies of Malaysia, Indonesia and other countries in Southeast Asia. In addition, our business is affected by the economic, business and investment conditions in these markets and by the global markets more generally. There can be no assurance that the economies of Malaysia, Indonesia and Southeast Asia will continue to grow. Any decline in the economies of Malaysia, Indonesia, Southeast Asia or globally could adversely affect our business, financial condition, results of operations and prospects.

In addition, we currently benefit from the CEPT Scheme which forms part of the ASEAN FTA agreement which has removed or reduced intra-regional tariffs for imports and exports to markets within ASEAN. While the CEPT Scheme has allowed us to compete in terms of pricing against importers from non-ASEAN countries, there can be no assurance that the benefits we enjoy as part of the ASEAN FTA agreement will continue and any reversal of the CEPT Scheme may remove our competitive advantage over non-ASEAN importers and have a material adverse effect on our business, financial condition, results of operations and prospects.

Any change in government policies, changes to senior positions within the governments and parliaments, or any political instability in Malaysia, Indonesia or other countries in Southeast Asia that arise from these changes may also have a material adverse effect on our business, financial condition, results of operations and prospects. Other political and economic uncertainties include but not limited to the risks of war, terrorism, riots, expropriation, nationalism, renegotiations or nullification of existing contracts, and changes in interest rates, foreign exchange rates, methods of taxation and import duties and restrictions.

5.4.2 The RM and/or the IDR may be subject to exchange rate fluctuations or further foreign exchange controls

Substantially all of our revenue, expenses and foreign currency denominated obligations are denominated in, or directly or indirectly linked to benchmarks denominated in, USD, while our reporting currency is denominated in RM and for our Indonesian operations, in IDR. Changes in the current exchange rate policy may result in significantly higher domestic interest rates, liquidity shortages, capital or further exchange controls. While fluctuations in the RM/USD and RM/IDR exchange rate may not have a material impact on our USD denominated cash flow, it may have a material impact on the reporting of our revenue, expenses and foreign currency denominated obligations, as they are required to be stated in RM or IDR, as well as on financial and other covenants in relation to our indebtedness that are based upon such reported revenues, expenses and obligations.

Effective from 5 December 2016, BNM introduced a currency stabilising ruling requiring resident exporter to convert 75.0% of their export proceeds from foreign currencies into RM upon repatriating proceeds back to Malaysia. This new measure exposes us to additional foreign exchange fluctuations and increasing conversion costs, both of which could adversely effect our business, financial condition and results of operations.

There can be no assurance that the Government of Malaysia or Indonesia will not impose more restrictive or other foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in either government's conduct of its domestic monetary policy and increased exposure of the Malaysian or Indonesian economy to the potential risks and vulnerability of external developments in the international markets. Consequently, this may adversely affect the value of our Shares and the ability of shareholders to liquidate our Shares or repatriate the proceeds from the liquidation of such Shares out of Malaysia.

5.4.3 Forward-looking statements

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting us and the industry, changes in interest rates and changes in foreign exchange rates, in the countries in which we operate. In light of these uncertainties, the inclusion of such forward looking statement in this Prospectus should not be regarded as a representation or warranty by us or our advisers that our plans and objectives will be achieved.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 Background and history

Our Company was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 3 August 1991 as a private limited company under the name of Flexiscope (M) Sdn Bhd. We commenced business on 29 November 1991. On 19 September 1991, we changed our name to Titan Holdings Sdn Bhd and to Titan Petrochemicals & Polymers Sdn Bhd on 13 August 1997. We converted into a public company on 26 September 1997. We subsequently changed our name to Titan Chemicals Corp. Bhd on 9 December 2004 and was listed on the Main Board (now known as Main Market) of Bursa Securities on 23 June 2005.

Our Company is an investment holding company. The principal activities of our subsidiaries, associates and the joint operation of our associate, LC USA, are set out in Section 6.2 of this Prospectus.

On 16 July 2010, LCC entered into the sale and purchase agreements with Union Harvard Investments S.R.L., CGDC Investments Corporation, Permodalan Nasional Berhad and AmanahRaya Trustees Berhad to acquire a total of 1,249,603,888 of our Shares, representing approximately 72.32% of our issued share capital, for a total cash consideration of RM2.9 billion (equivalent to RM2.35 per Share). As LCC's direct shareholding in our Company had increased from 0% to 72.32% upon completion of the Acquisition, LCC was obliged to undertake an unconditional take-over offer to acquire all our remaining Shares not already owned by LCC for a cash consideration of RM2.35 for each Share ("**Offer Price**") ("**Offer**"), valued at RM1.1 billion. The Offer Price represents a premium of 35.8% over the 5-day volume weighted average market price ("**VWAMP**") of our Shares up to 14 July 2010, being the last trading day before the Acquisition, of RM1.73.

The total value of the Acquisition and the Offer represented an illustrative market capitalisation of about RM4.0 billion. As stated in the Independent Advice Circular in relation to the Offer dated 29 November 2010 ("**IAC**"), the Offer Price represents the following:

(i) PER of 13.25 times ("**Offer PER**") which was within the range of the PER of the selected comparable companies of between 10.22 times and 19.91 times but slightly lower than the average of 15.30 times; and

(ii) EV/EBITDA multiple of 7.29 times ("**Offer EV/EBITDA multiple**") which was within the range of the EV/EBITDA of the selected comparable companies of between 3.44 times and 14.09 times but slightly lower than the average of 7.82 times.

The Offer closed on 24 December 2010 with LCC holding 99.57% of our issued share capital, following which, LCC compulsorily acquired all our remaining Shares for which acceptances were not received pursuant to the Offer. We were subsequently delisted from the Main Market of Bursa Securities in 2011 ("**Delisting**").

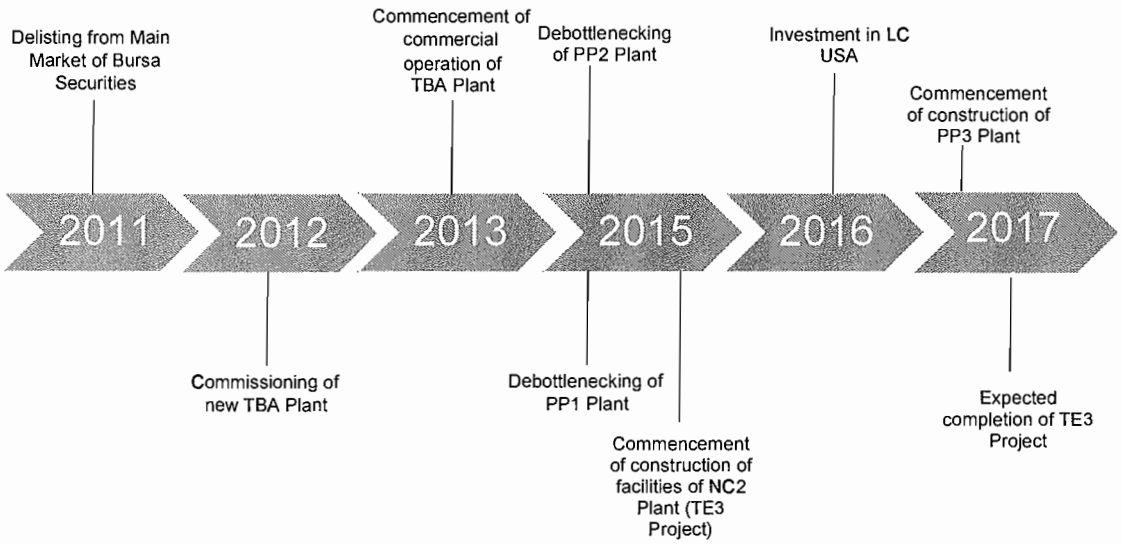
We were subsequently converted into a private limited company and changed our name to Titan Chemicals Corp. Sdn Bhd on 8 March 2011 and to Lotte Chemical Titan Holding Sdn Bhd on 20 December 2012. On 28 March 2017, we converted into a public company.

The Acquisition was a strategic move by LCC in line with its long-term goal to become a global petrochemical company through overseas expansion and development of new businesses to allow LCC to transform and become one of the most competitive petrochemical players in Asia. With our significant presence in Malaysia and Indonesia, LCC expected to strengthen its overseas operations by securing international production bases in high growth markets and in areas with access to competitive feedstock through the Acquisition.

6.1.2 Key developments since the Delisting

Since the Delisting, we have focused on optimising our operations through continued efficiency enhancements and ongoing works to improve the productivity and reliability of our plants and processes. As our controlling shareholder, LCC is also a global petrochemical company and one of Asia's largest chemical companies, we have benefited from its operational expertise and industrial know-how. In addition, we have also undertaken several capital expenditures and investments to further increase our production capacities to address our long-term growth.

A summary of the key developments to our business since the Delisting up to the LPD is set out below.



(i) Maximise value of production through internal recycling as well as increased product range

To maximise the value of our production through recycling the use of by-products from our plants into our processes, we constructed and commissioned the TBA Plant in 2012 where the TBA Plant uses excess C4 Raffinate-1 from our BD Plant as feedstock. The cost of constructing the TBA Plant was RM59.5 million which was funded entirely using internally generated funds.

With the commercial operation of the TBA Plant in 2013, we further diversified our product portfolio with the addition of TBA as a derivative product and excess by-products generated by the TBA Plant such as C4 Raffinate-2.

(ii) Further increase in plant capacity and consequently, production through debottlenecking works

We continue to carry out debottlenecking works to increase the capacity of our plants which involve simple modification of existing equipment to remove operational constraints known as bottlenecks. Since the Delisting, we have carried out debottlenecking work on our polypropylene plants, as follows:

(a) PP1 Plant

The debottlenecking works on our PP1 Plant which commenced in May 2015 and was completed in March 2016 had involved the following:

(i) installing an additional reactor jacket water cooler which allows us to feed more propylene into our plants by reducing the heat generated from the reactor; and

(ii) upgrading the extruder gear pump reducer that can run at higher speeds which can lead to a higher product yield.

The cost of the debottlenecking works on our PP1 Plant was approximately USD1.7 million (equivalent to RM7.3 million) which was funded entirely using internally generated funds.

Following the debottlenecking exercise, the nameplate capacity of our PP1 Plant increased by 10.7% from 150 KTA to 166 KTA.

(b) PP2 Plant

The debottlenecking works on our PP2 Plant which commenced in May 2015 and was completed in June 2016 had involved the installation of new and higher-capacity propylene feed pumps.

The cost of the debottlenecking on our PP2 Plant was approximately USD0.6 million (equivalent to RM2.6 million) which was funded entirely using internally generated funds.

Following the debottlenecking exercise, the nameplate capacity of our PP2 Plant increased by 14.2% from 240 KTA to 274 KTA.

We also recently completed the turnaround for the NC2 Plant in March 2017. A turnaround is a scheduled maintenance involving a complete shutdown and comprehensive maintenance checks of the plant which lasts about 30 days.

(iii) Improved operations and operational efficiencies through additional equipment modification and equipment replacement

Emergency shutdowns causes significant disruption to our operations as our plants are not able to operate at all or at full capacity. Our plant utilisation rates are also affected by shutdowns which in turn affects production volumes because it takes about two weeks for our plants to return to optimal efficiency.

To allow us to identify and rectify abnormal items before occurrence of failures leading to emergency shutdowns, we carried out several equipment modification as well as equipment replacement initiatives by carrying out, among others:

(a) chronic equipment rectification survey;

(b) unreliable instrument rectification survey; and

(c) unreliable analyser survey,

which enabled us to identify and rectify abnormal items before occurrences of failures leading to emergency shutdowns.

This had resulted in a significant decline in emergency shutdowns for our plants from 236 days in 2009 to 27 days in 2016. The significant reduction in emergency shutdowns has resulted in a stable production and higher utilisation rate from 2014 to 2016.

We also implemented the following projects since the Delisting which have allowed us to improve the average utilisation rate of all our plants in both Malaysia and Indonesia from 80% for the year ended 31 December 2009 to 91% for the year ended 31 December 2016:

(a) installation of an additional furnace in our NC2 Plant in 2012 to maintain consistency of production and prevent interruptions to the production process even during furnace decoking and scheduled shutdowns;

(b) replacement of the following equipment during the turnaround at the Pasir Gudang site in March 2017 to enhance the reliability of our power systems and minimise risk of disruption in our plant operations:

    (i) two of our older, smaller-rated capacity 35MVA transformers with newer, higher-rated 55 MVA 132/22kV transformers at 132kV substation to increase the capacity of each transformer by 57%; and

    (ii) all 22kV feeders in the 132kV substation with double 22kV bus facilities and a reliable load-shedding scheme which acts to cut the power supply to major power users such as extruders in polyolefin plants when there is insufficient power supply. This will allow the two crackers to continue operations at the time when there is insufficient power supply.

    With the replacement of these equipment, our Pasir Gudang site now has sufficient power capacity to cater for the entire existing Pasir Gudang complex as well as after completion of our TE3 Project and PP3 Project despite there being only one transformer and two gas turbines in service.

(c) modification works to the pygas feed pump in the BTX Plant in October 2015.

These initiatives have allowed us to improve our plants utilisation rate in Malaysia, as shown in Section 7.6.5 of this Prospectus.

(iv) Capital expenditure and investments

Since the Delisting and up to the LPD, we have incurred a total of RM3,553.0 million for the following capital expenditure and investments to further increase our production capacities:

(a) TE3 Project

TE3 Project involves the construction of facilities attached to our existing NC2 Plant involving the use of the K-COT to create a larger output of ethylene and propylene as well as by-products. We began implementing the TE3 Project in 2015 and expect to complete it in the second half of 2017 with commercial operation in late 2017. Up to the LPD, we have incurred RM1,260.3 million which was funded entirely using internally generated funds.

With the completion of the TE3 Project, we expect our production capacities to increase as follows:

(i) for ethylene, by 93 KTA from 700 KTA to 793 KTA;

(ii) for propylene, by 170 KTA from 379 KTA to 549 KTA, if we re-commence operations for our OCU Plant after completion of the TE3 Project, depending on the market prices of ethylene and propylene then; and

(iii) for BTX, by 134 KTA from 155 KTA to 289 KTA;

(b) PP3 Project

PP3 Project involves the construction of a new polypropylene plant to complement the TE3 Project. We began implementing the PP3 Project in March 2017 and expect to complete and commence commercial operations in the second half of 2018. Up to the LPD, we have incurred RM28.4 million which was funded entirely using internally generated funds.

With the completion of the PP3 Project, we will expand our polypropylene production capacity by 200 KTA.

(c) US Shale Gas Project

In April 2016, we invested in LC USA which has undertaken the US Shale Gas Project comprising:

(i) the US Ethane Cracker Plant, which we expect to increase our overall production capacity of ethylene by 1,000 KTA. The construction of the cracker plant commenced in the first half of 2016 with commercial operation expected to commence in the second half of 2019; and

(ii) the US MEG Plant which we expect will produce 700 KTA of MEG and derivatives each year. The development of the US MEG Plant commenced in the first half of 2016 with commercial operation expected to commence in the second half of 2019.

As at the LPD, we have incurred RM2,264.2 million which was funded entirely using internally generated funds.

6.1.3 The listing of our Group

Our Board is of the view that this is an opportune time to introduce LCT to the Malaysian equity market via our IPO to allow us to raise the necessary funds to expand our business. Our prospects are supported by the following growth drivers as set out in the IMR Report:

(i) demand growth for petrochemicals in Asia Pacific during 2017 to 2027 to continue to outpace the rate of new supply additions in the region. As a result, Asia Pacific is expected to remain a significant importer of various chemical intermediates and polymers. The demand growth for both ethylene and propylene is forecasted to be over 3% to 4% CAGR over the period of 2017-2027;

(ii) consumption of polyolefins in Southeast Asia is expected to grow at a CAGR of 4.4% over the period of 2017 to 2027. Overall, total consumption of Asia Pacific is forecast to grow at around 4.5% CAGR over the same period; and

(iii) developing markets provide significant consumption growth potential for material substitution. Petrochemical polymers are substituting basic materials such as wood, glass, metals, paper and card in packaging, automotive and building and construction industries.

We view these factors as indicators of long term growth opportunities and potential for our Group as they bode well for our strategies and future plans:

(i) using part of the proceeds from our IPO for the Integrated Petrochemical Facility which is intended to allow the intake of naphtha to produce ethylene which is the feedstock for our Indonesian plants. This in turn will allow us to significantly increase our production of polyethylene products; and

(ii) pursuing growth through selective mergers and acquisition opportunities to further expand and diversify our product portfolio.

Our IPO will also enhance our visibility and profile, and provide a platform for us to develop our brand equity to support our expansion.

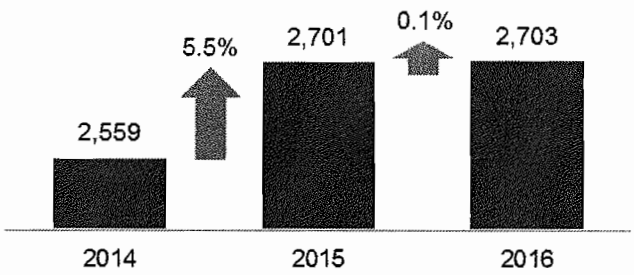
Our Listing is also in line with LCC's objective to position us as its regional hub in Southeast Asia. We represented 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia as well as a 57% capacity share in polyethylene production in Indonesia. We are the fourth largest producer of polyolefin products in Southeast Asia by production capacity in 2016, with a 42% capacity share in olefins production in Malaysia and 29% capacity share in polyolefin production in Indonesia. The increase in the value of our Group is also supported by the measures that we have implemented since the Delisting, coupled with improved market conditions from the time of the Acquisition, as follows:

(i) Increase in our production volume and higher sales volume

At the time of the Acquisition, our production volume for the year ended 31 December 2009 was 2,398 KTA. For the years ended 31 December 2014, 2015 and 2016, our production volume were higher due to more stable operations and higher utilisation rate, as follows:

Production volume increase

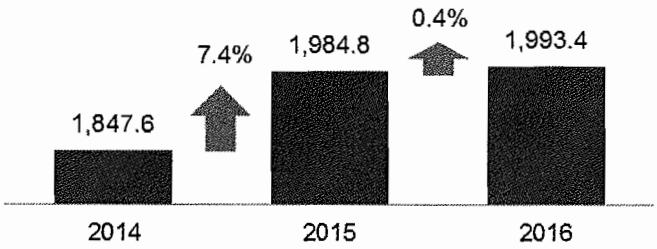
(KTA)



During these years, we also experienced an increase in our sales volume in line with the higher production volume, as follows:

Sales volume increase

(KTA)



The lower sales volume in 2014 was a result of the unplanned shutdown due to power outage but the relatively stable production in 2015 and 2016 led to higher sales volume.

Our sales volume for the year ended 31 December 2009, being the last year prior to the Acquisition, was 1,559 KTA.

(ii) Improvement in our profitability and margins

Based on the latest available audited financial statements of our Group at the time of the Acquisition, our revenue, gross profit and PATAMI of our Group were RM5,607.0 million, RM845.2 million and RM523.9 million respectively for the year ended 31 December 2009. We continued to be profitable since the Delisting save for the year ended 31 December 2014 mainly due to higher feedstock prices and unplanned shutdown in 2014 as further explained below. Our revenue and PATAMI/(LATAMI) for the years ended 31 December 2014, 2015 and 2016 are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
		(RM million)	
Revenue	8,611.2	8,147.8	8,136.6
Gross profit	236.1	1.319.1	1,981.9
PATAMI/(LATAMI)	(19.2)	613.2	1,315.4

As can be seen from the table:

- our revenue for the years ended 31 December 2014, 2015 and 2016 were significantly higher than our revenue for the year ended 31 December 2009, increasing by more than 45%;
- our gross profit for the years ended 31 December 2015 and 2016 were also higher than our gross profit for the year ended 31 December 2009, increasing by more than 100% for the year ended 31 December 2016; and
- our PATAMI for the years ended 31 December 2015 and 2016 were also higher than our gross profit and PATAMI for the year ended 31 December 2009, increasing by more than 100% for the year ended 31 December 2016.

We registered a loss for the year ended 31 December 2014 due to the following reasons:

(a) higher feedstock prices resulting from higher crude oil prices. Our feedstock prices are closely related to crude oil prices because naphtha is a product from the refining of crude oil; and

(b) our plants in Malaysia suffered an emergency shutdown for a period of 38.3 days caused by a power outage and as a result, all production in Malaysia ceased during this period. This has resulted in a lower production volume and sales volume. Please refer to Section 7.12 of this Prospectus for further information on the unplanned shutdown of our plants in 2014.

Notwithstanding, we registered a gross profit of RM236.1 million for the year ended 31 December 2014.

Our favourable performance for the years ended 31 December 2015 and 2016 were primarily due to the following factors:

(a) Lower feedstock prices

We use naphtha as a primary feedstock to produce other types of feedstock for our plants such as ethylene and propylene. Naphtha comprised of 78.6%, 74.4% and 68.6% of our costs of feedstock for the years ended 31 December 2014, 2015 and 2016, respectively.

During these years, the average purchase price of naphtha as set out in the IMR Report had declined in line with the decline in crude oil prices as tabulated below:

	Year ended 31 December					
	2014		2015		2016	
	USD	RM	USD	RM	USD	RM
Naphtha (per MT)	861.4	2,819.6	490.7	1,916.9	398.4	1,650.9
% increase/(decrease)	-	-	(43.0)	(32.0)	(18.8)	(13.9)
Brent crude oil (per barrel)	99.2	324.7	52.8	206.3	44.1	182.7
% increase	-	-	(46.8)	(36.5)	(16.5)	(11.4)

(Source: IMR Report)

Naphtha price has been on a declining trend, from USD861.4 per tonne (equivalent to RM2,819.6 per MT) in 2014 to USD398.4 per tonne (equivalent to RM1,787.2 per MT) in 2016. The reduction was in line with the decline in crude oil prices from USD99.2 per barrel (equivalent to RM346.7 per barrel) in 2014 to USD44.1 per barrel (equivalent to RM197.8 per barrel) in 2016.

At the time of the Delisting, the price of naphtha was USD938.2 per tonne (equivalent to RM2,892.9 per MT) with the crude oil at USD111.4 per barrel (equivalent to RM343.5 per barrel).

(b) Higher gross profit margin

As we generally pass changes in feedstock price directly to our customers by changing the price of our products, the average sales price of our product over the same periods also declined. The average sales price of our products in 2014, 2015 and 2016 are as follows:

	Year ended 31 December				
	2014	% change from 2014 to 2015	2015	% change from 2015 to 2016	2016
	(RM per MT, except percentages)				
Polyolefins products					
Polypropylene[1]	5,394	(11.9%)	4,754	(3.8%)	4,573

	Year ended 31 December				
	2014	% change from 2014 to 2015	2015	% change from 2015 to 2016	2016
	(RM per MT, except percentages)				
Olefins and derivative products[1]					
- Ethylene	4,282	(2.0%)	4,197	(1.0%)	4,157
- Propylene	4,125	-	-[2]	-	-[2]
- Benzene	3,942	(33.5%)	2,621	(1.0%)	2,596
- Toluene	3,583	(24.8%)	2,696	(5.0%)	2,561
- Butadiene[3]	4,134	(15.7%)	3,486	26.2%	4,398
- TBA	2,529	(18.8%)	2,053	(7.3%)	1,904
- By-products[4]	2,724	(29.0%)	1,933	(12.3%)	1,695

Notes:

(1) Produced from our plants in Malaysia.

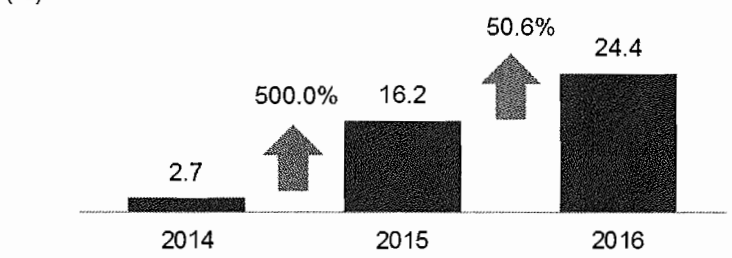
(2) We did not have any propylene sales in 2015 and 2016 as it was more profitable for us to use the propylene which we produced as feedstock for our internal operations.

(3) Despite the decrease in feedstock prices, our average sales price of butadiene increased largely due to demand in China and India for synthetic rubber, a product made from butadiene.

(4) Our by-products comprise primarily pygas, fuel oil, light cycle oil, C4 Raffinate-2, mixed aromatics and C5 Non Aromatics.

As adjustment in sales price of our products would not be in the same quantum and same timing as the reduction in the feedstock price because changes in sales price would also depend on market conditions and customer demand for the products which has resulted in higher margin are shown below:

Gross margin



Our gross margin for the year ended 31 December 2009, being the last financial year prior to the Acquisition, was 15.1%.

6. INFORMATION ON OUR GROUP *(Cont'd)*

For illustrative purposes only, we have compared our PER and EV/EBITDA multiples to that of selected companies listed on foreign stock exchanges in Asia, involved in olefin and polyolefin production and exposed to the petrochemical industry cycles, as stated in the IAC. These selected companies are not considered identical or directly similar to our Group in terms of, among others, geographical operations, scale of operations, composition of business activities, asset base and risk profile.

Name of company	Country of listing	Principal activities	Market capitalisation (RM billion) As at the LPD	PER (times)[1] As at the LPD^	EV/EBITDA (times)[2] As at the LPD^
LCC	South Korea	LCC manufactures a wide range of petrochemical products such as HDPE, PP and ethylene glycol. The company's products are used in manufacturing, general housewares, pipes, films, fabrics, bottles, containers and automotive parts	46.50	5.43	2.88
LG Chem Ltd ("**LG Chem**")	South Korea	LG Chem is a chemical manufacturer. The company's products include petrochemicals, plastic resins, and engineering plastics. LG Chem also produces industrial and electronic materials	76.55	13.70	5.52
Formosa Plastics Corporation ("**Formosa Plastics**")	Taiwan	Formosa Plastics manufactures and markets plastic materials and chemical fiber products. The company's products include PVC resins, HDPE, tairylan acrylic fiber, acrylic acid and ester, carbon fiber, caustic soda, PVC modifier and calcium carbonate	80.60	12.73	12.91
Formosa Petrochemical Corporation ("**Formosa Petrochemical**")	Taiwan	Formosa Petrochemical refines crude oil and markets petroleum and petrochemical products. The company operates refineries and naphtha cracking plants that provide products such as gasoline, diesel, jet fuel, fuel oil, naphtha, ethylene and LPG. Formosa Petrochemical also owns3 utility centers and generates electricity	145.28	11.36	6.98
Hanwha Chemical Corporation ("**Hanwha**")	South Korea	Hanwha is a chemical manufacturer. The company's products include a line of chlorine and hydrochloric acid. Hanwha also produces resins including LDPE and PVC	18.25	4.73	4.16
Low				4.73	2.88
Average				9.59	6.49
High				13.70	12.91
LCT	Malaysia	We are an investment holding company and our subsidiaries are principally involved in the manufacture and sale of petrochemical products, investment holding and general trading	19.75	14.25	5.19

* Source: IAC

^ Source: S&P Capital IQ

Notes:

(1) Based on trailing 12-months PATAMI

(2) Based on EV over trailing 12-months EBITDA

Our PER as at the LPD of 14.25 times falls just above the range of PER of the selected companies of between 4.73 times and 13.70 times. Our EV/EBITDA multiple as at the LPD of 5.19 times falls within the range of EV/EBITDA multiple of the comparable companies of between 2.88 times and 12.91 times. Although our PER of 14.25 times is higher the average PER of the selected companies of 9.59 times, our EV/EBITDA multiple is lower than the average EV/EBITDA multiple of the selected companies of 6.49 times.

From the time of the Delisting, the average PER has declined by approximately 37% from 15.30 times at the time of the Delisting to 9.59 times as at the LPD. However, the decline in the average EV/EBITDA multiple is lower at about 17% from 7.82 times at the time of the Delisting to 6.49 times as at the LPD, using the same set of comparable companies.

6.1.4 Share capital

As at the date of this Prospectus, our issued share capital is RM2,046,813,683[1] comprising 1,727,791,500 Shares.

There is no change in our issued share capital for the past three years preceding the LPD.

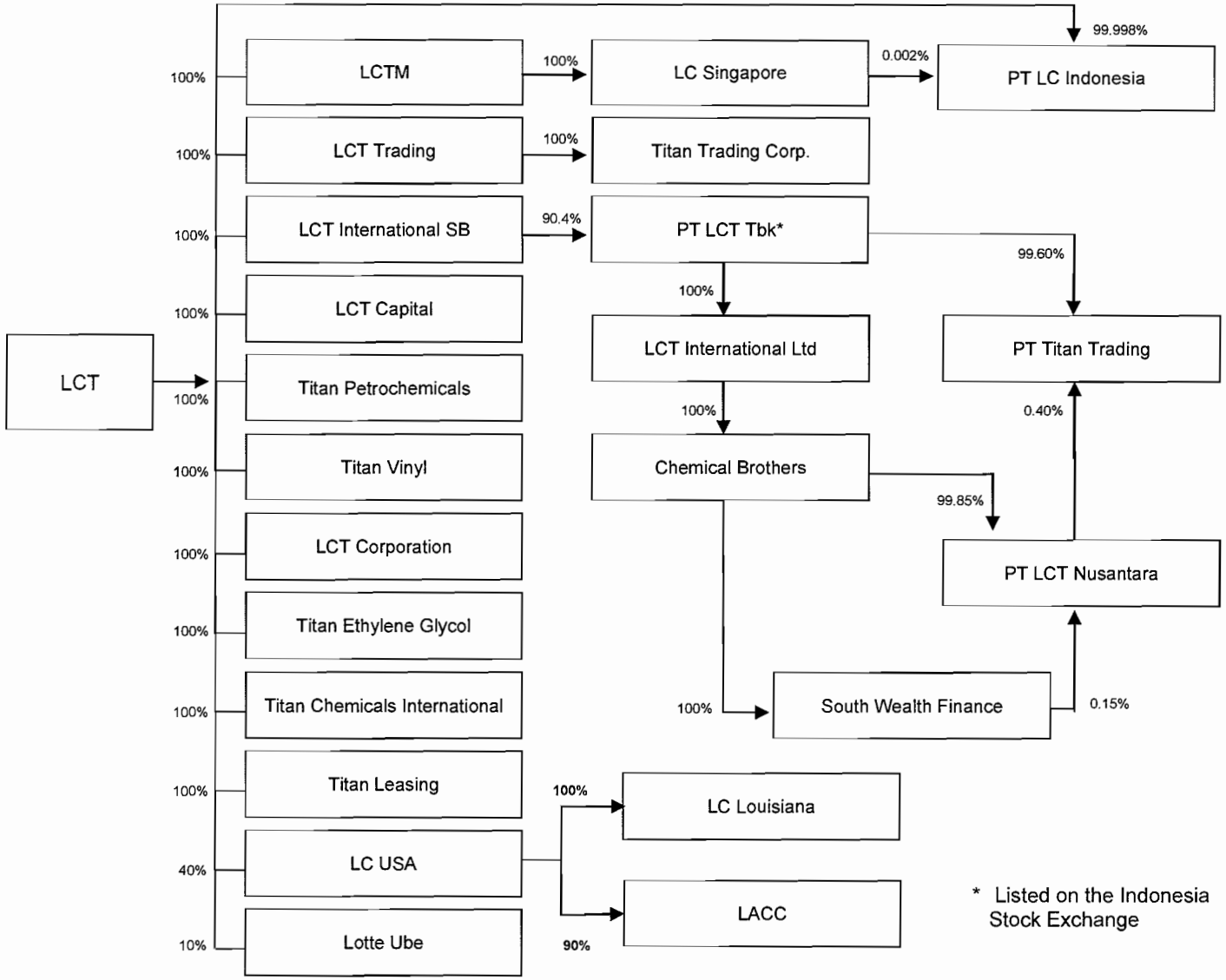
Note:

(1) Includes the amount standing to the credit of our share premium account and capital redemption reserve as at 31 December 2016, which has become part of our share capital upon commencement of the Act on 31 January 2017. Notwithstanding this, we may, within 24 months upon the commencement of the Act, use the amount standing to the credit of our share premium account and capital redemption reserve in accordance with the Act.

6. INFORMATION ON OUR GROUP *(Cont'd)*

6.2 OUR SUBSIDIARIES AND ASSOCIATES

Our current group structure is set out below:



6. INFORMATION ON OUR GROUP *(Cont'd)*

Our subsidiaries, associates and joint operation of LC USA as at the LPD are as follows:

Name	Date and place of incorporation /formation	Issued share capital	Our effective equity interest %	Principal activities
Our subsidiaries				
LCTM	1 August 1986/ Malaysia	[1]RM1,799,007,106	100.0	Manufacture and sales of petrochemical products and polyolefin resins
LCT Trading	27 April 1988/ Malaysia	RM292,500,000	100.0	Sales of petrochemical products and polyolefin resins and marketing arm for its related companies
LCT International SB	17 October 2007/ Malaysia	[1]RM624,870,002	100.0	Investment holding
LCT Capital	26 December 2003/ Labuan	USD30,340,001	100.0	Dormant[2]
Titan Petrochemicals	10 June 1988/ Malaysia	RM560,000,000	100.0	Dormant[3]
Titan Vinyl	31 March 1988/ Malaysia	RM1,000	100.0	Dormant[4]
LCT Corporation	16 October 1995/ Malaysia	RM90,000,000	100.0	Trading of goods and provision of management services
Titan Ethylene Glycol	13 October 1995/ Malaysia	RM1,000	100.0	Dormant[5]
Titan Chemicals International	3 March 2006/ Labuan	USD100	100.0	Dormant[6]
Titan Leasing	18 July 2008/ Labuan	USD20,000	100.0	Dormant[7]
PT LC Indonesia	9 June 2016/ Indonesia	USD60,300,000	100.0	Has not commenced business[8]
Subsidiary of LCTM				
LC Singapore	26 March 2010/ Singapore	USD2	100.0	Dormant[9]
Subsidiary of LCT Trading				
Titan Trading Corp.	3 May 2004/ Hong Kong	HKD1	100.0	Dormant[10]
Subsidiary of LCT International SB				
PT LCT Tbk	30 July 1988/ Indonesia	IDR 1,391,603,500,000	90.4	Investment holding, import and distribution
Subsidiaries of PT LCT Tbk				
LCT International Ltd	19 October 2007/ Labuan	USD188,400,002	90.4	Investment holding

6. INFORMATION ON OUR GROUP *(Cont'd)*

Name	Date and place of incorporation /formation	Issued share capital	Our effective equity interest %	Principal activities
PT Titan Trading	8 October 2010/ Indonesia	USD250,000	90.4	Dormant[11]
Subsidiary of LCT International Ltd				
Chemical Brothers	17 October 2001/ Mauritius	USD146,000,002	90.4	Investment holding
Subsidiaries of Chemical Brothers				
South Wealth Finance	3 July 2001/ British Virgin Islands	USD1	90.4	Investment holding
PT LCT Nusantara	15 August 1990/ Indonesia	USD128,750,000	90.4	Engaged in the polyethylene industry and wholesale trading (main distributor and importer)
Our associates				
LC USA	9 April 2014/ United States	USD3	40.0[12]	Investment holding
Lotte Ube[13]	11 January 2012/ Malaysia	RM184,050,000	10.0	Manufacture and trading of synthetic rubber
Subsidiary of LC USA				
LC Louisiana	15 October 2015/ United States	USD351,000,000	40.0[14]	Has not commenced business[15]
Joint operation of LC USA				
LACC	17 June 2015/ United States	USD694,053,994.50	36.0[16]	Has not commenced business[17]

Notes:

(1) Includes the amount standing to the credit of the share premium account as at 31 December 2016, which has become part of the share capital upon commencement of the Act on 31 January 2017. Notwithstanding this, the company may, within 24 months upon the commencement of the Act, use the amount standing to the credit of its share premium account in accordance with the Act.

(2) Established as a special purpose vehicle incorporated to facilitate the financing arrangements of LCTM, which were fully settled in 2014, and the company has remained dormant since.

(3) Established for the purpose of manufacture and sale of petrochemical products until 1 September 2004 when it ceased its business operation and has been dormant since then.

(4) Established for the purpose of carrying on the business of manufacture and dealing in thermoplastic and petrolic products particularly vinyl chloride monomer, poly vinyl chloride, ethylene dichloride and all other similar materials, but has been dormant since its incorporation.

(5) Established for the purpose of carrying on the business of manufacture and dealing in thermoplastic and petrolic products particularly ethylene glycol, ethylene oxide, ethylene, polyethylene, (including LDPE, LLDPE and HDPE) and all other similar materials, but has been dormant since its incorporation.

(6) Established for the purpose of undertaking a bond issuance which did not materialise, hence it has been dormant since its incorporation.

(7) Established for the purpose of leasing of vessel until January 2011 when it ceased its business operation and has been dormant since then.

(8) Established for the purpose of engaging in the manufacturing and sale of products in the basic organic chemical industry derived from crude oil, natural gas and coal including BTX, butadiene, ethylene, polyethylene, polypropylene and propylene, as well as related activities, but has not commenced business.

(9) Established for the purpose of time chartering of vessel until 2011 and subsequently, for the purpose of providing marketing services to LCT Trading from 1 September 2013 until November 2014 when it ceased its business operation and has been dormant since then.

(10) Established for the purpose of marketing of polyolefin products in Singapore and China until 1 September 2013 when it ceased its business operation and has been dormant since then.

(11) Established for the purpose of being the main distributor and importer of BOPP film, polyethylene, polypropylene and ethylene, but has been dormant since its incorporation.

(12) The remaining 60% equity interest is held by LCC.

(13) Lotte Ube is regarded as an associate of our Group as we are able to exercise significant influence over it due to the following reasons:

(i) based on the agreement among the shareholders of Lotte Ube, Lotte Ube's board of directors will consist of six directors of which our Group is entitled to appoint one director; and

(ii) our Group is a key supplier of raw materials and utilities to Lotte Ube.

(14) LC Louisiana is a wholly-owned subsidiary of LC USA (i.e. effective equity interest of 40%).

(15) Established for the purpose of production of MEG, but it has not commenced business.

(16) LACC is a joint operation of LC USA, our 40%-owned associate, in which LC USA owns 90.0% equity interest (i.e. effective equity interest of 36%). The remaining 10.0% equity interest in LACC is owned by Eagle US 2 LLC.

(17) Established for the purpose of production of ethylene, but it has not commenced business.

Details of our subsidiaries, associates and joint operation of LC USA as at the LPD are set out below:

6.2.1 Our subsidiaries

(i) LCTM (Company No. 154990-W)

LCTM was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 1 August 1986 as a private limited company under the name of Asia Polymer (M) Sdn Bhd. The company changed its name to Asia Pacific Polymer (M) Sdn Bhd on 24 June 1987, to Titan Polypropylene (M) Sdn Bhd on 25 February 1989, to Titan Himont Polymers (M) Sdn Bhd on 31 May 1989, to Titan PP Polymers (M) Sdn Bhd on 10 June 1996 and to Titan Petchem (M) Sdn Bhd on 9 December 2004 before assuming its present name on 20 December 2012. It is principally involved in the manufacture and sales of petrochemical products and polyolefin resins. It commenced business in December 1991.

As at the LPD, LCTM's share capital is RM1,799,007,106 comprising 133,410,000 ordinary shares and 165,871 RCNCPS. As at the LPD, the holders of the RCNCPS are as follows:

Name	No. of RCNCPS	%
LCT	101,934	61.5
Titan Petrochemicals	63,937	38.5
Total	**165,871**	**100.0**

The salient terms of the RCNCPS as set out in LCTM's Memorandum and Articles of Association are as follows:

Issue price	:	At a par value of RM1.00 each and a premium of RM9,999 per RCNCPS.
Maturity date	:	None.
Dividend	:	The holder of RCNCPS shall have the right to receive a preferential dividend ("**Preferential Dividend**") at such percentage of the amount paid up on the RCNCPS held by the holder as shall be determined by the board of directors from time to time and payable when and if declared by the board of directors. The Preferential Dividend may be a cash or non-cash dividend as may be decided by the board of directors at the time of the declaration of a dividend. The Preferential Dividend would be non-cumulative and would be paid in priority to payment of any dividend to any holder of ordinary shares or shares of other class in LCTM.
Conversion	:	All or part of the RCNCPS shall be convertible at any time after the date of issuance of such RCNCPS into such number of fully paid ordinary shares on such terms and in such manner as may be determined by LCTM's board of directors.

Ranking	:	Except with the consent of the holder of the RCNCPS, no further shares shall be issued by LCTM ranking in priority to the RCNCPS nor the rights and privileges of such shares be altered. The RCNCPS shall have the right to rank in priority in respect to dividend and return of capital to the ordinary shares and all other classes of shares, if any, for the time being of LCTM, but shall not have any further rights to participate in profits or assets.
Voting rights	:	The holders of RCNCPS shall have the right to receive notice of general meetings, reports, balance sheets and to attend any meeting convened for the purpose of reducing the capital or winding up or where the proposal to be submitted to the meeting directly or indirectly affects the rights attached to the RCNCPS and to vote thereat either in person or by proxy and only for such purpose.
Status	:	Upon the winding up of LCTM, the holder of the RCNCPS shall have right to payment: (a) of all arrears of the Preferential Dividend and for purpose of avoidance of doubt, the term "arrears of Preferential Dividend" means the Preferential Dividend declared and not paid prior to the order for winding up of LCTM; and (b) of all capital paid up on the RCNCPS in priority to the ordinary shares and all other classes of shares, if any, but not the right to any further participation in the surplus profits or assets of LCTM.
Redemption	:	Subject always to the provisions of Section 61 of the CA 1965 and of any statutory modifications or re-enactments for the time being in force, the RCNCPS shall be redeemed in the manner and on the following terms: (a) LCTM may at any time, apply any profits or moneys of LCTM which may be lawfully applied for the redemption of all or any of the RCNCPS; (b) the RCNCPS shall be redeemed at a redemption price as may be determined by LCTM's board of directors; (c) LCTM shall give to the holders of the RCNCPS notice in writing of its intention to redeem the same and fixing the time and place for the redemption; (d) at the time and place so fixed each such holder shall be bound to surrender to LCTM the certificate for his RCNCPS to be redeemed and LCTM shall pay to him the amount payable in respect of such redemption; and

(e) all RCNCPS redeemed in accordance with the foregoing provisions shall rank for Preferential Dividend declared but not paid up to the date of the redemption.

There is no change in LCTM's issued share capital for the past three years preceding the LPD.

LCTM is our wholly-owned subsidiary. As at the LPD, LCTM has a direct subsidiary, LC Singapore, details of which are set out in Section 6.2.1.1(i) of this Prospectus. As at the LPD, LCTM does not have any associate.

(ii) LCT Trading (Company No. 170232-H)

LCT Trading was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 27 April 1988 as a private limited company under the name of Polietilena Asia Pasifik (Malaysia) Sdn Bhd. The company changed its name to Asia Pacific Polyethylene (Malaysia) Sdn Bhd on 24 May 1988, to Titan Polyethylene (Malaysia) Sdn Bhd on 21 March 1989 and to Titan Trading Corp. Sdn Bhd on 24 November 2005 before assuming its present name on 20 December 2012. It is principally involved in the sales of petrochemical products and polyolefin resins and marketing arm for its related companies. It commenced business in September 1993.

As at the LPD, LCT Trading's share capital is RM292,500,000 comprising 292,500,000 ordinary shares.

There is no change in LCT Trading's issued share capital for the past three years preceding the LPD.

LCT Trading is our wholly-owned subsidiary. As at the LPD, LCT Trading has a direct subsidiary, Titan Trading Corp., details of which are set out in Section 6.2.1.2(i) of this Prospectus. As at the LPD, LCT Trading does not have any associate.

(iii) LCT International SB (Company No. 792180-A)

LCT International SB was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 17 October 2007 as a private limited company under the name of Titan International Corp. Sdn Bhd. On 20 December 2012, the company assumed its present name. It is an investment holding company. It commenced business in January 2008.

As at the LPD, LCT International SB's share capital is RM624,870,002 comprising 2 ordinary shares and 62,487 RCNCPS, all of which are held by us.

The salient terms of the RCNCPS as set out in LCT International SB's Memorandum and Articles of Association are as follows:

Issue price	:	At a par value of RM1.00 each and a premium of RM9,999 per RCNCPS.
Maturity date	:	None.
Dividend	:	The holder of RCNCPS shall have the right to receive Preferential Dividend at such percentage of the amount paid up on the RCNCPS held by the holder as shall be determined by the board of directors from time to time and payable when and if declared by the board of directors. The Preferential Dividend may be a cash or non-cash dividend as may be decided by the board of directors at the time of the declaration of a dividend. The Preferential Dividend would be non-cumulative and would be paid in priority to payment of any dividend to any holder of ordinary shares or shares of other class in LCT International SB.
Conversion	:	All or part of the RCNCPS shall be convertible at any time after the date of issuance of such RCNCPS into such number of fully paid ordinary shares on such terms and in such manner as may be determined by LCT International SB's board of directors.
Ranking	:	Except with the consent of the holder of the RCNCPS, no further shares shall be issued by LCT International SB ranking in priority to the RCNCPS nor the rights and privileges of such shares be altered. The RCNCPS shall have the right to rank in priority in respect to dividend and return of capital to the ordinary shares and all other classes of shares, if any, for the time being of LCT International SB, but shall not have any further rights to participate in profits or assets.
Voting rights	:	The holders of RCNCPS shall have the right to receive notice of general meetings, reports, balance sheets and to attend any meeting convened for the purpose of reducing the capital or winding up or where the proposal to be submitted to the meeting directly or indirectly affects the rights attached to the RCNCPS and to vote thereat either in person or by proxy and only for such purpose.
Status	:	Upon the winding up of LCT International SB, the holder of the RCNCPS shall have right to payment: (a) of all arrears of the Preferential Dividend and for purpose of avoidance of doubt, the term "arrears of Preferential Dividend" means the Preferential Dividend declared and not paid prior to the order for winding up of LCT International SB; and

(b) of all capital paid up on the RCNCPS in priority to the ordinary shares and all other classes of shares, if any, but not the right to any further participation in the surplus profits or assets of LCT International SB.

Redemption : Subject always to the provisions of Section 61 of the CA 1965 and of any statutory modifications or re-enactments for the time being in force, the RCNCPS shall be redeemed in the manner and on the following terms:

(a) LCT International SB may at any time, apply any profits or moneys of LCT International SB which may be lawfully applied for the redemption of all or any of the RCNCPS;

(b) the RCNCPS shall be redeemed at a redemption price as may be determined by LCT International SB's board of directors;

(c) LCT International SB shall give to the holders of the RCNCPS notice in writing of its intention to redeem the same and fixing the time and place for the redemption;

(d) at the time and place so fixed each such holder shall be bound to surrender to LCT International SB the certificate for his RCNCPS to be redeemed and LCT International SB shall pay to him the amount payable in respect of such redemption; and

(e) all RCNCPS redeemed in accordance with the foregoing provisions shall rank for Preferential Dividend declared but not paid up to the date of the redemption.

There is no change in LCT International SB's issued share capital for the past three years preceding the LPD.

As at the LPD, LCT International SB has:

(a) a direct subsidiary, PT LCT Tbk; and

(b) indirect subsidiaries, LCT International Ltd, Chemical Brothers, South Wealth Finance, PT LCT Nusantara and PT Titan Trading.

Details of PT LCT Tbk, LCT International Ltd, Chemical Brothers, South Wealth Finance, PT LCT Nusantara and PT Titan Trading are set out in Sections 6.2.1.3(i), 6.2.1.4(i), 6.2.1.5(i), 6.2.1.6(i), 6.2.1.6(ii) and 6.2.1.4(ii) of this Prospectus, respectively. As at the LPD, LCT International SB does not have any associate.

(iv) LCT Capital (Company No. LL04059)

LCT Capital was incorporated in Labuan under the Offshore Companies Act 1990 on 26 December 2003 as a private limited company under the name of Titan Capital (L). On 20 December 2012, the company assumed its present name. It is currently dormant.

As at the LPD, LCT Capital's share capital is USD30,340,001 comprising one ordinary share and 3,034 RPS, all of which are held by us.

The salient terms of the RPS as set out in LCT Capital's Memorandum and Articles of Association are as follows:

Issue price	:	USD10,000 per RPS.
Maturity date	:	None.
Dividend	:	At the discretion of the directors of LCT Capital, a non-cumulative preferential dividend may be paid on the RPS out of all profits or surpluses available for distribution at a rate to be determined by the directors of LCT Capital from time to time of the redemption amount of the issued and outstanding RPS as at the date that the dividend is declared. Dividends may be paid on one class of shares entitled to dividend to the exclusion of any other class of shares entitled to dividends.
Conversion	:	None.
Ranking	:	The right to rank in regard to return of capital and dividend in priority to the ordinary shares and all other classed of shares, if any.
Voting rights	:	The holders of the RPS have the right to receive notice of meetings, reports and balance sheet of LCT Capital provided that RPS shall not entitle the holders to attend and/or vote at any meeting of shareholders of LCT Capital or by way of written resolution by virtue of their holdings except on a resolution for the winding-up or a resolution for reduction of capital or a resolution for any amendment of the Memorandum and Articles of Association of LCT Capital affecting the rights and privileges to the RPS or as otherwise stipulated in the provision of the Offshore Companies Act 1990.

Status : In the event of liquidation, dissolution or winding-up of LCT Capital, whether voluntary or involuntary, or upon distribution of its assets among its members for the purpose of winding-up its affairs or upon a reduction or distribution of its share premium account, the holders of the RPS shall be entitled to the following in priority to any payment to the holders of any other shares in the capital of LCT Capital:

(a) receive the redemption amount of the issued and outstanding RPS (including premium) paid up on the RPS held by them; and

(b) any arrears and accruals of the dividend on the RPS held by them, whether declared or earned, or not, calculated down to the date of such repayment. For the avoidance of doubt, "arrears and accruals of the dividend on the RPS" means the preferential dividend declared and not paid and claimed.

Except as otherwise mentioned above, the RPS shall not confer on the holders any further right to participate in LCT Capital's profits or surplus assets.

Redemption : Subject to the provisions of Section 55 of the Offshore Companies Act 1990 and of any statutory modification or re-enactment for the time being in force, LCT Capital shall have the right, at any time after the date of allotment of any RPS redeem the whole or any number of the issued and outstanding RPS on payment for each share to be redeemed of the redemption amount of the RPS, and no more. LCT Capital shall give notice in writing of such redemption to the holders of the RPS to be redeemed and fixing the time and place for the redemption and surrender of the RPS to be redeemed unless the holders of the shares to be redeemed waive such notice.

Any waiver, whether given before or after the redemption, will cure any default in giving such notice. The shareholder must surrender the necessary number of share certificates to LCT Capital. Upon LCT Capital paying the redemption amount of the shares to be redeemed, the holders of the redeemed shares will thereafter have no rights against LCT Capital in respect of such shares. For greater certainty, if not all of the issued and outstanding preferred shares are to be redeemed, the shares to be redeemed may be selected in such manner as the directors of LCT Capital determine and need not be selected either in proportion to the number of shares registered in the name of each shareholder or from every or any particular holder of RPS. If a part only of the shares of any class represented by any certificate are to be redeemed then a new certificate representing the shares which are not to be redeemed shall be issued at the expense of LCT Capital.

There is no change in LCT Capital's issued share capital for the past three years preceding the LPD.

As at the LPD, LCT Capital does not have any subsidiary or associate.

(v) Titan Petrochemicals (Company No. 171052-D)

Titan Petrochemicals was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 10 June 1988 as a private limited company under the name of Asia Pacific Petrochemicals (M) Sdn Bhd. On 9 March 1989, the company assumed its present name. It is currently dormant.

As at the LPD, Titan Petrochemicals' share capital is RM560,000,000 comprising 560,000,000 ordinary shares.

There is no change in Titan Petrochemicals' issued share capital for the past three years preceding the LPD.

Titan Petrochemicals is our wholly-owned subsidiary. As at the LPD, Titan Petrochemicals does not have any subsidiary or associate.

(vi) Titan Vinyl (Company No. 169646-H)

Titan Vinyl was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 31 March 1988 as a private limited company under the name of Asia Pacific Monomer (Malaysia) Sdn Bhd. On 14 October 1994, the company assumed its present name. Titan Vinyl is currently dormant.

As at the LPD, Titan Vinyl's share capital is RM1,000 comprising 1,000 ordinary shares.

There is no change in Titan Vinyl's issued share capital for the past three years preceding the LPD.

Titan Vinyl is our wholly-owned subsidiary. As at the LPD, Titan Vinyl does not have any subsidiary or associate.

(vii) LCT Corporation (Company No. 363632-W)

LCT Corporation was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 16 October 1995 as a private limited company under the name of Titan Styrene (M) Sdn Bhd. On 7 October 2016, the company assumed its present name. It is principally involved in the trading of goods and provision of management services. It commenced business on 1 January 2017.

As at the LPD, LCT Corporation's share capital is RM90,000,000 comprising 90,000,000 ordinary shares.

The changes in LCT Corporation's issued share capital for the past three years preceding the LPD are as follows:

Date of allotment	No. of shares	Consideration	Cumulative issued share capital
			RM
3 November 2016	2,999,000	Cash	3,000,000
1 March 2017	87,000,000	Cash	90,000,000

LCT Corporation is our wholly-owned subsidiary. As at the LPD, LCT Corporation does not have any subsidiary or associate.

(viii) Titan Ethylene Glycol (Company No. 363377-A)

Titan Ethylene Glycol was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 13 October 1995 as a private limited company under its present name. Titan Ethylene Glycol is currently dormant.

As at the LPD, Titan Ethylene Glycol's share capital is RM1,000 comprising 1,000 ordinary shares.

There is no change in Titan Ethylene Glycol's issued share capital for the past three years preceding the LPD.

Titan Ethylene Glycol is our wholly-owned subsidiary. As at the LPD, Titan Ethylene Glycol does not have any subsidiary or associate.

(ix) Titan Chemicals International (Company No. LL05262)

Titan Chemicals International was incorporated in Labuan under the Offshore Companies Act 1990 on 3 March 2006 as a private limited company under the name of Titan Trading International (L). On 5 June 2007, the company assumed its present name. Titan Chemicals International is currently dormant.

As at the LPD, Titan Chemicals International's share capital is USD100 comprising 100 ordinary shares.

There is no change in Titan Chemicals International's issued share capital for the past three years preceding the LPD.

Titan Chemicals International is our wholly-owned subsidiary. As at the LPD, Titan Chemicals International does not have any subsidiary or associate.

(x) Titan Leasing (Company No. LL06625)

Titan Leasing was incorporated in Labuan under the Offshore Companies Act 1990 on 18 July 2008 as a private limited company under its present name. Titan Leasing is currently dormant.

As at the LPD, Titan Leasing's share capital is USD20,000 comprising 20,000 ordinary shares.

There is no change in Titan Leasing's issued share capital for the past three years preceding the LPD.

Titan Leasing is our wholly-owned subsidiary. As at the LPD, Titan Leasing does not have any subsidiary or associate.

(xi) PT LC Indonesia (Company No. 00.00.1.20.00071)

PT LC Indonesia was incorporated in Indonesia under the Establishment Deed No. 6 made before Mina NG, SH, Magister Kenotarian, Notary in Jakarta on 9 June 2016 and approved by the Ministry of Law and Human Rights Decree No. AHU-0028027.AH.01.01.TAHUN 2016 dated 9 June 2016, on 9 June 2016 as a private limited company under its present name. It has not commenced business and will be conducting the FEED study for the Integrated Petrochemical Facility in the second quarter of 2017.

As at the LPD, PT LC Indonesia's authorised share capital is USD150,000,000 comprising 150,000,000 ordinary shares of USD1 each and its issued and paid-up share capital is USD60,300,000 comprising 60,300,000 ordinary shares of USD1 each.

The changes in PT LC Indonesia's issued and paid-up share capital from the date of incorporation up to the LPD are as follows:

Date of allotment	No. of shares	Par value	Consideration	Cumulative issued and paid-up share capital
		USD		USD
9 June 2016	300,000	1.00	Cash	300,000
28 November 2016	60,000,000	1.00	Cash	60,300,000

PT LC Indonesia is our 99.998%-owned subsidiary and the remaining 0.002% equity interest is held by our indirect wholly-owned subsidiary, LC Singapore. As at the LPD, PT LC Indonesia does not have any subsidiary or associate.

6.2.1.1 Subsidiary of LCTM

(i) LC Singapore (Company No. 201006464Z)

LC Singapore was incorporated in Singapore under the Companies Act (Chapter 50) on 26 March 2010 as a private company limited by shares under the name of Titan Gas Pte Ltd. On 21 December 2012, the company assumed its present name. LC Singapore is currently dormant.

As at the LPD, LC Singapore's issued share capital is USD2 comprising two ordinary shares.

There is no change in LC Singapore's issued share capital for the past three years preceding the LPD.

LC Singapore is a wholly-owned subsidiary of LCTM which in turn is our wholly-owned subsidiary. As at the LPD, LC Singapore does not have any subsidiary or associate.

6.2.1.2 Subsidiary of LCT Trading

(i) Titan Trading Corp. (Company No. 899159)

Titan Trading Corp. was incorporated in Hong Kong under the Companies Ordinance (Chapter 622) on 3 May 2004 as a private limited company under the name of Sino Tribute International Limited. On 3 November 2005, the company assumed its present name. Titan Trading Corp. is currently dormant.

As at the LPD, Titan Trading Corp.'s share capital is HKD1 comprising one ordinary share.

There is no change in Titan Trading Corp.'s issued share capital for the past three years preceding the LPD.

Titan Trading Corp. is a wholly-owned subsidiary of LCT Trading which in turn is our wholly-owned subsidiary. As at the LPD, Titan Trading Corp. does not have any subsidiary or associate.

6.2.1.3 Subsidiary of LCT International SB

(i) PT LCT Tbk (Company No. 09.03.1.46.61721)

PT LCT Tbk was incorporated in Indonesia under the Establishment Deed No. 19 made before Ny. Rukmasanti Hardjasatya, SH, Notary in Jakarta on 9 December 1987 amended by Deed No. 53 made before Ny. Rukmasanti Hardjasatya, SH, Notary in Jakarta dated 18 July 1988 and approved by the Ministry of Law and Human Rights Decree No. C2-6603.HT.01.01.Th.'88 dated 30 July 1988, on 30 July 1988 as a private limited company under the name of PT Fatrapolindo Nusa Industri. The company was listed on Indonesia Stock Exchange on 27 February 2002 and changed its name to PT Titan Kimia Nusantara Tbk on 11 April 2008 before assuming its present name on 15 April 2013. It is principally involved in investment holding, import and distribution, and commenced business in June 1990.

As at the LPD, PT LCT Tbk's authorised share capital is IDR2,000,000,000,000 comprising 8,000,000,000 ordinary shares of IDR250 and its issued and paid-up share capital is IDR1,391,603,500,000 comprising 5,566,414,000 ordinary shares of IDR250 each.

There is no change in PT LCT Tbk's issued and paid-up share capital for the past three years preceding the LPD.

PT LCT Tbk is a 90.4%-owned subsidiary of LCT International SB which in turn is our wholly-owned subsidiary. The 5,032,280,695 shares in PT LCT Tbk are held by our wholly-owned subsidiary, LCT International SB. As at the LPD, PT LCT Tbk has:

(a) direct subsidiaries, LCT International Ltd and PT Titan Trading; and

(b) indirect subsidiaries, Chemical Brothers, South Wealth Finance and PT LCT Nusantara.

The remaining 9.6% equity interest in PT LCT Tbk is held by public shareholders including Maybank IB who holds 4.4% equity interest in PT LCT Tbk.

Details of LCT International Ltd, PT Titan Trading, Chemical Brothers, South Wealth Finance and PT LCT Nusantara are set out in Sections 6.2.1.4(i), 6.2.1.4(ii), 6.2.1.5(i), 6.2.1.6(i) and 6.2.1.6(ii) of this Prospectus, respectively. As at the LPD, PT LCT Tbk does not have any associate.

6.2.1.4 Subsidiaries of PT LCT Tbk

(i) LCT International Ltd (Company No. LL06183)

LCT International Ltd was incorporated in Labuan under the Offshore Companies Act 1990 on 19 October 2007 as a private limited company under the name of Fatra International Holding Ltd. The company changed its name to Titan International Holding Ltd on 6 August 2009 before assuming its present name on 28 December 2012. It is principally involved in investment holding and commenced business in January 2008.

As at the LPD, LCT International Ltd's share capital is USD188,400,002 comprising 188,400,002 ordinary shares.

There is no change in LCT International Ltd's issued share capital for the past three years preceding the LPD.

LCT International Ltd is a wholly-owned subsidiary of PT LCT Tbk. PT LCT Tbk is a 90.4%-owned subsidiary of LCT International SB which in turn is our wholly-owned subsidiary.

As at the LPD, LCT International Ltd has:

(i) a direct subsidiary, Chemical Brothers; and

(ii) indirect subsidiaries, South Wealth Finance and PT LCT Nusantara.

Details of Chemical Brothers, South Wealth Finance and PT LCT Nusantara are set out in Sections 6.2.1.5(i), 6.2.1.6(i) and 6.2.1.6(ii) of this Prospectus, respectively. As at the LPD, LCT International Ltd does not have any associate.

(ii) PT Titan Trading (Company No. 09.03.1.46.66625)

PT Titan Trading was incorporated in Indonesia under the Establishment Deed No.28 made before Fathiah Helmi, SH, Notary in Jakarta on 22 September 2010 and approved by the Ministry of Law and Human Rights Decree No.AHU-47604.AH.01.01.Tahun 2010 dated 8 October 2010, on 8 October 2010 as a private limited liability company under its present name. PT Titan Trading is currently dormant.

As at the LPD, PT Titan Trading's authorised share capital is USD1,000,000 comprising 1,000,000 ordinary shares of USD1 each and its issued and paid-up share capital is USD250,000 comprising 250,000 ordinary shares of USD1 each.

There is no change in PT Titan Trading's issued and paid-up share capital for the past three years preceding the LPD.

PT Titan Trading is a 99.6%-owned subsidiary of PT Lotte Chemical Titan Tbk which is a 90.4%-owned subsidiary of Lotte Chemical Titan International Sdn Bhd which in turn is our wholly-owned subsidiary. The remaining 0.4% equity interest is held by PT LCT Nusantara, details of which are set out in Section 6.2.1.6(ii) of this Prospectus.

As at the LPD, PT Titan Trading does not have any subsidiary or associate.

6.2.1.5 Subsidiary of LCT International Ltd

(i) Chemical Brothers (Company No. 35967)

Chemical Brothers was incorporated in the Republic of Mauritius on 17 October 2001 under the name of Portbello Holdings Limited under the former International Companies Act 1994 and is now recognised under the Companies Act 2001 as a private limited company. On 8 April 2003, the company assumed its present name. It is principally involved in investment holding and commenced business in March 2003.

As at the LPD, Chemical Brothers' share capital is USD146,000,002 comprising 100,000 ordinary shares of USD1.00 par value each.

There is no change in Chemical Brothers' issued share capital for the past three years preceding the LPD.

Chemical Brothers is a wholly-owned subsidiary of LCT International Ltd. LCT International Ltd is a wholly-owned subsidiary of PT LCT Tbk which is a 90.4%-owned subsidiary of LCT International SB which in turn is our wholly-owned subsidiary. As at the LPD, Chemical Brothers has direct subsidiaries, South Wealth Finance and PT LCT Nusantara. Details of South Wealth Finance and PT LCT Nusantara are set out in Sections 6.2.1.6(i) and 6.2.1.6(ii) of this Prospectus, respectively. As at the LPD, Chemical Brothers does not have any associate.

6.2.1.6 Subsidiaries of Chemical Brothers

(i) South Wealth Finance (Company No. 452211)

South Wealth Finance was incorporated in the British Virgin Islands on 3 July 2001 under the International Business Companies Act (Cap 291) of the British Virgin Islands as an international business company under its present name. South Wealth Finance was automatically re-registered as a business company limited by shares under the Business Companies Act of the British Virgin Islands on 1 January 2007. It is an investment holding company and commenced business in March 2003.

As at the LPD, South Wealth Finance's authorised share capital is USD50,000 divided into one class and one series of 50,000 shares of USD1 par value each, and its issued and paid-up share capital is USD1 comprising one share of USD1 par value.

There is no change in South Wealth Finance's issued and paid-up share capital for the past three years preceding the LPD.

South Wealth Finance is a wholly-owned subsidiary of Chemical Brothers. Chemical Brothers is a wholly-owned subsidiary of LCT International Ltd. LCT International Ltd is a wholly-owned subsidiary of PT LCT Tbk. PT LCT Tbk is a 90.4%-owned subsidiary of LCT International SB which in turn is our wholly-owned subsidiary. As at the LPD, South Wealth Finance does not have any subsidiary or associate.

(ii) PT LCT Nusantara (Company No. 09.03.1.20.09616)

PT LCT Nusantara was incorporated in Indonesia under the Establishment Deed No. 68 made before Moendjiati Soegito, SH, Notary in Jakarta on 19 July 1990 amended by Deed No. 74 made before Moendjiati Soegito, SH, Notary in Jakarta on 10 August 1990 and approved by the Ministry of Law and Human Rights Decree No. C2-4808.HT.01.01-TH.90 dated 15 August 1990, on 15 August 1990 as a private limited company under the name of PT Petrokimia Nusantara Interindo. The company changed its name to PT Titan Petrokimia Nusantara on 7 April 2006 before assuming its present name on 18 March 2013. It is principally engaged in the polyethylene industry and wholesale trading (main distributor and importer) and commenced business in February 1993.

As at the LPD, PT LCT Nusantara's authorised share capital is USD515,000,000 comprising 515,000,000 ordinary shares of USD1 each and its issued and paid-up share capital is USD128,750,000 comprising 128,750,000 ordinary shares of USD1 each.

There is no change in PT LCT Nusantara's issued and paid-up share capital for the past three years preceding the LPD.

PT LCT Nusantara is a wholly-owned subsidiary of Chemical Brothers where 99.85% is held by Chemical Brothers while the balance 0.15% is held by South Wealth Finance, a wholly-owned subsidiary of Chemical Brothers. Chemical Brothers is a wholly-owned subsidiary of LCT International Ltd. LCT International Ltd is a wholly-owned subsidiary of PT LCT Tbk which is a 90.4%-owned subsidiary of LCT International SB which in turn is our wholly-owned subsidiary. As at the LPD, PT LCT Nusantara does not have any subsidiary or associate.

6.2.2 Our associates

(i) LC USA (Company No. 61-1735683)

LC USA was incorporated in the United States under the laws of the State of Delaware on 9 April 2014 as a private corporation under its present name. It is an investment holding company and commenced business in September 2015.

As at the LPD, LC USA has 3,000 authorised shares of common stock of USD0.01 each and 300 issued shares of common stock of USD0.01 each.

The changes in LC USA's issued shares of common stock from the date of incorporation up to the LPD are as follows:

Date of allotment	No. of issued shares of common stock	Consideration	Cumulative issued share capital
			USD
10 April 2014	100	Cash	1.00
18 March 2016	20	Cash	1.20
21 April 2016	80	Cash	2.00
27 March 2017	100	Cash	3.00

LC USA is our associate.

The shareholders of LC USA and their shareholdings in LC USA as at the LPD are as follows:

Shareholder	No. of issued shares of common stock	%
LCT	120	40.0
LCC	180	60.0

As at the LPD, LC USA has a direct subsidiary, LC Louisiana, and a joint operation, LACC. Details of LC Louisiana and LACC are set out in Sections 6.2.2.1 and 6.2.2.2 of this Prospectus, respectively. As at the LPD, LC USA does not have any associate.

(ii) Lotte Ube (Company No. 974674-M)

Lotte Ube was incorporated in Malaysia under the CA 1965 and deemed registered under the Act on 11 January 2012 as a private limited company under the name of Malaysian Synthetic Rubber. On 26 February 2014, the company assumed its present name. Lotte Ube is principally involved in manufacture and trading of synthetic rubber and commenced business in August 2015.

The shareholders of Lotte Ube and their shareholdings in Lotte Ube as at the LPD are as follows:

Shareholder	No. of ordinary shares	%
LCT	18,405,000	10.0
LCC	73,620,000	40.0
UBE Industries Ltd	73,620,000	40.0
Mitsubishi Corporation	18,405,000	10.0

As at the LPD, Lotte Ube does not have any subsidiary or associate.

6.2.2.1 Subsidiary of LC USA

LC Louisiana (Company No. 47-5345661)

LC Louisiana was formed in the United States under the laws of the State of Delaware on 15 October 2015 as a limited liability company under its present name. It has not commenced business pending completion of the construction and commercial production of the US MEG Plant.

As at 26 May 2017, LC Louisiana's total capital contribution is USD431,000,000.

The changes in LC Louisiana's total capital contribution from the date on which LC Louisiana was formed up to 26 May 2017 are as follows:

Date of contribution	Contribution amount	Cumulative contribution amount
	USD	USD
Initial capital contribution	100.00	100.00
Contribution credit	16,277,292.34	16,277,392.34
5 January 2016	60,000,000.00	66,277,392.34
3 February 2016	13,000,000.00	79,277,392.34
24 March 2016	30,000,000.00	109,277,392.34
26 April 2016	10,000,000.00	119,277,392.34
25 May 2016	20,000,000.00	139,277,392.34
24 June 2016	20,000,000.00	159,277,392.34
26 July 2016	10,000,000.00	169,277,392.34
26 August 2016	22,000,000.00	191,277,392.34
26 September 2016	30,000,000.00	221,277,392.34
26 October 2016	24,722,607.66	256,000,000.00
26 November 2016	25,000,000.00	281,000,000.00
21 December 2016	10,000,000.00	291,000,000.00
25 January 2017	40,000,000.00	331,000,000.00
24 February 2017	20,000,000.00	351,000,000.00

Date of contribution	Contribution amount	Cumulative contribution amount
	USD	USD
27 March 2017	30,000,000.00	381,000,000.00
26 April 2017	35,000,000.00	416,000,000.00
26 May 2017	15,000,000.00	431,000,000.00

LC Louisiana is a wholly-owned subsidiary of LC USA which in turn is our 40%-owned associate. As at the LPD, LC Louisiana does not have any subsidiary or associate.

6.2.2.2 Joint operation of LC USA

LACC (Company No. 47-4404387)

LACC was formed in the United States under the laws of the State of Delaware on 17 June 2015 as a limited liability company under its present name. It has not commenced business pending completion of the construction and commercial production of the US Ethane Cracker Plant.

As at 26 May 2017, LACC's total capital contribution is USD864,053,994.50.

The changes in LACC's total capital contribution from the date on which LACC was formed up to 26 May 2017 are as follows:

Date of contribution	Contribution amount	Cumulative contribution amount
	USD	USD
Initial capital contribution	100.00	100
2 September 2015	2,710,000.00	2,710,100.00
23 September 2015	10,301,500.00	13,011,600.00
4 November 2015	3,992,288.00	17,003,888.00
3 December 2015	9,470,144.00	26,474,032.00
5 January 2016	122,498,009.50	148,972,041.50
2 February 2016 and 3 February 2016	33,780,911.00	182,752,952.50
29 February 2016	26,301,042.00	209,053,994.50
24 March 2016	35,000,000.00	244,053,994.50
26 April 2016	30,000,000.00	274,053,994.50
25 May 2016	30,000,000.00	304,053,994.50
24 June 2016	40,000,000.00	344,053,994.50
26 July 2016	30,000,000.00	374,053,994.50
26 August 2016	50,000,000.00	424,053,994.50
26 September 2016	40,000,000.00	464,053,994.50
26 October 2016	40,000,000.00	504,053,994.50

Date of contribution	Contribution amount	Cumulative contribution amount
	USD	USD
22 November 2016	50,000,000.00	554,053,994.50
21 December 2016	40,000,000.00	594,053,994.50
25 January 2017	50,000,000.00	644,053,994.50
24 February 2017	50,000,000.00	694,053,994.50
27 March 2017	50,000,000.00	744,053,994.50
26 April 2017	60,000,000.00	804,053,994.50
26 May 2017	60,000,000.00	864,053,994.50

LACC is a joint operation of LC USA, our 40%-owned associate, in which LC USA owns 90.0% equity interest. The remaining 10.0% equity interest is owned by Eagle US 2 LLC. As at the LPD, LACC does not have any subsidiary or associate.

Save for the following, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital as at the date of this Prospectus:

(i) the issuance of 165,871 RCNCPS at an issue price of RM10,000 for each RCNCPS by LCTM;

(ii) the issuance of 62,487 RCNCPS at an issue price of RM10,000 for each RCNCPS by LCT International SB; and

(iii) the issuance of 3,034 RPS at an issue price of USD10,000 for each RPS by LCT Capital.

None of our Shares and the shares in our subsidiaries were issued and allotted at a discount or have any special terms. Our issued Shares and the issued shares in our subsidiaries are fully paid-up.

As at the LPD, neither our Company nor our subsidiaries are involved in any bankruptcy, receivership or similar proceedings.

7. BUSINESS OF OUR GROUP

7.1 OVERVIEW

We are an integrated petrochemical producer with two principal product categories, namely:

(i) polyolefins, comprising polyethylene and polypropylene; and

(ii) olefins, comprising ethylene and propylene, and other derivatives such as butadiene, TBA, benzene and toluene.

Polyolefins are used to produce a variety of consumer and industrial products including packaging film, trash bags, automotive parts, plastic bottles and caps, compounds for wire and cable insulation, while olefins are used as primary feedstock for the production of polyolefin products. For the year ended 31 December 2016, polyolefin product sales accounted for 80% of our total revenue.

In 2016, we represented 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia as well as a 57% capacity share in polyethylene production in Indonesia. We are the fourth largest producer of polyolefin products in Southeast Asia by production capacity in 2016, with a 42% capacity share in olefins production in Malaysia and 29% capacity share in polyolefin production in Indonesia.

We own and operate 14 plants, and the products produced and nameplate production capacity for each of our plants as at the LPD in Malaysia and Indonesia are as follows:

Plant	Product(s)	Year of commencement of commercial operations	Nameplate production capacity as at the LPD (KTA)
Plants in our Pasir Gudang site (Malaysia)			
NC1 Plant	Ethylene, propylene	1994	430
NC2 Plant	Ethylene, propylene	1999	649
BTX Plant	Benzene, toluene	2000	155
BD Plant	Butadiene	2007	100
OCU Plant	Propylene	2008	115
TBA Plant	TBA	2012	110
PP1 Plant	Homopolymer/Copolymer	1991	166
PP2 Plant	Homopolymer/Copolymer	1999	274
PE1 Plant	HDPE	1993	220
Plants in our Tanjung Langsat site (Malaysia)			
PE2 Plant	LDPE	1999	230
PE3 Plant	HDPE	2000	115
Plants in our Merak site (Indonesia)			
PE1 Plant (Indonesia)	HDPE	1993	125
PE2 Plant (Indonesia)	HDPE	1993	125
PE3 Plant (Indonesia)	LLDPE	1998	200

Note:

(1) The OCU Plant is our olefins conversion unit which produces propylene through a reactor using ethylene and a particular form of C4 as feedstock. We commissioned our OCU Plant in 2007 but do not currently operate it due to high market prices of ethylene that do not justify the operation of the OCU Plant from a cost-efficiency perspective. Upon completion of the TE3 Project, we plan to re-commence operations for our OCU Plant, depending on market prices of ethylene and propylene then.

Our plants are supported by on-site facilities such as co-generation plants, tank farms and waste water treatment facilities across Malaysia and Indonesia. These on-site facilities lower our costs of production and reduce our dependency on external utility suppliers.

We sell our products into both domestic and export markets. We have a diverse domestic customer base in Malaysia and Indonesia comprising principally plastic fabricators serving the packaging, household automotive and construction markets. Our sales and distribution network spans the four cities of Johor Bahru, Kuala Lumpur, Penang and Jakarta.

We also export to a broad range of customers in about 60 countries including Southeast Asia, China, the ISC, South Korea and Europe. We are well-positioned to compete effectively in these key markets with our production competitive advantage and the existing free trade agreements within Southeast Asia and with China.

In 2000, we established the PTC in 2000 to provide our customers with value-added services, including product development and improvement, technical and fabrication process training and the development of custom made products for our customers. Since its establishment and up to the LPD, the PTC has developed a total of 75 new product grades and provided technical and fabrication process training to more than 5,000 of our customers' employees.

Moving forward, we intend to continue expanding our product portfolio to meet the increasing domestic and global demand. As such, we have four on-going projects to equip us with the necessary infrastructure to meet such demands:

- The TE3 Project which is expected to enhance our existing NC2 Plant by installing the K-COT to create a larger output of propylene and ethylene.

- The PP3 Project which involves the construction of a new polypropylene plant to create 200 KTA additional supply of polypropylene.

- The US Shale Gas Project which is a joint venture with LCC to construct and operate an ethane cracker plant and a MEG plant in the United States.

- The Integrated Petrochemical Facility which is part of our expansionary plan to develop our plant in Indonesia and increase our production of polyethylene.

Our financial performance has shown significant improvements since 2014. Through a series of productivity optimising measures, lower feedstock prices following the decline in crude oil prices coupled with increased average sales prices of our products, we registered strong growth in profits the recent years, with an increase of more than 100% in PATAMI from RM613.2 million in the year ended 31 December 2015 to RM1,315.4 million in the year ended 31 December 2016 although there was a slight decline in our revenue of 0.13% from RM8,147.8 million in the year ended 31 December 2015 to RM8,136.6 million in the year ended 31 December 2016.

7.2 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

(i) Market leadership in attractive markets

We have a 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia as well as a 57% capacity share in polyethylene production in Indonesia in 2016. With respect to polyolefin products, we are the fourth largest producer of polyolefin products in Southeast Asia by production capacity in 2016, with a 42% capacity share in olefins production in Malaysia and 29% capacity share in polyolefin production in Indonesia. In terms of derivative products, we are the sole producer of butadiene in Malaysia with a 100% capacity share in butadiene production.

While we sell our products to customers in Malaysia and Indonesia, we also focus on Southeast Asia, which is collectively the seventh largest economy in the world. Our favourable positioning in Southeast Asia is underpinned by our production facilities in Malaysia and Indonesia. As a result, we are strategically placed to serve the Southeast Asian market, a growing market with strong consumer demand and increasing infrastructure investment. Given the strong correlation between consumer and petrochemical demand, we expect demand for our products to increase in the future as the total consumption of polyolefins in Southeast Asia is forecasted to grow at a CAGR of 4.4% in the period between 2017 and 2027.

Our presence in Southeast Asia also keeps us connected to other key Asian economies. Selling from Malaysia and Indonesia, we benefit from the CEPT Scheme in the ASEAN FTA for our sales within ASEAN. We also benefit from being part of the ASEAN-China FTA for our sales to China and from MICECA for our sales to India. We are well positioned within the Southeast Asian market where we share close proximity to our feedstock suppliers and our clients. We therefore have additional flexibility to vary our production volumes based on customer demands across these markets.

In 1991, we became the first producer of polyolefin products in Malaysia and received Pioneer Status from MIDA in 1995. This gave us an early leadership position in the market in an industry characterised by high barriers to entry for domestic products. Our first-mover advantage in the polyolefins market in Malaysia facilitated our expansion of sales at an opportune time when consumption of polyolefin products in Malaysia began to increase on a yearly basis.

Our brands, TITANEX®, TITANLENE®, TITANZEX®, TITANPRO®, TITANVENE®, are well established in our domestic markets over the past decade, underpinning our reputation in the region for producing products that are differentiated by performance, reliability, customisation and value.

(ii) Long-standing relationship with diverse customer base

Customer loyalty is an important aspect of our business. We have long-term relationships spanning more than 10 years with many of our regular customers whom we considered as our key customers, and no single customer accounted for more than 10% of our consolidated revenue in the last three financial years.

We have maintained good customer retention rates by developing a customer-centric approach, some of the key elements of which are:

- we produce a range of polymer grades, specifically 33 grades of HDPE, 13 grades of LDPE, nine grades of LLDPE and 28 grades of polypropylene, which allows us to customise our products to tailor to specific customer needs;

- our PTC provides our customers with product solutions and value-added services, including new product applications, development, and customer training sessions to drive innovation and product customisation for our key customers;

- we can extend trade credits, standby inventories and flexible trade terms to our customers to cater to their preferences; we closely monitor our credit to customers and recorded zero bad debt as at the LPD;

- we strive for stable, timely and dependable deliveries, all of which are valued by customers in our industry; and

- we have a region-wide marketing and sales force that provides coverage for our customers across many markets which is supported in China by agents of Lotte Chemical Trading Shanghai, a subsidiary of our controlling shareholder, LCC.

Our leading role as a producer of polyolefin products in the domestic markets of Malaysia and Indonesia, together with our key customer bases there positions us to compete effectively with imported polyolefin products, which still account for a significant share in both of these markets.

(iii) We benefit from integrated production facilities in Malaysia and overall operational know-how

We capitalise on the scale of our integrated production facilities in Malaysia, apply operational excellence to achieve operational stability and optimal plant utilisation, and benefit from production efficiency initiatives designed to optimise our profitability in the long run.

Flexibility and scale of production facilities

In Malaysia, we benefit from integration within and across our sites, from the intake of feedstock to the manufacture of our products. This allows us to achieve efficient production streams and reduce logistics costs and product wastage in each step of our production chain.

Our naphtha crackers produce a wide range of products, including ethylene, propylene, and a spectrum of by-products which we use in manufacturing butadiene, benzene, toluene and TBA. This balances our overall product portfolio by facilitating production flexibility to alter our product mix and production levels in response to market conditions, and diversifies our revenue base from the sale of derivative products. For example, in the last two years, we benefited from market price rises for butadiene due to increasing demand for synthetic rubber used in the production of automobile tyres.

Our tank storage capacity of 155.1 KT of naphtha, which can hold up to three weeks' worth of naphtha consumption and our price-risk management approach allows us to ensure an uninterrupted and stable supply of naphtha feedstock at competitive prices.

Operational excellence and production efficiencies

We have increased our plants' nameplate capacities over their original nameplate capacity through debottlenecking and continuous efficiency enhancements. Our on-going works to improve the productivity and reliability of our plants include scheduled turnarounds, debottlenecking and equipment modifications.

Through our productivity enhancement and operating efficiencies, we achieved a record high annual production volume of 2,703 KTA for the year ended 31 December 2016.

Our total plant utilisation rate for our crackers improved from 95% for the year ended 31 December 2014 to 101% for the year ended 31 December 2015 and stabilised at 100% for the year ended 31 December 2016. In addition, we reduced our crackers' energy consumption from 130.9kwh/ton for the year ended 31 December 2014 to 117.1 kwh/ton for the year ended 31 December 2015 and stabilised it at 119.0 kwh/ton for the year ended 31 December 2016, demonstrating improvements in our efficiencies in the production process.

(iv) Robust operating cash flow and balance sheet to support our future growth

We are able to leverage on our strong and stable operating cash flow as well as earnings to support future growth in our business. Our robust operating cash flow, coupled with our low debt-to-equity ratio, supports our future growth. Our strong financials have allowed us to pursue attractive growth investments such as our on-going TE3 Project, PP3 Project and the US Shale Gas Project. For more information on these projects, please refer to Sections 4.7.1 and 7.6.8 of this Prospectus.

Our proactive working capital and credit management efforts also resulted in stable average trade receivables turnover days of 32.3, 32.2 and 35.5 days for the years ended 31 December 2014, 2015 and 2016, respectively. We also incurred low maintenance capital expenditures of RM32 million, RM1 million and RM24 million for the years ended 2014, 2015 and 2016, respectively. Our net debt-to-equity ratios[1] were 5%, N/A[2] and N/A[2] as at 31 December 2014, 2015 and 2016, respectively. Our end of year cash and cash equivalents were RM184.0 million, RM1,511.0 million and RM1,040.3 million as at 31 December 2014, 2015 and 2016, respectively. Our strong balance sheet has provided us with sufficient cash flow to pursue growth investments and also pay dividends.

(v) Strong and experienced management team

We are led by an experienced management team comprising local and expatriate industry veterans with a strong understanding of the petrochemical industry within our domestic markets and Southeast Asia. Each member of our senior management team has long-standing experience in excess of 20 years in their respective fields. They lend experience across a broad range of business activities, including operations, product development, finance, sales and marketing.

Our management team has demonstrated their ability to manage the company through multiple business cycles. They have a track record for delivering projects for plant improvements successfully.

Our newly-appointed President and Chief Executive Officer, Mr. Lee Dong Woo, has almost three decades of experience in the petrochemical industry. He began his career at LCC (previously known as Honam Petrochemical Corp.) in 1989 and last held the position of Director, Research and Development in LCC. Mr Lee also holds a Doctorate in Polymer Engineering from Chungnam National University, Korea. Mr Lee's industry background, combined with the experience of the other members of our management team, will drive our focus on product innovation and value-added solutions and contribute to maintaining customer loyalty.

(vi) Support from our controlling shareholder, LCC

Since being acquired by LCC in 2010, our business has benefited from LCC's wide-reaching presence in the petrochemical industry. Petrochemicals remain a core business for LCC and LCC operates a centralised petrochemical research facility in South Korea that oversees research and development projects. With the support from LCC for our on-going initiatives and expansion efforts, we are able to pursue further plans for growth and regional expansion in Southeast Asia. We also benefit from technical support provided by LCC in terms of production and operational efficiencies. LCC's sharing of operational best practices has also contributed significantly to our improved production efficiencies and also improved our operational discipline. In addition, we benefit from the secondment of managers and industry experts from LCC, which encourages collaboration and facilitates the exchange of professional knowledge and market understanding.

[1] Computed as total loans and borrowings less cash and bank balances (net debt) divided by total equity in the period.

[2] Not applicable as our total cash and bank balances exceeds our total loans and borrowings in the period.

7.3 STRATEGIES AND FUTURE PLANS

(i) Pursue value-accretive organic growth through strategic new plant additions

We expect our on-going initiatives to expand capacity and secure a stable, long-term relationship with a wide customer base to lead to higher margins and greater return potential. We also aim to capitalise on our infrastructure to further displace imports and capture a greater market share within the Malaysian, Indonesian and Southeast Asian markets.

Our focus areas for investment currently include our TE3 Project, PP3 Project and Integrated Petrochemical Facility. These projects form part of our expansion plans to establish ourselves as a regional petrochemical hub in Southeast Asia and are slated for completion within the next five years. For more information on these projects including their estimated investment cost and the allocation of proceeds from our Public Issue which will be used for each project, please refer to Section 4.7.1 of this Prospectus. Apart from enhancing our production capacity, we expect the Integrated Petrochemical Facility, together with our existing plant in Merak, Cilegon, Banten Province, Indonesia, to strengthen our presence in the Indonesian market. We plan to further streamline our operations alongside the Integrated Petrochemical Facility, which includes constructing an additional polyethylene plant in Malaysia in tandem with our Indonesian project to utilise the excess supply of ethylene produced. We expect this to add to our long-term plans to expand our market share and vary our product portfolio.

(ii) Pursue growth through selective merger and acquisition opportunities

In addition to our focus to expand our core business, we intend to pursue opportunistic investments which could provide us attractive returns, such as in ventures involving the utilisation of cost competitive feedstock to further diversify our exposure or increase our presence in new markets.

Attractive investments involving cost competitive feedstock

In April 2016, through our investment in LC USA, we invested in a minority stake of a shale gas project in Lake Charles, Louisiana, United States. The highly cost-competitive ethane feedstock in the United States makes this an attractive investment opportunity for us. As set out in the IMR Report, the production cost of ethylene for shale gas cracker projects in the United States is typically lower than the production cost of ethylene in the Asian market in recent years. We expect the US Shale Gas Project to be EPS accretive to us beginning from the first half of 2019, when the shale gas cracker is scheduled to commence commercial production and subsequently, enhance our geographical reach and increase our profile beyond the Asian markets.

We intend to pursue other investment opportunities similar to the US Shale Gas Project to enhance our profitability.

Product diversification

We have the expertise and know-how for a wide range of products and by-products. We may selectively pursue opportunities to further diversify our product portfolio, particularly in products further downstream that offer greater value-add. We are also considering opportunities in products with higher value-add, such as specialty products, to streamline our commoditised business and expand our portfolio of downstream and specialised chemicals products.

Market diversification

We plan to explore opportunities to enter new markets in Southeast Asia to further strengthen our presence as a regional hub for petrochemical products.

(iii) Continuous initiatives to improve operating efficiencies and increase cost savings

As we develop our business, two of our key focus areas are improving productivity and increasing cost savings. We intend to continue increasing our production capacity and productivity through strategic enhancement initiatives and investing in new facilities.

Productivity enhancements

Through debottlenecking projects, efficiency enhancements and equipment modifications, we have improved the reliability, stability and output of our plants. We experienced a 91% reduction in emergency shutdown days between 2009 and 2016, and an increase in nameplate capacity of many of our production plants. For instance, we increased the nameplate capacity of our polypropylene plants in Malaysia by 12.8% following debottlenecking activities in 2016, and aim to continuously update and improve our plant performance and productivity. The cost of these debottlenecking activities has already been budgeted in as part of our capital expenditure.

Cost savings

We expect to benefit from greater economies of scale from our new projects which will result in increased capacity of our plants. Our new plants are expected to further amplify the impact of our optimisation efforts. We also plan to review our support and utilities facilities to further improve our energy efficiency and achieve even greater cost savings throughout 2017. These optimisation initiatives include the normalisation of our ethylene recovery unit to reduce the hydrocarbon loss amount in Indonesia and the replacement of steam turbines for major compressors in both crackers to reduce steam consumption in Malaysia.

(iv) Continue to focus on talent development and management continuity programmes

We are led by a highly experienced management team supported by our skilled workforce, and have been able to retain our talent through our commitment and focus on employee empowerment and regular engagement. Through our management team's commitment and focus on employee empowerment and regular engagement, we have enjoyed a low attrition rate of 3.4% in Malaysia and 1.3% in Indonesia for the year ended 31 December 2016.

One of our objectives is to ensure a pipeline of skilled labour and we aim to achieve this through our ground-up development initiatives. For example, we offer 12-month apprenticeship programmes to train skilled technicians, as well as tertiary or university scholarship programmes for students in relevant fields of studies, such as chemical engineering, who will then join us after graduation.

We are also actively invested in management continuity, with a strong reserve of experienced team members coupled with a succession plan. We have worked closely with human resource consultants to implement programmes based on their findings that involve early identification of key positions, selective nomination of potential successors and a rigorous evaluation process.

(v) Continual commitment to corporate governance and EH&S initiatives

We are committed to achieving and sustaining high standards of corporate governance and overall business sustainability which will contribute to our brand equity and loyalty. We strive to promote best practice corporate governance values, such as balanced rights and interests between stakeholders including shareholders, customers, employees, contractors, suppliers and the community, and the operation of an independent board of directors and transparent, responsible and ethical management by professional managers.

We endeavour to follow the MCCG, and have set out the following responsibilities in our board charter to achieve a high standard of corporate governance:

- to oversee and review the conduct and performance of our Company and the President and Chief Executive Officer against set goals and objectives to evaluate whether the business is properly managed;
- to identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- to develop and implement an investor relations programme or shareholders' communications policy; and
- to review and monitor the adequacy and integrity of internal control systems, risk management and management information systems including systems for the operation of the designated account into which the proceeds of our IPO earmarked for the Integrated Petrochemical Facility as set out in Section 4.7.1(i) of this Prospectus are deposited pending full use and compliance with applicable laws, regulation, rules, directives and guidelines.

In our EH&S policies, we aim to maintain operational excellence through initiatives such as regular health and safety training programmes on process safety management and behavioural safety programmes. We aim to achieve and maintain our target of no major accidents.

We are also focused on sustainability and promoting environmental awareness through our EH&S policies and initiatives. This includes the "1,000 plants for Indonesia", a tree planting project where we collaborated with the Environment Agency of the City of Cilegon to plant 1,000 trees in celebration of Environment Day in 2015.

7.4 BACKGROUND

Established in 1991, we were Malaysia's first standalone producer of polyolefins. Today, we are Malaysia's largest integrated producer of olefins and polyolefins. We are also the fourth largest polyolefins producer in the Southeast Asia in terms of production capacity, using predominantly naphtha as our production feedstock. Our sites are located in Malaysia and Indonesia and we currently own and operate 14 plants (including two crackers in Malaysia), which are supported by on-site facilities, including two co-generation plants, three tank farms and three waste water treatment facilities.

Our sites in Malaysia are located in Pasir Gudang and Tanjung Langsat in the state of Johor, and our site in Indonesia is located Merak, Cilegon, Banten Province. We began our operations in Indonesia in 2006 when we acquired PT Petrokimia Nusantara Interindo (now PT LCT Nusantara), and we are currently Indonesia's largest polyethylene producer, operating three plants with a combined nameplate capacity of 450 KTA. This acquisition boosted our overall polyethylene capacity by about 80%, from 565 KTA to 1,015 KTA, making us one of the largest producers of polyethylene in Southeast Asia.

Our key milestones

The following table highlights our key milestones:

1991	:	Commencement of commercial operations of our first polypropylene plant.
1993	:	Commencement of commercial operations of our first polyethylene plant.
1994	:	Commencement of commercial operations of first cracker.
1996	:	Debottlenecking of our PP1 Plant, increasing our polypropylene production capacity from 100 KTA to 130 KTA.
1999	:	Commencement of commercial operations of our second cracker, second polypropylene and polyethylene plants.
2000	:	▪ Commencement of commercial operations of our BTX Plant and third polyethylene plant. ▪ Establishment of our PTC.
2004	:	Debottlenecking of our NC2 Plant, increasing the cracker production capacity from 495 KTA to 649 KTA.
2006	:	Debottlenecking of our NC1 Plant, increasing our cracker production capacity from 345 KTA to 430 KTA. Acquisition of PT Petrokimia Nusantara Interindo (now PT LCT Nusantara).
2008	:	▪ Commencement of commercial operations of our BD Plant and OCU Plant. ▪ Debottlenecking of our PP1 and PP2 Plants, increasing their production capacities from 130 KTA to 150 KTA and 200 KTA to 240 KTA, respectively.
2010	:	Acquisition of controlling stake in our Company by LCC (formerly known as Honam Petrochemical Corp.).
2012	:	Entry into a joint venture with UBE, Mitsubishi and LCC to set up Lotte Ube for the production of synthetic rubber.
2013	:	Commencement of commercial operations of our TBA Plant.
2015	:	Commencement of construction of TE3 Project.
2016	:	▪ Establishment of PT LC Indonesia for the development of an Indonesian cracker plant as part of the Integrated Petrochemical Facility.
	:	▪ Investment in LC USA for the development of the US Shale Gas Project. ▪ Debottlenecking of our PP1 and PP2 Plants, increasing their production capacities from 150 KTA to 166 KTA and 240 KTA to 274 KTA, respectively.
January 2017	:	▪ Setting-up of the Principal Hub Company through our wholly-owned subsidiary, LCT Corporation as part of the tax incentive introduced under the 2015 Malaysian Budget.
March 2017		▪ Commencement of construction of the PP3 Plant as part of the PP3 Project.

7.5 PRODUCTS

We have two principal product categories, namely:

- polyolefins, comprising polyethylene and polypropylene; and
- olefins, comprising ethylene and propylene, and other derivatives comprising butadiene, TBA, benzene and toluene.

Our strategy in managing our product mix is to focus on profitability and product mix cycle optimisation. As a product moves through its product mix cycle, we regularly review our product mix, retaining product grades that have a positive margin contribution and discontinuing low margin and low volume products. We also plan our production schedule in order to optimise the product mix cycle to reduce the volume of transition grades, which are those products that do not meet a specific product specification. A product mix cycle varies between 30 to 45 days, and we typically plan ahead of that cycle to determine whether a change in our product mix is needed based on customer demand and market pricing. There is no downtime or interruption to our production process during the process of changing our product mix.

We ensure production efficiency by maximising our inventories to sustain our monthly sales volumes.

7.5.1 Polyolefin

We have eight plants that produce a broad range of polyolefin products, with combined nameplate capacities of 1,015 KTA of polyethylene and 440 KTA of polypropylene as at the LPD.

(i) Polyethylene

Polyethylene is the most widely-consumed thermoplastic in the world by volume. We produce three types of polyethylene, namely HDPE, LDPE and LLDPE where:

(a) HDPE products are characterised by greater toughness and superior mechanical strength, coupled with higher service temperature limits.

(b) LDPE products are easy to process and have good strength and clarity.

(c) LLDPE products offer improved strength, chemical resistance and a higher melting point than LDPE, making them suitable for high strength film applications.

We offer our customers 55 grades of polyethylene across all three categories.

(ii) Polypropylene

Our polypropylene plants are configured to manufacture polypropylene homopolymer as well as polypropylene random copolymer and impact copolymer. We offer 28 grades of polypropylene comprising 12 grades of polypropylene homopolymer and 16 grades of polypropylene random and impact copolymer. As at the LPD, we are the sole producer of polypropylene in Malaysia.

Polypropylene is a versatile polyolefin that is light-weight with high optical clarity, low moisture vapour transmission and the ability to be drawn and oriented into fibres.

The following table sets out our main polyolefin products and their primary uses:

Product	Primary Uses
HDPE	HDPE is used to manufacture grocery, merchandise and trash bags, food containers for items such as frozen desserts and margarine, bottle caps and closures, liners for cereal and cracker boxes, plastic drink cups, dairy crates, bread trays, pails, safety equipment such as hard hats, house wrap for insulation, bottles for household and industrial chemicals, milk bottles, juice bottles, and large tanks for storing liquids such as agricultural and lawn care chemicals.
LDPE	LDPE is used to manufacture food packaging films, plastic bottles for packaging food and personal care items, dry cleaning bags, ice bags, pallet shrink wrap, heavy-duty bags for mulch and potting soil, boil-in-bag bags, coatings on flexible packaging products, and coatings on paper board such as milk cartons.
LLDPE	LLDPE is used to manufacture garbage and lawn-leaf bags, industrial can liners, housewares, lids for coffee cans and margarine tubs, dishpans, home plastic storage containers, kitchen trash containers, large toys such as outdoor gym sets, drip irrigation tubing, protective coating for telephone wires and film, shrink wrap for multi-packaging canned food, bag-in-box bags, produce bags and pallet stretch wrap.
Polypropylene	Polypropylene is used to manufacture fibres for carpets, rugs and upholstery, housewares, automotive battery cases, running boards and bumpers, grid-type flooring for sports facilities, fishing tackle boxes, bottle caps and closures, metalised film for food packaging, high clarity thin walled containers and hot filled containers.

7.5.2 Olefins and derivatives

Our olefin products consist of ethylene and propylene, and derivatives such as butadiene, TBA, benzene, toluene and by-products from which some of our derivative products are extracted.

The following table sets out our main olefin and derivative products and their primary uses:

Product		Primary Uses
Olefins	Ethylene	Ethylene is used as a raw material to manufacture polyethylene, ethylene oxide, ethanol, ethylene dichloride, ethyl benzene and PVC.
	Propylene	Propylene is used to produce polypropylene, acrylonitrile and propylene oxide, and used in the production of polyurethane plastics.
Derivatives	Butadiene	Butadiene is used to produce synthetic rubber. Styrene-butadiene rubber is the material most commonly used for the production of automobile tyres. Butadiene is mixed with styrene or acrylonitrile to create polymers that are tough and elastic.

Product	Primary Uses
TBA	TBA is used as a solvent, a denaturant for ethanol, an ingredient in paint removers and an octane booster for gasoline.
Benzene	Benzene is used to produce styrene, phenol and cyclohexane, which are used in the production of nylon, plastics, rubber and polystyrene. Polystyrene is used in insulation, packaging and drink cups.
Toluene	Toluene is used as an octane enhancer in gasoline, a chemical feedstock for benzene and/or paraxylene production, a core ingredient in toluene diisocyanate and a solvent in paints and chemicals.

When we produce ethylene and propylene, we also produce pygas and mixed C4 as by-products, which we consume internally in the production of our other derivative products such as butadiene, TBA, benzene and toluene.

Of the ethylene we produced in the years ended 31 December 2014, 2015 and 2016, we consumed about 99% for our polyethylene plants in Malaysia and Indonesia and sold the excess to customers.

We typically use all of our propylene output for the production of our polypropylene products. In the years ended 31 December 2014, 2015 and 2016, we purchased a small amount of propylene totalling to about 30 KTA in aggregate to supplement our polypropylene production.

7.5.3 Product certification and regulatory compliances

Our products have the following certifications and/or meet the following major regulatory requirements:

- Underwriters Laboratories ("**UL**") Recognition: UL Recognition is a certification provided by the non-profit testing institution Underwriters Laboratories in the United States, which evaluates and certifies the safety of plastic parts. Some of our products are listed by UL. Representative samples of these products have been evaluated by UL and meet applicable safety standards.

- EU Food Contact Compliance: Regulation ("**EU**") No. 10/2011 regulates the material and articles which are intended to come into contact with food. All monomers and additives that are used for our products are listed in the Union List of Authorised Substances.

- The Food and Drug Administration of the U.S. Department of Health and Human Services: Our products comply with Code of Federal Regulations ("**CFR**") Title 21, Part 177.1520 pertaining to substances for use as basic components of single and repeated use food contact surfaces pertaining to olefin polymers.

- Registration, Evaluation, Authorisation and Restriction of Chemicals ("**REACH**") Regulation (EC) 1907/2006: Polymers are generally exempt from registration provisions. Our products do not contain any of the proposed hazardous and restricted substances above the limit for this standard.

- Japan Hygienic Olefin and Styrene Plastics Association ("**JHOSPA**") certification: Our products exported and marketed in Japan are registered and certified under JHOSPA in order to meet the standard and compliance requirements in Japan on use of raw materials in the manufacturing of food utensils, containers and packaging materials. As LCTM was not a member of JHOSPA in the past, certification of LCTM's products was registered under name of our customers and agents operating in Japan. In March 2017, we registered LCTM as a member of JHOSPA and are in the process of transferring all JHOSPA certification held under the name of our customers and agents to LCTM.

7.6 PRODUCTION

7.6.1 Production facilities

We currently own and operate a total of 14 plants, including our two crackers, across three sites in Malaysia and Indonesia, which are supported by on-site facilities such as co-generation plants, tank farms and waste water treatment facilities. On-site support facilities lower our production costs and reduce our dependency on external utility suppliers. In relation to our leased sites, we are required to dismantle and remove our manufacturing facilities to restore the land to its original condition at the end of our lease.

(i) Malaysia

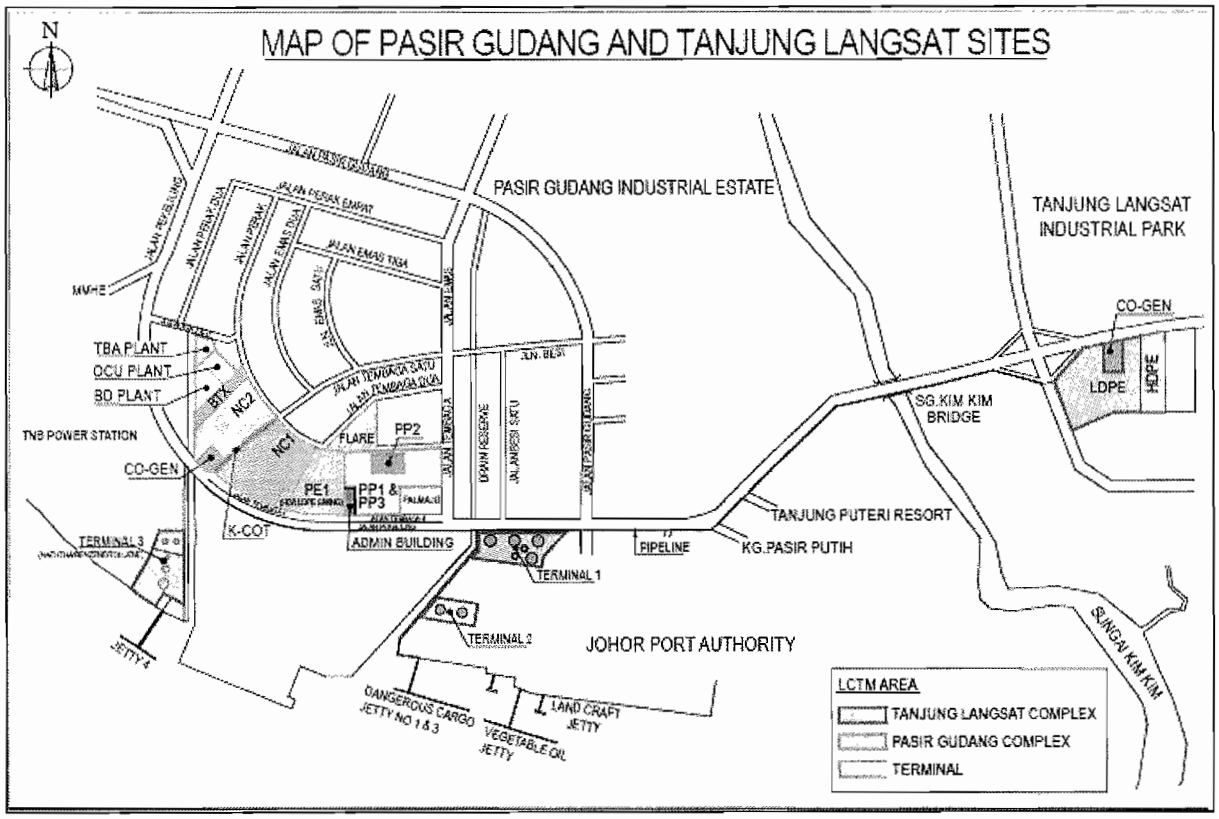
Our sites in Malaysia have 11 plants with a total nameplate capacity of 2,564 KTA as at the LPD. These plants are located on our two integrated sites at Pasir Gudang and Tanjung Langsat in the state of Johor, which are 12 kilometres apart and connected by our dedicated underground pipelines. We operate an integrated production system, which allows us to maximise the yields of our feedstock and operate efficiently. This lowers our cost of production per unit.

Our Pasir Gudang site, which measures about 122 acres (or approximately 49.37 hectares), is owned by us and is held under four individual 60-year leasehold titles. Our two naphtha and tank farm sites are located beside our Pasir Gudang Site under 36-year leases, which expire in 2052 and are leased from the Johor Port Authority. Another tank farm is located on a 20 acre (or approximately 8.09 hectares) site leased from TNB under a 30-year lease expiring in 2028.

Our 100 acre (or approximately 40.47 hectares) Tanjung Langsat site is leased from the State Authority under a 60 year lease which expires in 2061. It currently has 30 acres (or approximately 12.14 hectares) of unutilised land available for future development. Part of our Tanjung Langsat site has been leased to one of our associates, Lotte Ube, where it currently operates a polybutadiene plant. Our Pasir Gudang site will be fully utilised once our PP3 Project commences commercial operations in the second half of 2018.

Our production facilities are close to Johor Port and the Port of Tanjung Pelepas, providing access to Asia's main shipping lanes and are also served by the highways of Malaysia's national road network.

The plan below sets out the current layout of our sites in Pasir Gudang and Tanjung Langsat in Malaysia:

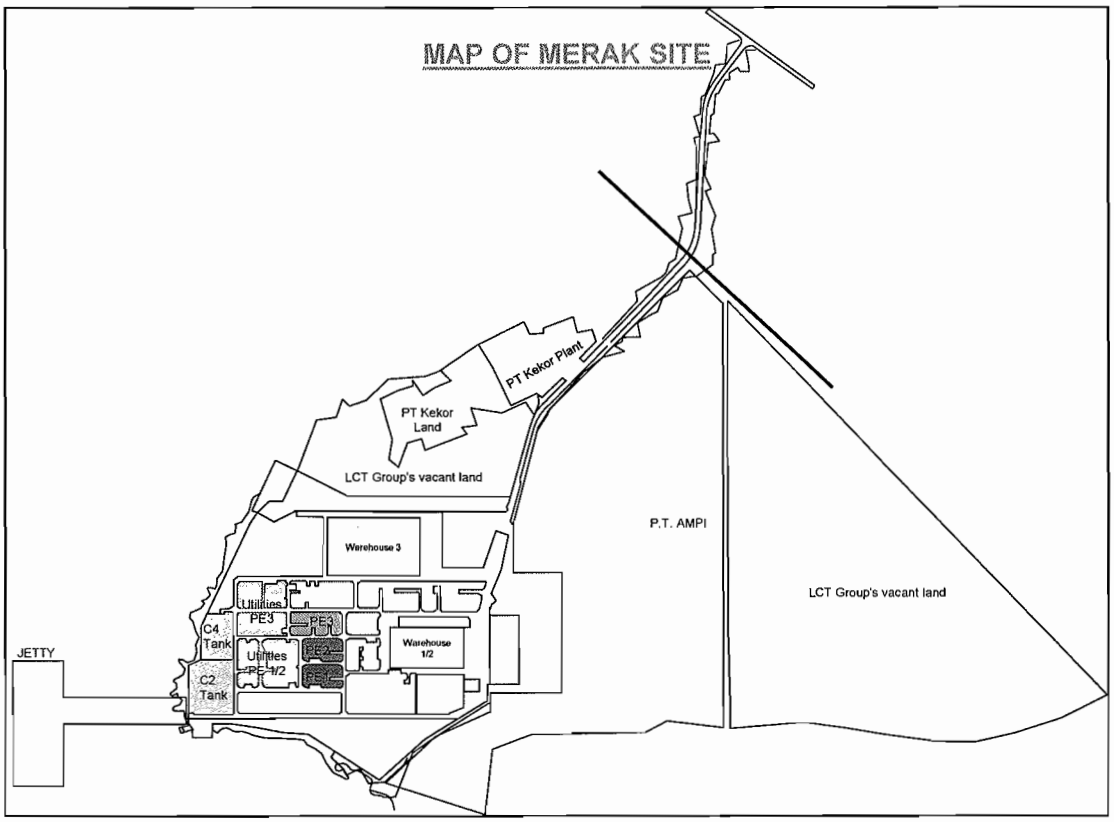


(ii) *Indonesia*

Our Indonesian site is located in Merak, Cilegon, Banten Province, Indonesia and supports three plants with a combined capacity of 450 KTA of polyethylene depending on production mix. The site is 316.75 acres (or approximately 128.18 hectares) comprising of: (i) 77.85 acres (or approximately 31.50 hectares) utilised for existing PE plants; (ii) 8.88 acres (or approximately 3.59 hectares) for parking area and access routes purposes, (iii) 6.23 acres (or approximately 2.52 hectares) for residential house for staff and (iv) 223.79 acres (or approximately 90.56 hectares) of unutilised land for future development.

7. BUSINESS OF OUR GROUP *(Cont'd)*

Our Indonesian site is served by an offshore berth with jetty access. The plan below sets out the current layout of our site in Merak, Cilegon, Banten Province, Indonesia:



We obtain about 80% of our naphtha feedstock from suppliers located in the Middle East. However, volume incentives from our suppliers are limited due to the sufficiency of market demand for naphtha. Nevertheless, we benefit from lower delivery costs attributable to our close proximity to the Middle East, compared to naphtha consumers in North Asia who receive feedstock through North Asian ports.

Our crackers were designed to crack naphtha and a blend of naphtha and LPG, although historically we have used naphtha as feedstock. Different feedstock grades and blend alternatives, including different grades of naphtha, produce varying ethylene, propylene and by-products yields. We use a specialised software, SPYRO (developed by Technip) to determine the optimum output of ethylene and propylene that can be extracted based on the type and quality of naphtha received from suppliers.

We purchase our feedstock based on our evaluation of feedstock price and quality that would optimise our product yield in terms of profit margins and volume. We purchase from a range of naphtha suppliers depending on the availability, quality and feedstock prices offered by each supplier. In addition, we periodically evaluate other feedstock alternatives and their potential economic viability within the designed processing capability to determine whether they are economically viable.

7.6.2 Operational flexibility

All our plants operate on a continuous basis, unless any one of them is shut down for planned maintenance work or otherwise due to unscheduled interruptions. We have two interconnected crackers, which optimises the sharing of infrastructure while allowing each cracker to operate independently. This allows energy and feedstock optimisation to lower operating costs, and reduces the potential impact on polyolefin production in the event of scheduled or emergency shutdown of either cracker. This also gives us flexibility during turnarounds. When one cracker is shut down due to a turnaround, we are able to continue our operations through the other cracker.

Both crackers are controlled from one central control room, which also oversees the operation of our derivative plants, co-generation plants and one of our polyethylene plants.

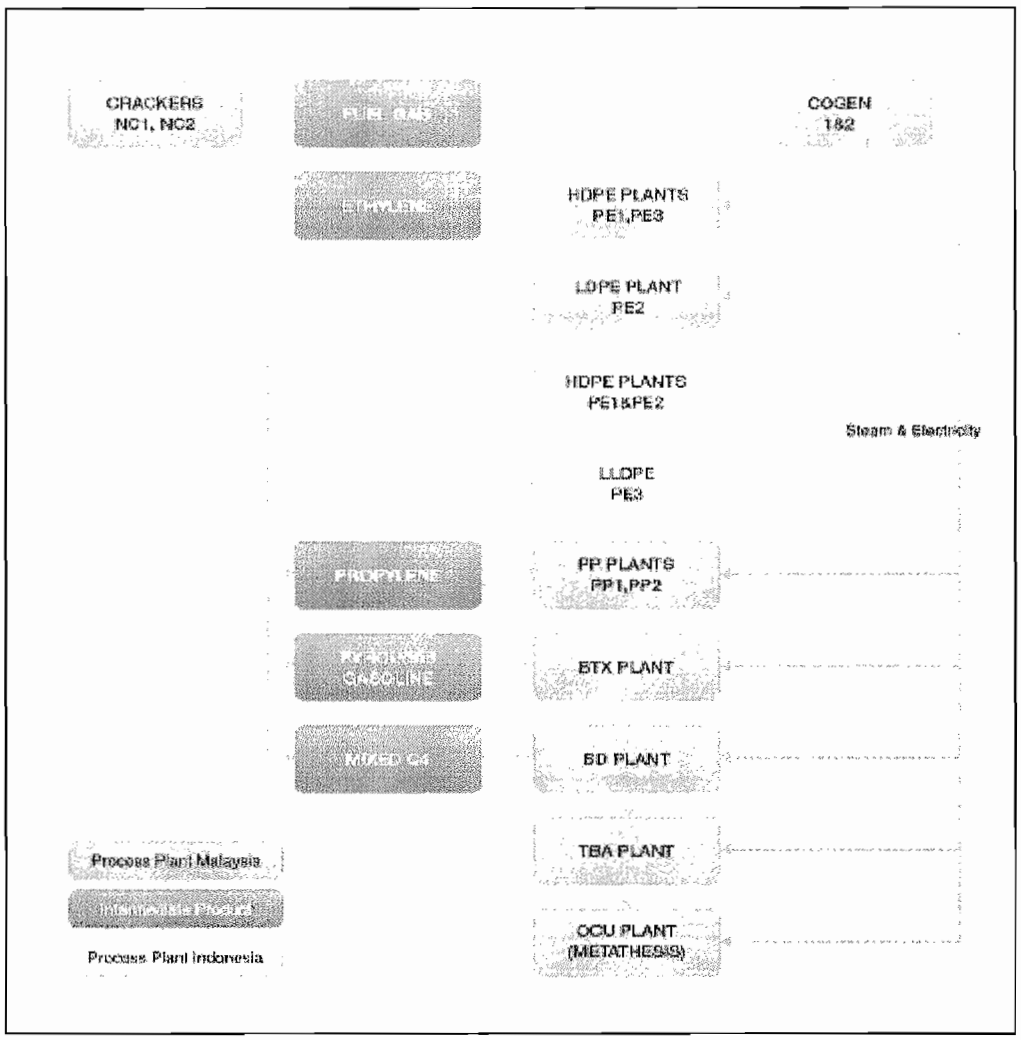
Our polyolefin plants are also configured to provide flexibility and cost efficiency. One of these plants is a swing plant that allows us to switch between production of LLDPE and HDPE based on market demand. We do not incur significant additional costs from the operation of a swing plant. In addition, our dedicated LDPE and HDPE lines allow focused production of these two polyethylene products which have the largest volume, allowing longer product runs and reducing the volume of transition grades.

7.6.3 Integration

One of the operational advantages of our Malaysian site is the integration of our production processes. Our crackers and polyolefin plants are integrated in several important ways. Utilities on our sites are optimised and controlled from the central control room including electricity supply from both the co-generation plants, TNB's power grid, steam supply from the co-generation heat recovery steam generators and seven boilers on site, as well as water, nitrogen and natural gas distribution, which allows us to optimise our energy costs.

We also recover off-gas streams, a by-product of our polyolefin plants which we route back to our crackers for clean-up and recycling as additional feedstock. This recovery increases the overall yield of our polyolefin plants and reduces the amount of product wastage. This gives us a cost advantage compared to facilities that do not have a cracker and have to install separate purification equipment. Integration also reduces our logistics and storage costs, giving us greater ability to schedule maintenance turnarounds according to market conditions. The captive power and steam supply enhances reliability and in turn, plant utilisation.

The chart below sets out an overview of the integrated operations between our crackers, plants, and co-generation plants:



The OCU Plant is our olefins conversion unit which produces propylene through a reactor using ethylene and a particular form of C4 as feedstock. We commissioned our OCU Plant in 2007 but do not currently operate it due to high market prices of ethylene that do not justify the operation of the OCU Plant from a cost-efficiency perspective. Upon completion of the TE3 Project, we plan to re-commence operations for our OCU Plant, depending on market prices of ethylene and propylene then.

The OCU Plant was last operational in December 2012 and our cost of investment was USD57.6 million (or equivalent to RM248.3 million) which was incurred from 2005 to 2008.

7.6.4 Product mix cycle optimisation

We manage our product mix to maximise economic returns, and are often able to switch between products depending on market conditions because of the integrated and flexible nature of our plant configuration. We perform a site-wide optimisation exercise every week, which includes a review of our facilities' results against the previous week's and the preparation of a forecast for the following week, including on feedstock and product pricing. Using this model, our business teams plan production schedules for the following weeks and make appropriate plant adjustments.

7.6.5 Plant performance

We regularly monitor our plants' performance by tracking a number of performance indicators commonly used in the petrochemical industry.

(i) Nameplate production capacity and technology

The following table sets out the products produced and nameplate production capacity for each of our plants as at the LPD in Malaysia:

Plant	Product(s)	Year of commencement of commercial operations	Technology	Licensor/ Technology provider	Nameplate production capacity as at the LPD (KTA)
NC1 Plant	Ethylene, propylene	1994	Stone & Webster Ultra Selective Cracking, Stone & Webster Advanced Recovery System, Stone & Webster Engineering Corporation Ethylene process, Nippon Petrochemicals Co Ltd Spent Caustic Treating Technology, Institut Francais du Petrole Hydrogenation C_3, C_4 and pyrolysis gasoline hydrogenation process	JGC Corporation/ Technip Stone & Webster	430
NC2 Plant	Ethylene, propylene	1999	Stone & Webster Ultra Selective Cracking, Stone & Webster Advanced Recovery System, Stone & Webster Engineering Corporation Ethylene process, Nippon Petrochemicals Co Ltd Spent Caustic Treating Technology, Institut Francais du Petrole Hydrogenation C_3, C_4 and pyrolysis gasoline hydrogenation process	JGC Corporation/ Technip Stone & Webster	649
BTX Plant	Benzene, toluene	2000	Extraction and hydrogenation process	Thyssen Krupp Uhde	155
BD Plant	Butadiene	2007	BASF	ABB Lummus	100
OCU Plant	Propylene	2008	Olefins conversion process	ABB Lummus	115
TBA Plant	TBA	2012	LCC TBA Process	LCC	110
PP1 Plant	Polypropylene (Homopolymer/ Copolymer)	1991	Spheripol process	LyondellBasell	166

7. BUSINESS OF OUR GROUP *(Cont'd)*

Plant	Product(s)	Year of commencement of commercial operations	Technology	Licensor/ Technology provider	Nameplate production capacity as at the LPD (KTA)
PP2 Plant	Polypropylene (Homopolymer/ Copolymer)	1999	Spheripol process	LyondellBasell	274
PE1 Plant	HDPE	1993	UNIPOL Gas Phase Polyethylene process and EXXPOL metallocene process	Univation Technologies	220
PE2 Plant	LDPE	1999	High Pressure Tubular polyethylene process	ExxonMobil	230
PE3 Plant	HDPE	2000	Mitsui CX-process	Mitsui	115

The following table sets out the products produced and nameplate production capacity as at LPD for each of our plants in Indonesia:

Plant	Product(s)	Year of commencement of commercial operations	Technology	Licensor/ Technology provider	Nameplate production capacity as at the LPD (KTA)
PE1 Plant (Indonesia)	HDPE	1993	Innovene ™ G	INEOS Europe Limited	125
PE2 Plant (Indonesia)	HDPE	1993	Innovene ™ G	INEOS Europe Limited	125
PE3 Plant (Indonesia)	LLDPE	1998	Innovene ™ G	INEOS Europe Limited	200

(ii) Plant utilisation

The following table sets out our plant utilisation by plant for the periods indicated. Plant utilisation is calculated by dividing production volume during the particular year by the average nameplate capacity during the particular year. It can be affected by the number of lost days of production as a result of emergency plant shutdowns due to factors such as disruptions in power supply or mechanical breakdowns, and scheduled maintenance. We achieve plant utilisation rates exceeding 100% when our plant performs optimally and maintenance shutdowns are shorter than planned.

	For the year ended 31 December			Three months ended 31 March
Plant	**2014**	**2015**	**2016**	**2017**
Malaysia				
Crackers:				
NC1 Plant	95%	102%	101%	94%
NC2 Plant	94%	100%	99%	38%
Average plant utilisation rate[2]:	95%	101%	100%	60%
Olefins and derivatives:				
BTX Plant	77%	90%	89%	26%
BD Plant	75%	87%	86%	41%
OCU Plant	0%[1]	0%[1]	0%[1]	0%
TBA Plant	64%	75%	73%	31%
Average plant utilisation rate[2]:	55%	64%	63%	24%
Polyolefins:				
PP1 Plant	88%	98%	103%	57%
PP2 Plant	97%	108%	107%	69%
PE1 Plant	91%	105%	103%	44%
PE2 Plant	100%	103%	99%	73%
PE3 Plant	101%	101%	97%	74%
Average plant utilisation rate[2]:	95%	103%	102%	63%
Average plant utilisation rate (Malaysia)[2]	87%	95%	94%	55%
Indonesia				
Polyolefins:				
PE1 Plant (Indonesia)	86%	77%	79%	79%
PE2 Plant (Indonesia)	95%	75%	86%	113%
PE3 Plant (Indonesia)	68%	64%	69%	62%
Average plant utilisation rate[2]:	80%	71%	76%	81%
Average plant utilisation rate[2]:				
Crackers	95%	101%	100%	60%
Olefins and derivatives	55%	64%	63%	24%
Polyolefins	91%	93%	94%	70%
Overall	**86%**	**91%**	**91%**	**58%**

Notes:

(1) The OCU Plant is our olefins conversion unit which produces propylene through a reactor using ethylene and a particular form of C4 as feedstock. We commissioned our OCU Plant in 2007 but do not currently operate it due to high market prices of ethylene that do not justify the operation of the OCU Plant from a cost-efficiency perspective. Upon completion of the TE3 Project, we plan to re-commence operations for our OCU Plant, depending on market prices of ethylene and propylene then.

(2) Average plant utilisation is calculated by dividing the aggregate production volume of the relevant plants during the particular year by the average nameplate capacity during the particular year of the relevant plants, further details as set out below:

Plant	For the year ended 31 December			Three months ended 31 March
	2014	2015	2016	2017
	(MT, except percentages)			
Malaysia				
Crackers:				
Aggregate production volume	1,022,370	1,086,901	1,077,287	159,963
Aggregate nameplate capacity	1,079,000	1,079,000	1,079,000	266,055
Average plant utilisation rate	95%	101%	100%	60%
Olefins and derivatives:				
Aggregate production volume	264,620	307,528	304,137	28,399
Aggregate nameplate capacity	480,000	480,000	480,000	118,356
Average plant utilisation rate	55%	64%	63%	24%
Polyolefins:				
Aggregate production volume	910,338	757,514	751,080	156,219
Aggregate nameplate capacity	955,000	735,000	735,000	247,809
Average plant utilisation rate	95%	103%	102%	63%
Crackers, olefins and derivatives and polyolefins:				
Aggregate production volume	2,197,328	2,151,943	2,132,504	344,582
Aggregate nameplate capacity	2,514,000	2,294,000	2,294,000	632,220
Average plant utilisation rate	87%	95%	94%	55%
Indonesia				
Polyolefins:				
Aggregate production volume	361,508	317,830	344,249	89,469
Aggregate nameplate capacity	450,000	450,000	450,000	110,959
Average plant utilisation rate	80%	71%	76%	81%
Overall:				
Aggregate production volume	2,558,836	2,700,629	2,702,675	434,049
Aggregate nameplate capacity	2,964,000	2,964,000	2,964,000	743,178
Average plant utilisation rate	**86%**	**91%**	**91%**	**58%**

Our olefins and derivatives plants' lower plant utilisation in 2014 was due to a power outage in October 2014, resulting in 38.3 days of emergency shutdown out of a total of 71 days of emergency shutdown in that year. For further details regarding this incident, please refer to Section 7.12 of this Prospectus.

Our Indonesian plants' lower plant utilisation in 2015 was due to constraints in the supply of ethylene in Indonesia, further details as set out in Section 12.2.5 of this Prospectus.

The table below sets out a breakdown of scheduled and emergency shutdowns for all of our plants for the years indicated:

	For the year ended 31 December						Three months ended 31 March	
	Scheduled (Days)			Emergency (Days)			Scheduled (Days)	Emergency (Days)
Plant	2014	2015	2016	2014	2015	2016	2017	
Malaysia								
NC1 Plant	-	-	-	4.2	-	-	-	-
NC2 Plant	-	-	-	8.8	-	0.3	53.8	0.0
BTX Plant	15.9	14.6	30.1	6.0	0.3	0.1	65.7	-
BD Plant	23.8	0.1	-	5.1	-	-	37.2	-
OCU Plant	-	-	-	-	-	-	-	-
TBA Plant	19.4	-	-	0.8	-	-	52.0	-
PE1 Plant	19.6	0.3	0.4	9.5	1.3	-	36.1	0.9
PE2 Plant	8.9	9.0	14.1	9.0	2.7	1.8	25.6	0.6
PE3 Plant	9.1	15.9	7.3	7.5	2.5	1.3	18.7	0.2
PP1 Plant	2.4	9.7	4.1	12.8	0.2	1.1	22.9	0.5
PP2 Plant	14.5	-	4.6	7.0	1.4	6.6	12.1	0.7
Sub-Total	**113.8**	**49.9**	**60.7**	**71.0**	**8.6**	**11.3**	**323.5**	**2.9**
Indonesia								
PE1 Plant (Indonesia)	16.7	60.5	14.7	17.6	3.8	4	11.7	-
PE2 Plant (Indonesia)	19.7	81.5	10.3	-	4	-	-	-
PE3 Plant (Indonesia)	13.1	26.9	18.5	6.6	15.9	11.5	6.9	18.0
Sub-Total	**49.5**	**169.1**	**43.5**	**24.2**	**23.7**	**15.5**	**18.6**	**18.0**
Grand Total	**163.3**	**219**	**104.3**	**95.3**	**32.3**	**26.8**	**342.07**	**20.90**

To prevent the power outages which we had experienced in 2014, we introduced technical and operational improvements, including upgrading our transformer, improving the "load-shedding" capabilities at our plants to allow for automatic shutdowns of our plants if a failure recurs, allowing our crackers to stay operational, and coordinating line switching procedures with TNB, our external power supplier. "Load-shedding" occurs when a plant is shut down in order to preserve sufficient electricity for the operation of our cracker plants. The overall number of emergency shutdown days of our plants decreased from 71 days in 2014 to 8.6 days and 11 days in 2015 and 2016, respectively.

7.6.6 Maintenance

We periodically shut down our plants as part of scheduled maintenances. Sometimes we shut down our plants because of unscheduled occurrences such as power outages. We conduct turnarounds, which are scheduled maintenance involving a complete shutdown and comprehensive maintenance checks, at three to six-year intervals depending on business conditions and our plant operating status. We also implement debottlenecking works during turnarounds to increase plant capacity through simple equipment modifications to remove operational constraints known as bottlenecks.

We typically conduct turnarounds across all our plants on staggered basis to minimise interruptions to our business operations. Historically, each plant turnaround lasts about 15 to 20 days.

Our crackers are designed to operate continuously for at least six years between turnarounds, with each cracker turnaround lasting about 30 days. During these turnarounds, we purchase a portion of our feedstock and olefin products from external suppliers to restrict the impact on our polyolefin productions.

We also carry out repair and maintenance works that do not require us to shut down our plants, for example replacing equipment parts such as pumps. We conduct minor planned maintenance every quarter for our polyolefin plants and each maintenance shutdown lasts between three to four days.

We recently completed a turnaround for our NC2 Plant in March 2017 and are scheduled to perform a turnaround for our NC1 Plant in July 2017. We estimate that the total costs for the turnarounds of our NC1 and NC2 Plants will be between about RM70 million to RM80 million.

We enhanced our maintenance planning capability by utilising a structured planning programme that allows for the scheduling of predetermined equipment-specific maintenance and conditions monitoring. Our preventive maintenance programme keeps our maintenance costs at reasonable levels. Accordingly, our incurred maintenance costs represented about 16.9%, 22.8% and 24.6%, respectively, of total plant fixed manufacturing costs for the years ended in 31 December 2014, 2015 and 2016.

In addition, we installed on-line real time condition monitoring for all of our critical service equipment, including our key rotating equipment such as gas turbines, steam turbines and compressors. This helps ensure that appropriate measures are being taken to optimise the long-term reliability of key rotating equipment. We maintain an inspection programme for our equipment which includes external thickness readings of plant piping and corrosion rates monitoring on an equipment-by-equipment basis. We have in place a risk-based inspection process approved by the MDOSH which extends the intervals between maintenance turnarounds and reduces the scope, duration and cost of maintenance.

7.6.7 Capacity improvements

As a result of debottlenecking implemented during turnarounds, the current nameplate capacity of our plants has increased significantly over their original nameplate capacities.

The following table sets out the original nameplate capacity and nameplate capacity as at the LPD for some of our plants. We determined the improved nameplate capacity of our plants through an internal analysis of our production data.

Plant	Year of commencement of commercial operations	Original nameplate capacity	Nameplate capacity as at the LPD	% Increase
		(KTA)	(KTA)	(%)
Malaysia				
NC1 Plant	1994	345	430	24.6
NC2 Plant	1999	495	649	31.1
BTX Plant	2000	128	155	21.1
PP1 Plant	1991	100	166	66
PP2 Plant	1999	200	274	37
PE1 Plant	1993	200	220	10
PE2 Plant	1999	200	230	15
PE3 Plant	2000	100	115	15
Indonesia				
PE1 Plant (Indonesia)	1993	100	125	25
PE2 Plant (Indonesia)	1993	100	125	25

7.6.8 Proposed improvements and modifications projects and other capital expenditure

As part of our long-term plan for growth to meet increasing domestic and global demand for our products, we have four on-going projects as at the LPD which we expect to fund using funds generated from our operations, financing activities and the net proceeds to us from our IPO.

- *TE3 Project*

  We commenced our TE3 Project in 2015. Our TE3 Project involves the construction of facilities attached to our existing NC2 Plant. For further details on the TE3 Project, please refer to Section 4.7.1(ii) of this Prospectus.

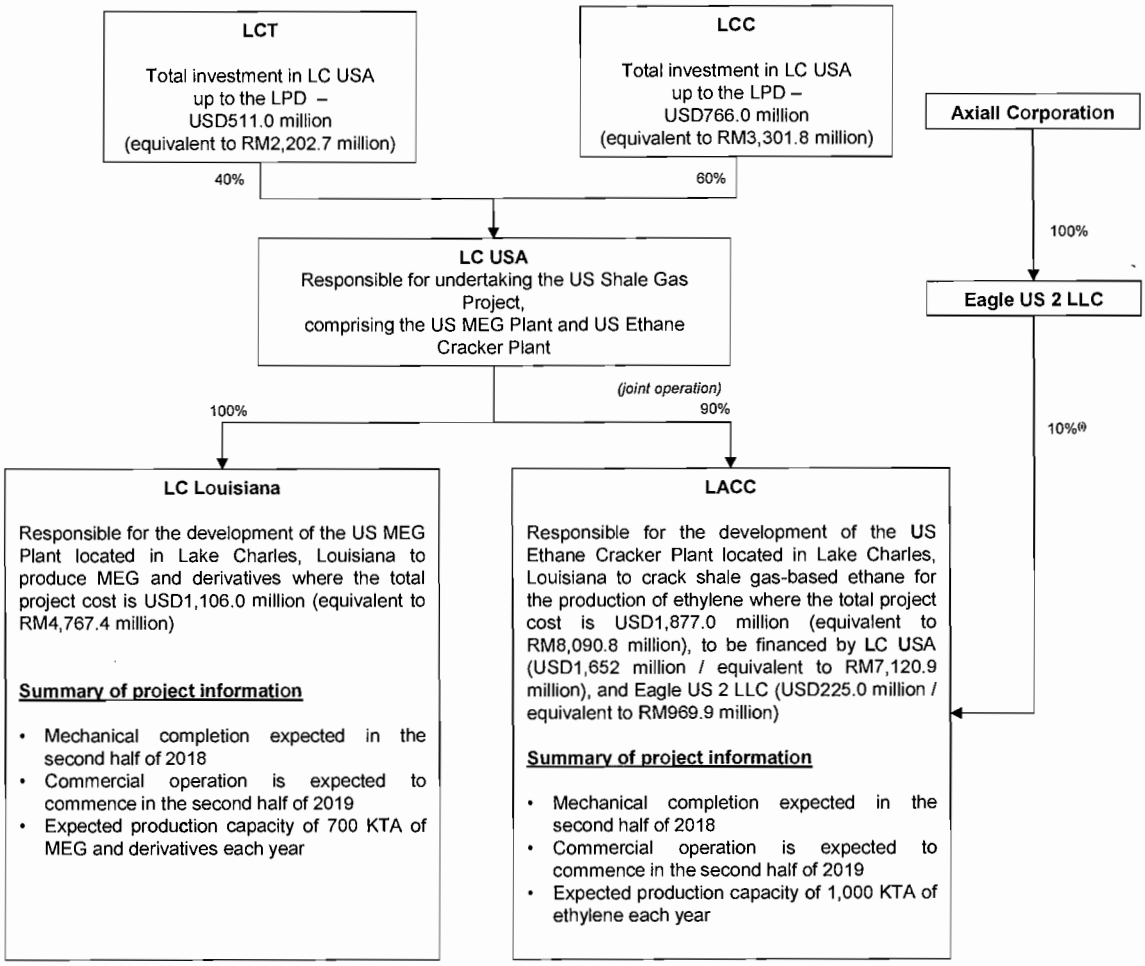
- *PP3 Project*

  We commenced our PP3 Project in March 2017 which involves the construction of a new polypropylene plant in Pasir Gudang, Johor. For further details on the PP3 Project, please refer to Section 4.7.1(iii) of this Prospectus.

- *US Shale Gas Project*

  The US Shale Gas Project, comprising of (i) the US Ethane Cracker Plant and (ii) the US MEG Plant, is being undertaken by LC USA, a joint venture between us and LCC, through two subsidiary project companies, LACC and LC Louisiana. We injected USD168.0 million (equivalent to RM724.2 million) into LC USA in March 2017, bringing our total investment in LC USA to USD511.0 million (equivalent to RM2,202.7 million) and LCC has invested USD766.0 million (equivalent to RM3,301.8 million) into LC USA. As at the LPD, there are no outstanding capital contributions required from us or LCC.

The details of the US Shale Gas Project and the parties involved are summarised below:



Note:

(i) If Eagle US 2 LLC decides to fund its maximum commitment amount, its stake will increase to 12%. Eagle US 2 LLC also has a call option, exercisable for a period of up to three years from mechanical completion of the US Ethane Cracker Plant, to increase its stake in LACC to 50%.

The sources of funds for LC USA's contributions towards for the US Shale Gas Project of USD2,758.0 million (equivalent to RM11,888.4 million) are as follows:

Description of source	Amount (USD million)	Amount (RM million)
(i) Syndicated term loan facility dated 31 October 2016	1,594.0	6,870.9
(ii) Shareholders' funds contributed by both LCC and us in proportion to shareholding in LC USA	1,164.0[1]	5,017.4[1]
Total	**2,758.0**	**11,888.4**

Note:

(1) LC USA's shareholders' funds remaining after funding the US Shale Gas Project is USD113.0 million (equivalent to RM487.1 million)

- *Integrated Petrochemical Facility*

  We plan to set up an integrated petrochemical facility in Merak, Cilegon, Banten Province, Indonesia as part of our initiative to expand our existing facilities there. For further details on the Integrated Petrochemical Facility, please refer to Section 4.7.1(i) of this Prospectus.

7.6.9 Feedstock and other raw materials

Our olefin plants use naphtha feedstock, while our polyolefin plants in Malaysia use ethylene and propylene as feedstock, and our polyethylene plants in Indonesia use ethylene as feedstock.

The following table sets out certain information on our feedstock usage for all our plants for the years indicated:

	For the year ended 31 December								
	2014			2015			2016		
Product	Usage	Internal Supply (KT)	External Supply	Usage	Internal Supply (KT)	External Supply	Usage	Internal Supply (KT)	External Supply
Naphtha	1,910.3	-	1,935.9	2,028.5	-	2,011.5	2,020.6	-	2,026.4
Propylene	375.2	374.3	7.8	410.6	398.1	6.7	416.4	389.7	26.5
Ethylene	938.1	648.0	287.3	930.6	688.8	245.5	943.2	687.6	257.8

We source naphtha for our olefins plants primarily through fixed term supply agreements and, if required, through spot market purchases. For the year ended 31 December 2016, our largest naphtha suppliers by volume include Abu Dhabi National Oil Company ("**ADNOC**"), Itochu Petroleum Co. (Singapore) Pte. Ltd ("**Itochu**") and Shell International Eastern Trading Company.

Naphtha from the Middle East is shipped principally in large long range international vessels, with delivery taking about 14 days from the vessels' departure to their arrival at our jetty. We source a large part of our naphtha feedstock from the Middle East, with our remaining requirements from Southeast Asia and South Asia.

Naphtha prices are typically determined based on the average market price 15 to 30 days before shipment arrival, with payment secured through a letter of credit procured by us. For FOB shipment, we are responsible freight and insurance while CFR shipment only insurance. Payment is typically due 30 days after the date the bill of lading is issued.

We generally store naphtha in quantities sufficient to support about two weeks of operations. We have never experienced any significant disruption in naphtha supply. As naphtha is a globally traded commodity, in the event of an unanticipated supply disruption, we would be able to access the spot market to meet our demands. Spot market prices are typically more volatile and vary according to supply and demand.

We produce a significant portion of the ethylene and the significant portion of propylene feedstock required in our production of polyethylene and polypropylene, as set out in the table above. This reduces the risk of disruption in feedstock supply by third party producers as well as storage needs. However, when our polypropylene plants are operating at their optimal plant utilisation, they usually require an additional 30 KTA of propylene which we source from the spot market.

Our polyolefin plants in Malaysia use ethylene and propylene as feedstock, and our polyethylene plants in Indonesia use ethylene as feedstock. Our naphtha crackers in Malaysia produce substantially all of the ethylene and propylene requirements of our Malaysian polyolefin plants, as well as a portion of the ethylene requirements for our Indonesian plants. A portion of the supply of ethylene from the crackers to Indonesia is made through arrangements with trading houses.

However, we typically do not produce enough ethylene to fully meet the requirements of our Indonesian plants. We therefore supplement our ethylene production with ethylene purchases from external parties for our Indonesian plants. In the event that we have any excess production of ethylene or propylene, we sell such excess in the spot market.

7.6.10 PTC

One of our strategies is to provide our customers with value-added services, including product development and improvement, technical and fabrication process training and the development of products custom-made to the requirements of our customers. We perform these activities through our PTC located at our Tanjung Langsat site in Malaysia.

We established the PTC in 2000 to be a leading research and development laboratory for product applications, and a technical training and consultancy hub for the polyolefin industry. The PTC is equipped with comprehensive analytical and physical laboratory testing instruments and plastic fabrication facilities. These facilities are operated by a team of trained and dedicated technical professionals.

Our PTC engineers regularly visit key domestic customers in Malaysia and Indonesia as well as our overseas customers in Asia including China, Taiwan and India to provide technical support services and assistance. The PTC team, which works closely with LCC R&D centre and process technology licensors for our plants, develops new product grades to meet market demand and customer requirements. We receive support from LCC R&D centre in the form of technical assistance (including industry know-how), and support from process technology licensors in the form of technology maintenance. We also provide training to customers in new product usages and applications. As at the LPD, we have provided technical and fabrication process training to more than 5,000 of our customers' employees.

Since its establishment and up to the LPD, the PTC has developed a total of 75 new product grades – 42 in polyethylene, 29 in polypropylene, and four in compounding.

Compounding is the process of creating a grade by mixing or blending in additives and other materials to achieve the desired properties.

The following sets out some characteristics of the new product properties and applications developed at the PTC:

- Polyethylene new products: LLDPE geomembrane with excellent mechanical properties, MDPE film with enhanced mechanical properties, large containers and intermediate bulk container for blow molding processes, oxo-biodegradable resin for blown film processes, low VOC outgassing LDPE film resin for electronic devices packaging, high flow HDPE polyolefin.

- Polypropylene new products: Superb clarity random copolymer polyolefin, fast cycle time random copolymers, high flows homopolymer for thin walled injection molding application with good clarity and fast cycle time, random copolymer for extrusion coating application on BOPP and woven fabric, high flow impact copolymer with excellent stiffness for home appliances, high line speed homopolymer metallisable BOPP polyolefin.

Our proposed future product development plans and timing are as follows:

Year	Products
2017 – 2018	Enhanced moisture and gas barrier HDPE, organoleptic HDPE for injection and compression molding, high crystallinity polypropylene, high impact strength random copolymer polypropylene, heat sealable BOPP and MDPE which is specifically developed for the plastic fuel tank in automobiles
2019 – 2023	Melt blown for non-woven applications, polypropylene terpolymer, mLLDPE, high melt strength polypropylene, antimicrobial polypropylene polyolefin, polyethylene breathable film, high clarity impact copolymer polypropylene, expandable polypropylene foam and random copolymer polypropylene which is specifically designed for hot water pipes.

7.6.11 Electricity supply and power generation facilities

We own and operate two power co-generation plants, one at each of our Pasir Gudang and Tanjung Langsat sites, which supply power to our production facilities. In addition, one of our crackers is also equipped with a power generation facility which we use as an internal back-up power source. Our Pasir Gudang power co-generation plant has a power capacity of 50.0MW and our Tanjung Langsat power co-generation plant has a power capacity of 39.0MW. These plants are powered by a mixture of natural gas sourced from Petronas Chemicals and fuel gas from our two crackers.

We have a lateral pipeline, metering stations and other necessary equipment for the delivery of natural gas between our Pasir Gudang and Tanjung Langsat sites. The power produced by our co-generation plants is sufficient to meet the power requirements of our production facilities at our Tanjung Langsat site. We receive additional power supply from TNB to meet the power requirements of our production facilities at Pasir Gudang. This is done pursuant to a 10 year agreement with TNB which can be extended for a further 10 years. The current agreement will expire in July 2018. We are currently in the process of negotiating a new agreement with TNB.

The following table sets out the power and steam production capacity at each of our power plants:

	Pasir Gudang		Tanjung Langsat		
Utility	**Co-generation Plant 1**	**Steam turbine generator**	**Co-generation Plant 2**	**Steam turbine generator**	**Total**
Power (MW/hour)	42.0	8.0	21.0	18.0	89.0
Steam (MT/hour)	160.0	-	80.0	-	240.0

7.6.12 Jetty facilities

We have shared access to two jetties at Pasir Gudang, as well as dedicated access to a third and fourth jetty built on land owned by JPB. The jetties are conveniently located adjacent to our plants and are owned and operated by JPB. The jetties can accommodate long range international tankers which, due to the larger shipments (up to 55 KT of naphtha), allow for lower naphtha shipping costs compared to smaller vessels.

We also have access to a container jetty for polyolefins shipments and utilise the nearby Johor Port and Port of Tanjung Pelepas for export purposes.

Our Merak site in Indonesia receives imported ethylene feedstock through a single offshore berth with jetty access. The berth is able to accommodate tankers ranging from 2,500 to 12,500 DWT with an overall length of 60 to 160 metres and a draft of 8.5 metres.

7.6.13 Tank storage

We own three tank farms situated on land we lease from Johor Port Authority and TNB. These tanks have a total storage capacity of 155.1 KT of naphtha, 8.8 KT of benzene and toluene, 18.0 KT of ethylene and propylene, and 6.7 KT of pygas. The naphtha tanks can store sufficient naphtha to support up to three weeks of production. The propylene and ethylene tanks have storage sufficient to support up to six days of production. The three tank farms and their pipelines can operate independently in case of failure as there are back-up contingencies in all tank facilities.

Our Merak site is equipped with a 12 KT, double containment-type cryogenic tank for the storage of liquid ethylene at a temperature of -104°C. We also store our butane-1 in a large sphere tank with a capacity of 2.35 KT at 4.7 barg pressure.

Our receiving terminals are designed to provide flexibility in storing and delivering feedstock to our crackers. We unload the naphtha and other feedstock from one of the four jetties to one of the three tank farms located in our plant sites. Interconnecting pipelines between the tank farms and the crackers are designed to facilitate a consistent and reliable supply of feedstock by enabling the switch to another tank in the event that the operation of any one tank is disrupted.

Our tank farms and receiving facilities can receive shipments of up to 55 KT each from long range international vessels. We also have two naphtha storage terminals located at the Johor Port with a combined capacity of about 155.1 KT to ensure flexibility and sufficient feedstock reserves for up to three weeks, in the event of supply disruption.

7.6.14 Pipelines

Our Pasir Gudang production facilities are connected by a network of pipelines to the tank farms and jetty facilities leased from JPB. These pipelines deliver materials, including naphtha, to our production facilities. We also use these pipelines to ship out some of our finished products for sale, including ethylene, propylene, butadiene, TBA, benzene and toluene, to the jetty facilities.

Our Pasir Gudang and Tanjung Langsat production facilities are also linked by underground pipelines, which deliver ethylene, propylene, butene and natural gas from Pasir Gudang to Tanjung Langsat, and purge gas from Tanjung Langsat to Pasir Gudang. Because of these facilities, we are able to recycle this gas stream to maximise production of ethylene and further maximise yield.

We own and operate these pipelines, which are equipped with back-up pumps to allow unrestricted flow in the event of pump failure.

For our Indonesian site, we arrange for ethylene to be delivered by PT Chandra Asri through their 15-kilometre pipeline which is connected to our facility. It operates up to 34 barg and is installed with a mass balance type leak detection system. Our Merak site is further supported by other utilities pipelines for the supply of hydrogen and nitrogen, from PT Air Liquide Indonesia and PT Air Product Indonesia and natural gas from PT Sadikun Niagamas Raya.

7.6.15 Product storage

We have six warehouses in Malaysia for storage of polyethylene and polypropylene with a combined capacity of up to 75 KT of finished products. We usually store about one month's supply of inventories. Of our six warehouses, three are located at the Pasir Gudang site and the remaining three are located at the Tanjung Langsat site.

We have two warehouses in Indonesia located at our Merak site for the storage of polyethylene with a combined capacity of up to 28 KT of finished products. We usually store about half a month's supply of inventories.

7.6.16 Water supply

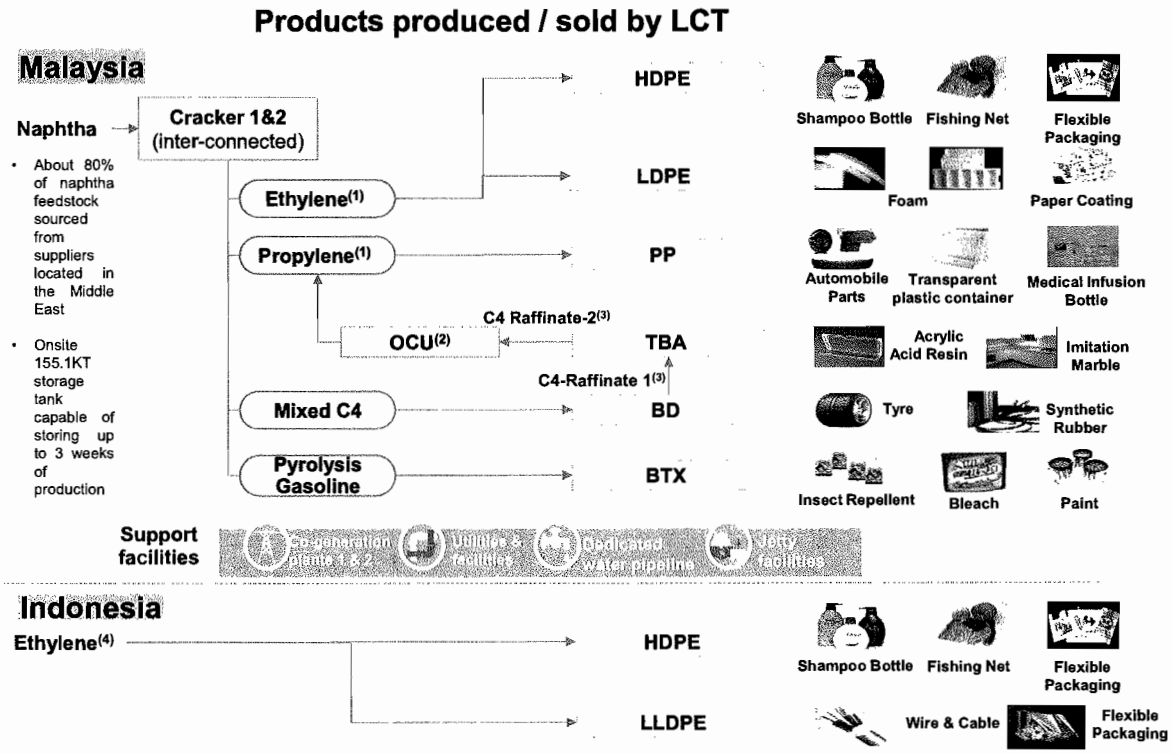
We receive water supply for our Malaysian production facilities from Syarikat Air Johor, the local water utility, through a dedicated pipeline. The water is treated water for general consumption purposes and does not require further treatment prior to being utilised in our facilities, other than additional purification required for the production of steam. We have water storage capacity of about 35,840 cubic litres in total on the sites to maintain supply for up to one day of operation in the event of a disruption in water supply.

We receive water supply for our Indonesian production facilities from PT Sauhbahtera Samudera, the local water utility, through a dedicated pipeline. The water is treated water for general consumption and does not require further treatment prior to being utilised in our facilities, other than additional purification for the production of steams. We have an industrial water storage capacity of about 187 cubic meters and demineralised water storage capacity of about 386 cubic meters in total on the sites to maintain supply for up to three days of operation, in the event of shutdown disruption in water supply shortfall.

7.6.17 Production process

Our naphtha cracker production facilities convert naphtha feedstock into ethylene, propylene and by-products in a two-step process of cracking and separating. Our two crackers are capable of cracking naphtha, or a combination of naphtha and LPG. Historically, we have operated primarily using naphtha as feedstock.

The following diagram depicts our production processes in Malaysia and Indonesia:



Notes:

(1) 99% consumed internally.

(2) Our OCU Plant is designed to process a mix of C4 Raffinate-2 from our TBA Plant and ethylene to produce high purity polymer grade propylene. We commissioned our OCU Plant in 2007 but do not currently operate it due to high market prices of ethylene that do not justify the operation of the OCU Plant from a cost-efficiency perspective. Upon completion of the TE3 Project, we plan to re-commence operations for our OCU Plant, depending on market prices of ethylene and propylene then.

(3) Our TBA Plant uses C4 Raffinate-1 which is produced as a by-product from our BD Plant. The C4 Raffinate-2 is a by-product from our TBA Plant which can be processed by our OCU Plant to produce high purity polymer grade propylene. As our OCU Plant is not operational, we currently export C4 Raffinate-2 or if there is delay in shipment such that there is no capacity for additional C4 Raffinate-2 to be stored, the remaining C4 Raffinate-2 will be recycled to the cracker.

(4) Ethylene is sourced internally and from third parties.

7. BUSINESS OF OUR GROUP *(Cont'd)*

The following table sets out our production volumes and percentage of total production volumes for our primary products for the periods indicated:

	For the year ended 31 December						Three months ended 31 March	
	2014		2015		2016		2017	
Product	Volume	Percentage of total production	Volume	Percentage of total production	Volume	Percentage of total production	Volume	Percentage of total production
	(KT)	(%)	(KT)	(%)	(KT)	(%)	(KT)	(%)
Polyolefin Products								
Polyethylene[1]	907.7	35.5	900.4	33.3	909.9	33.7	100.0	29.0
Polypropylene	364.2	14.2	405.8[2]	15.0	411.3	15.2	60.0	17.4
Total polyolefin products	1,271.9	49.7	1,306.2	48.4	1,321.2	48.9	160.0	46.4
Olefins and Derivative / Other Products								
Ethylene	648.0	25.3	688.8[2]	25.5	687.6	25.4	86.3	25.0
Propylene	374.3	14.6	398.1[2]	14.7	389.7	14.4	69.9	20.3
Benzene	76.5	3.0	90.3	3.3	93.8	3.5	6.7	1.9
Toluene	42.7	1.7	48.5	1.8	43.9	1.6	3.3	1.0
Butadiene	75.1	2.9	86.5	3.2	85.6	3.2	10.1	2.9
TBA	70.3	2.8	82.2	3.0	80.8	3.0	8.3	2.4
OCU	0	0	0	0	0	0	0	0
Total Olefins and Derivative / Other Products	1,286.9	50.3	1394.4	51.6	1,381.4	51.1	184.6	53.6
Total	**2,558.8**	**100**	**2,700.6**	**100**	**2,702.6**	**100**	**344.6**	**100**

Notes:

(1) Contains production volumes for our Malaysian and Indonesian operations.

(2) In 2014, our production was reduced due to an emergency shutdown of our plants in Malaysia. In 2015 and 2016, we carried out plant stability improvement works and maintenance programmes on our plants in Malaysia, which brought production figures closer to the nameplate capacity of each plant.

Olefin plants

We have two crackers with a combined nameplate capacity of 700 KTA of ethylene and 379 KTA of propylene as at 31 December 2016. Both crackers employ Stone & Webster's ultra-selective cracking technology and advanced recovery system, which we selected for its high product yields and energy efficiencies.

We crack feedstock, primarily naphtha, in a tubular furnace in the presence of steam, and convert the heavier hydrocarbons into lighter fractions, primarily ethylene and propylene, and heavier fractions, the mixed C4 streams and pygas stream. We separate polymer-grade ethylene and propylene in the cold section and then distribute them to the downstream polyolefin plants. We then feed the mixed C4 stream to the BD Plant to produce butadiene and to the TBA Plant to produce TBA. We feed the pygas stream to the BTX Plant for benzene and toluene production.

Polyethylene plants

HDPE and LLDPE process in Malaysia. Our HDPE/LLDPE plant in Malaysia utilises the Univation Unipol technology and allows us to use the same processing equipment to produce both HDPE and LLDPE, depending on market demand. Ethylene feedstock, the comonomers and hydrogen are first treated to remove impurities. These are then passed through a low pressure, gas-phase polymerisation reactor containing a fluidised reaction bed. Upon polymerisation, granular resins are conveyed to a nitrogen vessel for purging of residual hydrocarbons. The purged resins are then combined with additives and extruded to form the final product.

LDPE process. The LDPE plant employs ExxonMobil's tubular process, which was selected for its ability to produce high quality, high clarity film resins. In this process, ethylene feedstock is first compressed and fed into a tubular reactor. The front stream is heated and organic peroxides are injected into the reactor to initiate the polymerisation reaction. Heat from the exothermic reaction is removed by the water in the jackets on the reactor tubes and by the side streams. At the reactor exit, the pressure of the polymer/ethylene mixture is reduced and quench stream further cools the mixture. The polymer is separated from the unreacted ethylene and the latter is recycled. The LDPE is then extruded to form the final product.

HDPE process. The HDPE plant is based on Mitsui's CX-process and allows for the production of bimodal HDPE. Ethylene, the main raw material, is pre-mixed with hydrogen and comonomers. The feed and catalyst are then fed continuously into the polymerisers. For the polymerisation reaction, a low pressure hexane slurry is employed. Upon polymerisation, the slurry is withdrawn and separated into liquid and gas phases, and the separated gas is sent back to the polymeriser. The polymer is then dried, blended and extruded to form the final product.

HDPE and LLDPE process in Indonesia. Our Indonesian plant is based on INEOS Innovene's process from INEOS Technologies, which allows for the production of HDPE and LLDPE. In the HDPE process applied for the PE1 Plant and PE2 Plant, the catalyst is mixed with ethylene to produce prepolymer powder, which is injected continuously into a main polymerisation reactor with ethylene, the main raw material, and pre-mixed with hydrogen and comonomers. The LLDPE process applied for PE3 Plant, where the feed and catalyst are directly fed continuously into the polymerisation reactor. Fluidisation technology is applied to obtain the polymerisation reaction, the powder is withdrawn and separated into solid and gas phases, and the separated gas is then sent back into the polymeriser. The polymer is then blended with various additives and extruded to form the final product.

Polypropylene plants

We have two polypropylene plants with a combined nameplate capacity of 440 KTA as at the LPD. Both plants utilise LyondellBasell's Spheripol process. In this process, polymerisation occurs in liquid propylene within a loop tubular reactor to produce homopolymer and random copolymers. For the production of impact copolymers, polymer from the first reactor is fed to a gas phase fluidised bed reactor and ethylene is introduced into the process. Unreacted monomer is flashed in a two-stage pressure system and recycled back to the reactor without treatment. Various additives are blended with polymer powder to improve its storage and processing qualities. The mixture is then extruded and pelletised.

LyondellBasell's Spheripol technology was chosen for both our polypropylene plants based on its competitiveness in product performance acceptance, technology longevity, competitive operating cost and range of products produced.

BTX Plant

Thyssen Krupp Udhe's benzene recovery system is employed at the BTX Plant. Pygas from the crackers is fed into an extraction unit where the BTX products are selectively dissolved in a proprietary solvent and then separated using distillation to final product purity requirements.

The final products, benzene and toluene, are then piped into storage tanks for sale. Benzene and toluene are extracted from pygas using a solvent. By-products such as crude xylene and heavier components are also produced.

BD Plant

Our BD Plant is designed to extract butadiene from mixed C4. We use the BASF process (licensed by ABB Lummus Global), which is a combination of extractive and conventional distillations, to perform this separation. We selected the BASF butadiene process because of its flexibility and applicability to different types of feedstock and product specifications.

TBA Plant

Our TBA Plant uses a particular form of C4 which is produced as a by-product from our BD Plant. We use a catalyst to create a reaction between water and isobutenes (one of the components in the particular form of C4) to produce TBA. Technology from our TBA process is licensed from our parent company.

OCU Plant

Our OCU Plant is designed to process a particular form of C4 from our TBA Plant to produce high purity polymer grade propylene using a process licensed by ABB Lummus Global. We mix the C4 feed with ethylene feed in a reactor. Propylene is formed by metathesis of ethylene and butene.

7.6.18 Business interruptions

Our plants in Malaysia and Indonesia have not experienced any business interruptions for the past three years ended 31 December 2014 to 2016 other than a power outage at our Pasir Gudang site in October 2014 which led to the shutdown of all our plants in Malaysia for an aggregate of 38.3 days. For more information on the power outage incident, please refer to Section 7.12 of this Prospectus. From 1 January 2017 to LPD, our plants in Malaysia suffered a period of shutdown between two and 11 days in April 2017 caused by an interruption in water supply. One of our plants restarted its operations within two days from its shutdown, followed by our other plants on a staggered basis. The controlled shutdown resulted in a decrease in our production volume by approximately 75 KT. As set out in Note (2) in Section 7.6.5(ii) of this Prospectus, the aggregate production volume of our plants for the past three years ended 31 December 2014 to 2016 were between 2,558 KT and 2,703 KT.

7.7 SALES, MARKETING AND DISTRIBUTION

Introduction

We sell our products in both domestic and export markets. For the year ended 31 December 2016, polyolefin product sales accounted for 80% of our total revenue. For the year ended 31 December 2016, domestic sales accounted for almost 67.2% of our total sales revenue. In that same year, 38.7% of our revenue were from sales to customers in Malaysia, 28.5% from sales to customers in Indonesia and 11.3% from sales to customers in China.

We seek to be recognised as a reliable supplier and have developed long-standing relationships with our major customers in our domestic markets and major export markets, such as in Southeast Asia and China.

Our market position is a function of our ability to offer a broad range of polypropylene and polyethylene products, our product quality, our provision to our customers of value-added services such as product development and training offered through the PTC, and our marketing and distribution network.

We market our products in both the domestic and international markets under the TITANEX® (HDPE), TITANPRO® (PP), TITANLENE® (LDPE), TITANZEX® (bimodal HDPE) and TITANVENE® (LLDPE/HDPE) brands.

We sell our derivatives products mainly to trading houses.

The following table sets out our sales revenue, by overall sales as well as geographical location of production:

Overall revenue by geographical breakdown

	Year ended 31 December 2014		Year ended 31 December 2015		Year ended 31 December 2016	
	RM million	% Total revenue	RM million	% Total revenue	RM million	% Total revenue
Malaysia	3,313.2	38.5	3,164.8	38.8	3,149.5	38.7
Indonesia	2,506.4	29.1	2,349.3	28.8	2,316.7	28.5
China (including Hong Kong)	788.0	9.2	1,099.7	13.5	923.2	11.3
Southeast Asia[1]	1,054.4	12.2	795.1	9.8	789.7	9.7
Others[2]	949.2	11.0	738.9	9.1	957.5	11.8
Total	**8,611.2**	**100.0**	**8,147.8**	**100.0**	**8,136.6**	**100.0**

Notes:

(1) Excluding Malaysia and Indonesia

(2) Others include the ISC, Northeast Asia, North America, Africa and Oceania.

We benefit from being part of the ASEAN FTA, which has removed intra-regional tariffs for imports and exports to markets within Southeast Asia.

For the years ended 31 December 2014 to 2015, revenue from our sales in Malaysia and Indonesia fell due to the decline of crude oil prices resulting in a decline in the prices of our products, and remained stable in the year ended 31 December 2016. Our revenue from sales in China increased in the year ended 31 December 2015 due to higher production volumes attributable to stable plant operation and inventory optimisation. This reflected our strategy to widen our customer base in China in preparation for our future expansion.

Domestic markets

Products and markets

For the year ended 31 December 2016, we represented 53% capacity share in polyethylene production and 100% capacity share in polypropylene production in Malaysia as well as a 57% capacity share in polyethylene production in Indonesia. Domestic polyolefins sales in Malaysia registered a CAGR (by volume) of 3.1% per annum over the years ended 31 December 2012 to 2016. Domestic polyethylene sales in Indonesia registered a CAGR (by volume) of 1.7% per annum over the years ended 31 December 2012 to 2016.

A significant portion of our production in Indonesia is for the domestic market, with 86% of our revenue attributable to sales in Indonesia in 2016. Our largest customer in Indonesia accounted for 16% of this revenue.

We have a diverse domestic customer base of direct and indirect customers in Malaysia and in Indonesia, comprising principally plastic fabricators serving the packaging, household, automotive and construction markets. Direct customers are customers we supply directly to, and our indirect customers are customers we supply to through distributors.

As an early entrant into the polyolefins segment in Malaysia, we enjoy a first-mover advantage and have built strong relationships with our domestic customers. About 94% of our domestic revenue in Malaysia for the year ended 31 December 2016 was attributable to customers that have been customers for more than five years. In Indonesia, about 95% of our domestic revenue for the year ended 31 December 2016 was attributable to customers that have been customers for more than five years.

Our domestic customers typically place orders on a monthly basis. Product prices for domestic sales are benchmarked against the relevant global benchmark, which are quoted in USD and are generally adjusted on a monthly basis. Customers are quoted, invoiced and required to pay the RM/IDR equivalent of such USD prices. We offer standard credit terms of 30 to 45 days to our domestic customers in Malaysia and Indonesia, subject to periodic credit reviews. Our long operating history in Malaysia and Indonesia has allowed us to acquire a good understanding of the credit quality of our key customers, resulting in a low bad debt record. We gain a competitive advantage in the domestic market as most overseas suppliers sell on the basis of a letter of credit. We require corporate, bank or other guarantees from certain customers that benefit from credit terms. We sell to all other customers on the basis of a letter of credit or on a cash basis.

Sales and distribution infrastructure

Our domestic sales and distribution network comprises of four sales offices located in Johor Bahru, Kuala Lumpur, Penang, and Jakarta. Our team of sales staff ensure that we enjoy comprehensive coverage of all our markets.

Our Indonesian sales office in Jakarta is exclusively responsible for domestic sales within the country, including products produced by our Malaysian plants.

We use a network of third party logistics providers to deliver our products throughout Malaysia. We have developed close working relationships with these logistics providers, chosen on the basis of their cost, reliability and nationwide reach within Malaysia. The proximity of our facilities to Malaysia's main transport networks, combined with the ability to deliver shipments to Malaysia's principal destinations in a single day, allows us to minimise warehousing needs and enhance the reliability of product delivery to customers in Malaysia. In addition, our strategic location on the way from Singapore to Malaysia allows us to benefit from lower transportation rates offered for under-utilised backhaul traffic from Singapore to Malaysia. In Indonesia, we engage a logistics provider to deliver our products throughout the country.

Export markets

Products and markets

We also export our products to a broad range of customers in about 60 countries. Our major export markets are China (including Hong Kong), Southeast Asia, the ISC, South Korea and Europe. Key competitive determinants in these export markets are price, product quality, consistent supply and customer relationships.

We are well-positioned to compete effectively in our key export markets and at a significant competitive advantage in our key Asian markets, benefitting from applicable free trade agreements with Southeast Asia and China.

We have built strong relationships with our key export polyolefins customers. About 65% of our export polyolefins revenues for the year ended 31 December 2016 were attributable to customers who have been our customers for more than five years.

China is a huge consumer of polyolefins. China's total polyolefins demand in 2016 was estimated at about 46 million tons or about 30 percent of the global market. China accounted for about 34% of our export revenue for polyolefins by value for the year ended 31 December 2016.

Our key export markets in Southeast Asia include Vietnam, Thailand and the Philippines. In the ISC, we export primarily to India and to a lesser extent, Pakistan, Bangladesh and Sri Lanka.

Our overseas customers typically place orders in USD on a monthly basis. We benchmark our product prices for export sales against the relevant global benchmark, which are quoted in USD and adjusted on a monthly basis. We quote, invoice and require customers to pay in USD. We conduct all export sales through letters of credit or telegraphic transfers before shipment.

Sales and distribution infrastructure

We market our products into China mainly through Lotte Chemical Trading Shanghai, which has offices in Shanghai, Beijing, Hong Kong, Shenzhen, Qingdao, Guangzhou and Chongqing. Lotte Chemical Trading Shanghai is a wholly-owned subsidiary of LCC. We also have an agency agreement with LCC to market our products in Europe, Japan and Hong Kong.

We make almost all of our sales to China with Lotte Chemical Trading Shanghai acting as our agent in the sale process. We pay a sales commission to Lotte Chemical Trading Shanghai for each completed transaction. We aim to increase our direct sales to overseas end-users by providing value-added services including product training and development, as we have done in our domestic markets in Malaysia and Indonesia, and further aim to increase our direct customer base in Indonesia.

7.8 MAJOR CUSTOMERS AND SUPPLIERS

We have a wide base of customers to ensure there is no over dependence on any single customer. For the year ended 31 December 2016, our top ten customers collectively accounted for 23% of our sales revenue for all products. Most of our customers are based in our domestic markets of Malaysia and Indonesia.

We also sell benzene and toluene to a network of trading houses and directly to domestic customers in Malaysia, and sell butadiene mostly to third party customers. We produce TBA largely for export purposes to South Korea.

None of our customers contributed more than 10% of our sales revenue for all products in the years ended 31 December 2014, 2015 and 2016.

The table below sets out major suppliers who accounted for 10% or more of our cost of goods sold:

	Year ended 31 December					
	2014		2015		2016	
	Purchases (RM million)	**% of cost of goods sold**	**Purchases (RM million)**	**% of cost of goods sold**	**Purchases (RM million)**	**% of cost of goods sold**
ADNOC	1,671.8	20.0%	1,573.2	23.0%	1,068.5	17.4%
Itochu	1,506.8	18.0%	754.2	11.0%	804.0	13.1%

Our two largest suppliers are ADNOC and Itochu, who collectively account for about 32% of our cost of goods sold for the year ended 31 December 2016. Please refer to Section 7.6.9 of this Prospectus.

We have a wide base of naphtha suppliers, mostly from overseas including Shell International Eastern Trading Company, Vitol Asia Pte Ltd, Total Trading Asia Pte Ltd, and Saudi Aramco Products Trading Company. We routinely review our supplier portfolio to ensure that we are able to secure supply of our principal raw materials at competitive prices. As such, we ensure we do not depend on any single supplier for feedstock.

7.9 COMPETITION

Domestic markets

In Malaysia, we compete primarily against various joint ventures between Petronas Chemicals and international petrochemical companies. In addition, we compete in the domestic markets against imports, mainly from Singapore and to a lesser extent, from the Middle East and Thailand. Malaysia imposes a tariff of 10% on imports of polyethylene and polypropylene products, except from Southeast Asian countries, China, Japan and Australia under various free trade agreements.

We benefit from a number of competitive advantages. These include the proximity of our facilities to our customers, which results in shorter delivery times and lower transportation costs, the quality of our products, reliability of delivery as well as our long-term customer relationships based on value-added services such as those we offer through the PTC. We also distinguish ourselves from our overseas competitors by offering key local customers credit terms. Most overseas competitors require local customers to arrange letters of credit prior to delivery.

In Indonesia's domestic polyethylene market, we compete primarily against PT Chandra Asri and imports, mainly from Singapore, Thailand and Malaysia. Indonesia imposes a tariff of 5-15% on imports of polyethylene and polypropylene except from the Southeast Asia countries, which enjoy a no-tariffs trading structure under the CEPT Scheme for AFTA.

Export markets

Within our key export markets, we compete primarily against international and regional petrochemical companies.

In the Southeast Asian markets, we compete against importers from Thailand, Singapore, South Korea and Taiwan. Our key advantages in these markets are our early entry and the resultant market share we have since achieved, zero tariffs (under the CEPT Scheme for AFTA), lower transportation costs compared to North Asian producers, and cultural ties between our sales personnel and customers. In addition, we have developed strong relationships with end-users in these countries and benefit from selling directly to these customers instead of through trading houses.

In the Chinese market, apart from competing with domestic producers, we compete against other importers, primarily from South Korea, the Middle East, Singapore, Taiwan and Japan. Many of these competitors have a larger market share in China than we do. Nonetheless, we have an advantage over our competitors outside Southeast Asia for polypropylene and linear low-density polyethylene as tariffs for these two products do not apply under the ASEAN-China FTA.

In the ISC, we compete against importers from the Middle East, Korea, Singapore and Thailand. We have built a strong reputation in this market based on the quality and consistency of our products. As a result of these and our direct sales to key accounts, we have been able to enjoy a premium in the ISC market. Our key advantages in the ISC market are our strong relationships with end-users due to our early market entry, lower tariffs, and lower transportation costs compared to North Asian producers. We benefit under MICECA which came into force in 2011 and enjoy lower tariff rates for our polyolefin exports from Malaysia to the Indian market.

7.10 TECHNOLOGY AND TRADEMARKS

The following table sets out certain information in respect of the technology used for each of our primary products.

Product	Company	Technology	Licensor	Validity of rights
Ethylene/ Propylene	LCTM	Stone & Webster Ultra Selective Cracking	Technip Stone & Webster	The rights to use such processes shall survive the termination of the agreement.
	LCTM	Stone & Webster Advanced Recovery System	Technip Stone & Webster	The rights to use such processes shall survive the termination of the agreement.
	LCTM	Stone & Webster Engineering Corporation Ethylene process	JGC Corporation	The right to use such process shall survive the termination of the agreement.
	LCTM	Nippon Petrochemicals Co Ltd Spent Caustic Treating Technology	JGC Corporation	The right to use such process shall survive the termination of the agreement.
	LCTM	Institut Francais du Petrole Hydrogenation C_3, C_4 and pyrolysis gasoline hydrogenation process	JGC Corporation	The right to use such process shall survive the termination of the agreement
LDPE	LCTM	High Pressure Tubular polyethylene process	ExxonMobil	The rights to use such processes shall survive the expiration of the agreement.
Polypropylene	LCTM	Spheripol process	LyondellBasell	The rights to use such processes shall survive the termination of the agreement.
Benzene and toluene	LCTM	Extraction and hydrogenation process	Thyssen Krupp Uhde	The rights to use such processes shall survive the termination of the agreement.
HDPE	LCTM	Mitsui CX-process	Mitsui	The rights to use such processes shall survive the expiration of the agreement.
LLDPE/ HDPE/ mLLDPE	LCTM	UNIPOL Gas Phase Polyethylene process / EXXPOL metallocene process	Univation	The rights to use such processes shall survive the termination of the agreement.

7. BUSINESS OF OUR GROUP *(Cont'd)*

Product	Company	Technology	Licensor	Validity of rights
BD/Propylene	LCTM	BASF / Olefins conversion process	ABB Lummus Global	The rights to use such processes shall survive the termination of the agreement.
TBA	LCTM	LCC TBA Process	LCC	The rights to use such processes shall survive the termination of the agreement.
LLDPE/ HDPE	PT LCT Nusantara	Innovene™ G	INEOS Europe Limited	The rights to use such process shall survive the termination of the agreement.

Information technology

In Malaysia and Indonesia, our information technology infrastructure includes computerised inter-related information systems to support key functions, including our business enterprise systems software which includes production planning, logistics, plant maintenance, financials, human resource management and customer relationship management. Our group functions within our offices in Pasir Gudang, Tanjung Langsat, Penang, Kuala Lumpur, and the terminal in Johor Port are interconnected. The Jakarta office and Merak site are also connected with the Malaysia operations through global networking. This interconnectivity has vastly improved the management of information across our company and contributed to improved levels of service and performance.

Our business enterprise systems software is licensed by LCC under a perpetual, non-exclusive licence. The licence entitles us to utilise all related proprietary information and selected third party databases. The business enterprise systems' computer hardware and servers are hosted and maintained by LCC at Seoul, Korea. Localised systems licence and our infrastructure are directly owned and maintained by us.

Trademarks

We have applied for and obtained registration for our trademarks TITANEX®, TITANZEX®, TITANPRO®, TITANLENE® and TITANVENE® in Malaysia and Indonesia. The registration of our TITANPRO® and TITANVENE® trademarks in Indonesia expired in 2016, we have filed for the renewal of these trademarks.

7.11 QUALITY CONTROL

We have three laboratories to ensure the quality control of our petrochemical and polymer production. Our first laboratory was established in February 1991 and other laboratories were set up throughout the years to form the current Quality Management Department, comprising of:

- Monomer Laboratory is responsible for quality inspection and control of feedstock, in-process and products including ethylene, propylene, benzene, toluene, butadiene and TBA;

- Polymer Laboratory 1 is responsible for quality inspection and control of in-process and products for polymer plants for polypropylene and HDPE, and quality assurance of incoming raw material for polymer products;

- Polymer Laboratory 2 is responsible for quality inspection and control of in-process and products for polymer plants for HDPE and LDPE and quality assurance of incoming raw material for polymer products; and

- HDPE/LLDPE Laboratory, which is responsible for quality inspection and product development of in-process and products for PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia).

We also maintain a quality control unit and laboratory at our production facilities to monitor our feedstock and other materials and products for compliance with contract specifications.

We generally rely on the product quality history of our long-term naphtha suppliers to ensure quality control of our feedstock. Each naphtha shipment is typically accompanied by a certificate of analysis and tested prior to unloading. There are rare occasions where we will unload the shipment before the completion of testing on a need to and case by case basis, such decisions depend on the cargo's origin, loadport certificate of analysis review and plant acceptance. For long-term suppliers with established records, we may reduce certain testing requirements, such as trace contaminant testing.

We control all other incoming materials upon arrival for quality assurance. We reject or at best conditionally accept materials that do not conform to specified standards. With exception to monomer feedstock suppliers, we issue supplier corrective action requests to suppliers in the case of a rejection or conditional acceptance, which requires a response within seven working days. We evaluate the performance of our materials suppliers annually.

For polymer products release, we test all in-process and finished products and grade them according to specifications. We release a product release slip stating the product quality and grade, clearing the product for sale. We issue a Certificate of Analysis for prime grade and a non-compliance note for products that do not meet specifications. For monomer products sales, we also issue a Certificate of Analysis accordingly.

To increase the quality of products delivered to our customers, we improved the packaging of our products, reduced multiple handling and enhanced export shipment capabilities. We undertake preventive maintenance, calibration and verification of quality control equipment on a periodic basis, the frequency of which depends on equipment type and specifications.

7.12 ENVIRONMENT, HEALTH AND SAFETY

Health and safety

We are subject to Malaysian and Indonesian regulations on compliance with occupational health and safety standards.

In Malaysia, we have received awards given by the MSOSH in recognition of our health and safety record every year since 1994. In 2015, we received four gold awards and one silver award from the MSOSH. Awards for 2016 have not yet been determined as performance assessments are still underway as at the LPD and the awards will be announced in July 2017. In Indonesia, our Merak plant received a Silver Award from the Ministry of Manpower of the Republic of Indonesia for its implementation of the Occupational Safety and Health Management System in 2015. In October 2016, our Merak plant received a 7,629,610 safe man hours award without accident from the Governor of Banten Province of the Republic of Indonesia.

Occupational safety and health management system

We place great emphasis on safety and health standards. Across Malaysia and Indonesia, we have implemented an occupational safety and health management system to prevent workplace accidents and ensure optimal safety and health performance.

Since 2005, we have achieved OHSAS 18001 certifications in Malaysia. In order to ensure the highest safety and health standards are observed, we carry out monthly Vice Presidents/Managers EH&S audits and quarterly plant EH&S audits participated by all levels of the organisation including the supporting groups. Safety and health training programs such as Process Safety Management ("**PSM**"), and Behavioral Safety programs such as TAKE TWO and Safety Card Observations based on the DuPont training programs are regularly conducted for employees and contractors.

In Indonesia, we apply the occupational safety and health management system with a dedicated safety committee which conducts monthly routine meetings. Apart from such internal measures, we also conduct safety talks for all employees and contractors every week to ensure that our safety measures are understood by all of our employees and contractors.

We provide our employees with in-house and external occupational safety and health trainings related to permit to work, confined space hazards, chemical management, radiation hazards, legal safety and health regulations.

For chemical substances handled in our workplace, we ensure Safety Data Sheets ("**SDS**") are readily available online on our employees' legacy EH&S system for their reference. In addition, any new chemicals have to be registered prior to use. SDS trainings are also provided to all employees who are handling the said substances and they are able to refer to the Safety Data Sheets in real time.

We have a medical clinic at each of our Malaysian sites and medical personnel manning both sites. In addition, we have fire-fighting facilities on both sites in Malaysia. These include three fire-trucks at our Pasir Gudang and Tanjung Langsat sites and other emergency response vehicles, as well as fire water storage tanks. The fire-fighting system was designed in accordance with the requirements of the United States National Fire Protection Assocation in force at the time of construction and complies with the requirements of the Malaysian Fire and Rescue Operations.

Our Merak site in Indonesia has a medical clinic, one ambulance and a medical personnel. We also have fire fighting facilities, these include one fire-truck and other emergency response measures as well as fire water storage tanks with dedicated two fire pumps. The fire fighting system was designed in accordance with the requirement United States National Fire Protection Agency.

Incidents

Black smoke incident at Pasir Gudang Site

On 21 October 2014, at about 12.15 p.m., our Pasir Gudang site experienced severe power shortages. This was later determined to have been caused by a chameleon entering our Sub-Station Electrical 22KV cable termination and bushings, leading to a short circuit. We have since taken remedial action to insulate the cables to prevent future occurrences of similar problems.

At that time, all our Malaysian plants other than PE1 Plant (and gas turbine 22), which were already shut down for maintenance at the time of the incident, were shut down as a result of the incident. This led to an aggregate emergency shutdown period of 38.3 days. All packaged boilers together with a few high voltage motors and all plants were shut down as a result from a combination of power failure, electrical load shedding or insufficient steam supply. This led to the release of black smoke from the flare stack.

On 1 March 2015, we received a summon issued by DOE Johor for releasing black smoke of a severity beyond No. 1 on the Ringlemann Chart when observed, under Regulation 12(1)(a) of the Environmental Quality (Clean Air) Regulations 2014. We were charged under Regulation 29 of the same regulation.

The relevant company, LCTM, pled guilty and was fined RM30,000.

Fire incident at Tanjung Langsat site

On 8 June 2015, at about 5.55 p.m., a fire incident occurred at the PE3 Plant in Tanjung Langsat site during routine maintenance works when the plant was shut down. The fire was caused by the unauthorised opening of a manhole by an external contractor while carrying out blinding works. This led to the release of hexane into the atmosphere, resulting in the ignition of a fire due to hot work activity at a nearby temporary fabrication yard around 10 meters away from the manhole.

The fire was put out around 6.40 p.m. by our first line crew and fire safety team.

10 external contractors sustained injuries as a result of the fire, all of whom were sent to the nearest hospital for treatment. Two of the contractors passed away due to severe burn injuries.

We promptly took key remedial actions to prevent the possibility of recurrence, including restructuring our "Permit to Work" system to include proper hazard communication to external contractors, ensuring the availability of on-site gas detectors during hot work activities, and revising our general risk assessment for blinding and de-blinding work to include chemical hazards.

As a result of this fire incident, we were charged and fined RM15,000 under Section 15(1) of the Occupational Safety and Health Act 1994, and charged and fined RM5,000 under Regulation 5(3) of the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004.

Environment

We are subject to extensive, evolving, and increasingly stringent national and local environmental laws and regulations, which address, among other things, the following:

- emissions into the air;
- discharges onto land or into inland waters;
- other releases into the environment;
- remediation of contaminated sites; and
- generation, handling, storage, transportation, treatment and disposal of scheduled waste materials.

The legislation governing environmental protection in Malaysia is the EQA. Our compliance with environmental regulations is overseen by the local environmental authority and the DOE, the agency responsible for implementing and monitoring Malaysia's environmental regulations and policies.

Our Merak plant in Indonesia complies with the applicable environmental regulations of the Republic of Indonesia. In 2016, we received a Blue Award under the PROPER Programme initiated by the Ministry of Environment and Forestry of the Republic of Indonesia. The PROPER Programme is annual compliance measurement programme on environmental regulation related to environmental pollution and/or damage control and hazardous waste management organised by the Ministry of Environment and Forestry of the Republic of Indonesia. Under Ministry of Environment Regulation No. 3 of 2014 on compliance measurement program on environmental management, PROPER Programme is conducted on all organisations: (i) which products are for export purposes, (ii) registered in stock market, (iii) which is drawing concern from the public within regional or national scope, and/or (iv) has operations with significant impact to environment, which classifies each organisation into one of five categories: Gold and Green, when an organisation performs beyond compliance requirements and consistently demonstrate excellence performance in production process and/or services, implementing ethical business and being responsible to society, Blue, when there is full compliance with applicable environmental regulations, Red, which indicates non-compliance with some environmental regulations, and Black, which indicates extensive non-compliance with environmental regulations and/or deliberately conducting acts or omissions which cause environmental pollution and/or damage.

We place strong emphasis on the environmental aspects of the operation of our plants. We have environmental management policies covering air and water pollution, noise pollution, and disposal of gaseous, liquid and solid wastes, which include voluntary surveillance activities, on-going environmental monitoring programmes and online monitoring systems. We have achieved ISO14001:2004 certification since 2011.

Air pollutant control

We continuously monitor the combustion of gaseous emissions and other combustible gases. We have three flare stacks on the Pasir Gudang site, one flare stack on the Tanjung Langsat site and one flare stack at our C2/C3 terminal.

We also maintain a 24-hour online stack monitoring using Continuous Emission Monitoring system for specific boiler stacks which are directly connected to the DOE. To minimise the effects on the environment arising from the production process, we use natural gas as fuel in almost all of our operations. In addition, we implemented a Leak Detection and Repair program on fugitive emissions to improve air quality and working environment in the NC1 Plant production areas. For odour management, we installed covers for waste water treatment plant's oily pits.

In Indonesia, we control the emission of combustible gasses from our Merak plant by carrying out periodical measurements on our stack of boiler and incinerator in accordance with Government Regulation No. 41 of 1999 on Air Pollution Control and Minister of Environment Regulation No. 7 of 2007 on Emission Standard for Boiler.

Hazardous waste management

In our Malaysian sites, we store scheduled wastes from the treatment facilities, such as solids and sludge, in drums and pallet tanks and subsequently transport them for treatment and disposal to the facilities of Kualiti Alam Sdn Bhd, the only Government-authorised unit for treatment and disposal of hazardous waste located at Bukit Nenas, Negeri Sembilan, Malaysia. We are charged a transportation and treatment fee by Kualiti Alam Sdn Bhd, on a consignment basis, for the disposal of such scheduled waste.

In recent years, with the increasing number of DOE approved recycling treatment facilities in Malaysia, we have begun disposing some of our recyclable scheduled wastes such as solvents and waste oils through such DOE-licensed companies for safe recovery and re-use. Apart from that, we also have waste minimisation programmes in place to reduce waste generation. We track the source of waste and cause of its generation, and also educate our employees about the efficient control and reduction of waste.

As part of the current DOE regulation, we actively participate in the Electronic Scheduled Waste Information System to ensure our generated scheduled wastes are safely treated, recovered or disposed. We have built and maintain scheduled waste shelters to properly store scheduled waste and prevent the discharge of hazardous substances. We also record monthly scheduled waste inventories and submit these to the DOE for reporting purposes. We have further constructed protective spill control dykes around our storage facilities, and have designed impervious concrete slabs to ensure all toxic materials are safely contained in case of leak or spill. In addition, we also have provided spill control cabinets containing spill absorbent pads, booms, are placed at strategic locations in the plants.

Our Merak plant in Indonesia stores all solid and liquid hazardous waste in a dedicated shelter for a maximum of 365 days, depending on the type and amount of the hazardous waste, and then disposes the waste through a third party company with a permit for the transportation and treatment of hazardous waste in accordance with Government Regulation No. 101 of 2014 on Management of Toxic and Hazardous Waste Substances.

Water pollutants control

In Malaysia, as waste water from our cooling towers is generally not contaminated we discharge them without further treatment. Even so, we regularly monitor contamination levels of our waste water to prevent any unintended discharge of chemicals. Process water and storm water runoffs from our ethylene plants are treated in a waste water treatment plant prior to discharge. This water treatment consists of oil separation, coagulation, air flotation, aeration and sludge separation, with the capacity to process about 75 cubic metres per hour. We perform waste water analysis daily, and provide the results to the DOE on a monthly basis for monitoring purposes.

To ensure the systematic control of water pollutants, we also operate a biological waste water treatment plant in our site in Malaysia. We maintain, design and operate our waste water treatment plants to meet stringent DOE requirements for waste water treatment and have appointed a laboratory accredited by Skim Akreditasi Makmal Malaysia, Spectrum Laboratories (Johore) Sdn Bhd, to carry out our weekly sample analysis in line with DOE requirements. In addition, we implement waste water reduction initiatives and constantly look into ways to recycle waste water.

In Indonesia, we have a waste water treatment facility to remove pollutants in waste water generated from plant process by aerobic treatment prior to their discharge into the sea. The daily monitoring of pollutant control on discharge water from our waste water treatment facility and periodical monitoring on sea water pollutant and biota is carried out in accordance with Government Regulation No. 82 of 2001 on Water Quality Management and Water Pollution Control, Ministry of Environment Regulation No. 68 of 2016 on Domestic Waste Water Quality Standard and Ministry of Environment Regulation No. 12 of 2006 on the Licensing Requirements and Procedures of Waste Water Discharge.

7.13 LICENCES

Please refer to Annexure A for the details of our material licences as at the LPD.

7.14 REGULATION

Our business is regulated by, and in some instances required to be licensed under, specific laws of Malaysia and Indonesia. The relevant laws and regulations governing our Group and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

Relevant laws and regulations in Malaysia

Governing laws and regulations relating to the petrochemical industry

(i) PDA and ICA

Our operations are subject to MITI's purview and primarily governed by PDA and ICA.

The PDA and Petroleum Regulations 1974 govern downstream operations including the manufacture and the marketing or distribution of petrochemical products. Under the PDA and Petroleum Regulations 1974, the Prime Minister's permission (via the Secretary General, MITI) is required for the manufacture of petrochemical products from petroleum and the Prime Minister's permission (via the Secretary-General, MDTCC) is required for the sale and distribution of petrochemical products from petroleum. As we manufacture and market or distribute petrochemical products, we have valid licences to carry out such activities as required under the PDA and Petroleum Regulations.

Failure to maintain valid licences or failure to comply with any term or condition of these licences shall make us liable to a fine not exceeding RM1.0 million and/or to imprisonment for a term not exceeding five years. In the case of a continuing offence, we shall be liable to a further fine not exceeding RM100,000 for each day or part of a day during which the offence continues. All machinery, tools, plant, buildings and other property or things used or intended to be used in the commission of the offence and any petroleum or its products shall be liable to forfeiture.

Under the guidelines issued under the ICA, a licence is required for any manufacturing activity with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees. A licence will must be obtained for the manufacture of specified products at each separate manufacturing site. The licences are issued by MITI subject to conditions of the licence. Since we carry out manufacturing activities, we have valid manufacturing licences for all our sites. Failure to maintain valid manufacturing licences would make us liable to a fine not exceeding RM2,000 or to imprisonment not exceeding six months and a further fine not exceeding RM1,000 for every day during which such default continues.

Other relevant Malaysian legislation

(i) OSHA

We are required to comply with all requirements of legislations related to health and safety as provided under the OSHA, and the regulations and codes of practice which have been approved. The promulgation of OSHA is based on self regulation concept with the primary responsibility of ensuring health and safety at the workplace lying with those who create the risks and work with the risks. In line with the requirements of OSHA, we have employed five competent persons to act as the safety and health officers to ensure due observance and promotion of a safe conduct of work at the place of work. We are also required to establish a safety and health committee under the OSHA as we currently employ more than 40 employees.

The general penalty under the OSHA provides that a person who by any act or omission contravenes any provision of the OSHA or any regulations made under the OSHA shall be guilty of an offence. Where no penalty is expressly provided, the person shall, on conviction, be liable to a fine not exceeding RM10,000 and/or to imprisonment for a term not exceeding one year. In the case of a continuing offence, the person shall be liable to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

(ii) FMA

Other written law relating to occupational health and safety which is also applicable to us is contained in the FMA. Under the FMA, we have a duty to ensure that the health, safety and welfare in relation to our employees and workplace are maintained, including ensuring that the machinery used in our operations possess the relevant certificate of fitness, the necessary inspection of the machineries are carried out upon their installation and registered accordingly.

The FMA provides for different penalties for the various offences and breaches committed under the FMA. Depending on the severity and type of offences and breaches committed, the penalties imposed under the FMA varies in the imposition of a fine of up to RM250,000 and/or imprisonment for a term not exceeding five years and may be subject to a further fine up to RM2,000 for each day or part of a day during which the offence continues after the first day in respect of which the conviction is recorded.

(iii) Environmental Quality Act, 1974

The EQA restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysia waters, discharge of wastes into Malaysian waters without a licence and prohibits open burning.

If we fail to adhere to provisions of the EQA or any regulations made under it, any person who at the time of the commission of an offence was a director, chief executive officer, manager or other similar officer of our Group would be deemed to be guilty of that offence. For example, where a person, unless licensed, deposits any environmentally hazardous substances, pollutants or wastes into any inland waters, that person will be guilty of an offence and liable to a fine not exceeding RM100,000 and/or to imprisonment for a period not exceeding five years and to a further fine not exceeding RM1,000 a day for every day that the offence continues after the Director General of Environmental Quality has served a notice on him requiring him to cease the act.

Relevant laws and regulations in Indonesia

(i) Occupational safety health Law and Regulation

The Government of Indonesia requires all organisations employing more than 100 workers or organisations having a high potential risk to implement its Occupational Safety and Health ("**OSH**") Management System in accordance to Government Regulation No. 50 of 2012 on OSH Management System Implementation and Law No. 1 of 1970 on Work Safety. The implementation of OSH Management System is audited by a third party appointed by the Ministry of Manpower. There are three categories of OSH implementation, with the most advanced stage having 166 elements/regulation to be complied with by the company to obtain a fulfillment compliance. Failure to implement OSH Management may result in fines for the chief of the organisation of up to IDR100,000 (equivalent to RM32.4) and imprisonment for a maximum of three months.

(ii) Environmental regulation law and Regulation

Environmental regulations related to pollution control, Documents for Environmental Aspect Impact Analysis, Documents for Environmental Control, Importation and Utilisation of Hazardous Material and Waste, and Reporting System are strictly monitored by the Indonesian government under Law No. 32 of 2009 on Environment Protection and Management ("**Environmental Law**").

According to the Environmental Law, any party conducting any business and/or activity that may have a substantial impact on the environment is required to obtain an Environmental Impact Assessment ("**AMDAL**"). Examples of "substantial and important environmental impact" include: (i) where a change in topography occurs; (ii) where the exploitation of natural resources is involved (whether renewable or non-renewable); (iii) where there is a potential for pollution or environmental damage, as well the degradation of natural resources; (iv) where there is a potential impact on the natural environment, man-made environment or socio-cultural environment; (v) where resources and/or nature conservation areas are affected; (vi) where the introduction of a new species of flora, fauna or microorganism is involved; (vii) where the production and use of biological and non-biological materials occurs; (viii) where the application of technology has a potentially significant effect on the environment; and (ix) where the activities entail a high level risk and/or affect state security.

Where an AMDAL is not required, a company must prepare an Environmental Management Plan and Environmental Monitoring Plan (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* or "**UKL-UPL**"). If the business and/or activity does not require a UKL-UPL, the company is required to provide a Statement Letter of Environmental Management and Monitoring (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup*).

Further, the Environmental Law and Government Regulation No. 27 of 2012 on Environmental Permits stipulate that all business sectors required to obtain an AMDAL and UKL-UPL shall obtain an Environmental Licence, by the State Minister of Environment Affairs, governor, or mayor/regent (in accordance with their respective areas of jurisdiction).

Remedial and preventative measures and sanctions (such as the obligation to rehabilitate tailings areas, the imposition of substantial criminal penalties and fines and the cancellation of approvals) may be imposed to remedy or prevent pollution caused by operations. The sanctions range from one to 15 years of imprisonment, applicable to the management of the relevant company, and/or fines ranging from IDR500.0 million (equivalent to RM0.16 million) to IDR15.0 billion (equivalent to RM4.9 million). A fine may be imposed in lieu of performance of an obligation to rehabilitate damaged areas. The Environmental Law also requires licencing of all waste disposal. Waste disposal may only be conducted in specified locations determined by the State Minister of Environmental Affairs.

(iii) Labour law

Law No. 13 of 2003 on Employment imposes an obligation on each organisation to, amongst others, provide proper wages and a benefit system, the freedom for employees to establish a or join a union, insurance for workers, training systems, permits for expatriates and a proper termination of employment process. Non-compliance with labour laws may lead to administrative sanctions and/or a fine ranging from IDR5 million (RM1,620.0) to IDR500 million (equivalent to RM0.16 million), and/or imprisonment of chief of the organisation for at least one year.

(iv) Energy law and regulation

In accordance with Law No. 3 of 2014 on Industry and Government Regulation No. 70 of 2009 on Energy Conservation, any organisation utilising an energy amount equal to or more than 6,000 tonnes of oil per year is required to maintain an energy manager and develop an energy conservation programme to reduce energy consumption, conduct periodic energy audits, implement any recommendations from such audits and report the implementation energy conservation programme to the Ministry of Energy and Mineral Resource of the Republic of Indonesia. Failure to do so will result in a written warning, fine, announcement in the media and/or reduction in the organisation's energy supply from the government, including a reduction in electricity and natural gas supplies.

7.15 EMPLOYEES

As at the LPD, we employ a total of 1,419 full-time employees in Malaysia and Indonesia.

The following table sets out the number of our employees in Malaysia and Indonesia by job function as of the dates indicated:

	As at 31 December			As at LPD
Function	**2014**	**2015**	**2016**	
Management and Professional	98	101	103	108
Technical and Supervisory	275	285	302	304
Executive (Support Function)	167	161	164	161
Skilled Technician	594	608	609	611
Semi-Skill and Clerical	258	240	232	235
Total	1,392	1,395	1,410	1,419

Breakdown by geography

The following table illustrates the breakdown of the number of our employees by geography as of the dates indicated:

	As at 31 December			As at LPD
Location	**2014**	**2015**	**2016**	
Malaysia	1,054	1,048	1,066	1,075
Indonesia	338	347	344	344
Total	1,392	1,395	1,410	1,419

Breakdown of employees in Malaysia by level of experience

The following table illustrates the breakdown of the number of our employees in Malaysia by level of experience as at the LPD:

	Experience Level				
Job Category	**< 5 years**	**5- <10 years**	**10- <15 years**	**15 years and above**	**Total**
Vice Presidents & Directors	0	0	10	14	24
Managers	0	8	20	26	54
Engineers & Executives	145	68	23	111	347
Skilled Technician	214	210	57	169	650
Total	359	286	110	320	1,075
Percentage (%)	33	27	10	30	100

Our Human Resource Department provides a structured approach for the training and development of our employees. We aim to link the capabilities required to implement our business strategies to individual training needs to ensure that the employees have the requisite skills and knowledge. We provide a wide variety of training programmes utilising both external and internal resources to nurture professional talents. Training also comes in the form of coaching and mentoring, on-the-job training, job enhancement and job rotation. In addition, we provide development initiatives to nurture talent through apprenticeship programmes and tertiary or university scholarship programmes for students in relevant fields of study, who will then join our company on graduation.

Our employees attended the following training programmes in 2016:

- Safety and Environmental System Training;
- Job Skill (Technical);
- Job Skill (Business Function);
- Leadership Development;
- Soft Skill and Personal Development;
- Competent Person Development Programme;
- Quality System Compliance; and
- New Hire Training.

For our training programmes and proposed training programmes in 2017, key focus areas include the following for different employee target groups:

- Leadership and people management skills;
- Performance and disciple management;
- Job skill improvements;
- Safety and health training for compliance and improvement of awareness;
- Soft skills and competencies development; and
- Competent person development to meet regulation requirements.

Labour relations

We believe we have a good relationship with our employees. In 2016, we had a low attrition rate of 3.4% in Malaysia and 1.3% in Indonesia. We constantly seek to promote good employee relations by holding regular town hall meetings and dialogues. We have a social committee which organises healthcare talks and programmes, and sports and recreational activities on a regular basis.

We also have in place organised initiatives to promote, develop and maintain communication and consultation among all level of employees, encourage the mutual exchange of information relating to employee relations and welfare, and facilitate the resolution of employee's issues between employees and the company.

As at the LPD, none of our employees in Malaysia was a member of any union. 90% of our employees in Indonesia are members of the union Serikat Pekerja TITAN. There has not, however, been any industrial dispute involving our employees in either Malaysia or Indonesia for the past three years.

Joint Communication Consultation

In Malaysia, we set up our Joint Communication Consultation ("**JCC**") in 2003 to serve as a platform for employees to raise their concerns and requests. The key objectives of our JCC are to promote and maintain communication and consultation among all levels of employees, encourage and secure the mutual exchange of information on employer-employee relations and employee welfare, and facilitate the resolution of employees' issues between the employees and the company. Our JCC committee is chaired by the Senior Vice President of Human Resources and comprises 25 elected and eight appointed members across different employment functions and levels. Our JCC conducts monthly meetings attended by an external advisor, an industrial relations lawyer, issues discussed include employee welfare such as compensation and benefits, sport and recreation, and health and safety.

Remuneration policy

Our remuneration policy is characterised by our company values, which aims to provide a link between performance and reward. The result is a comprehensive and competitive benefit package which seeks to commensurate our employees' pay with the value of personal and family benefits. It also serves our talent retention strategy.

Our compensation includes employees' base salary, living support allowance, incentives and other benefits. In addition, we reward employees by providing cross-training and career development opportunities. We provide comprehensive health and hospitalisation insurance covers for all employees.

7.16 INSURANCE

Our significant insurance policies for on-going operations include an industrial all-risks property damage policy (including machinery breakdown and business interruption) for both our facilities in Malaysia and Indonesia. Our policy has a combined single loss limit in the amount of USD1.05 billion (equivalent to RM4.5 billion) and USD400.0 million (equivalent to RM1,724.2 million) per occurrence respectively, comprehensive general third party liability in the amount of USD50 million (equivalent to RM215.5 million) each for Malaysia and Indonesia, charterer's legal liability in the amount of USD10.0 million (equivalent to RM43.1 million) for Malaysia, port operators' legal liability in the amount of USD25.0 million for Malaysia (equivalent to RM107.8 million), and a further excess liability coverage of USD50.0 million (equivalent to RM215.5 million) for Malaysia, directors' and officers' liability in the amount of RM100.0 million effective 3 June 2017, marine open cover policy in the amount of RM250.0 million for Malaysia and Indonesia, as well as comprehensive motor policies. In addition, as a result of the terrorist attacks of 11 September 2001 and other events, our insurance carriers have created exclusions for losses resulting from terrorism from our "all risk" property insurance policies.

While separate terrorism insurance coverage is available, premiums for this type of coverage are expensive, especially for chemical facilities, and the policies are subject to high deductibles. Available terrorism coverage typically excludes coverage for losses from acts of foreign governments as well as nuclear, biological and chemical attacks. We have determined that it is not economically prudent to obtain additional terrorism insurance, especially given the significant risks that are not covered by such insurance.

Our insurance policies do not cover any penalties or fines or other payments made to the Government. Our insurance coverage is in line with industry standards.

As at the LPD, we have one outstanding claim amounting to USD17.0 million (equivalent to RM73.3 million) (Property Damage amounting to USD8.9 million (equivalent to RM38.4 million) and Business Interruption amounting to USD8.1 million (equivalent to RM34.9 million)) under our industrial all-risks policy for the damage caused to gas turbine 21, which occurred on 4 May 2016.

7.17 PROPERTIES

Our operational facilities include 14 plants over two sites in Malaysia (one site in Pasir Gudang and one site in Tanjung Langsat) and one site in Merak, Cilegon, Banten Province, Indonesia.

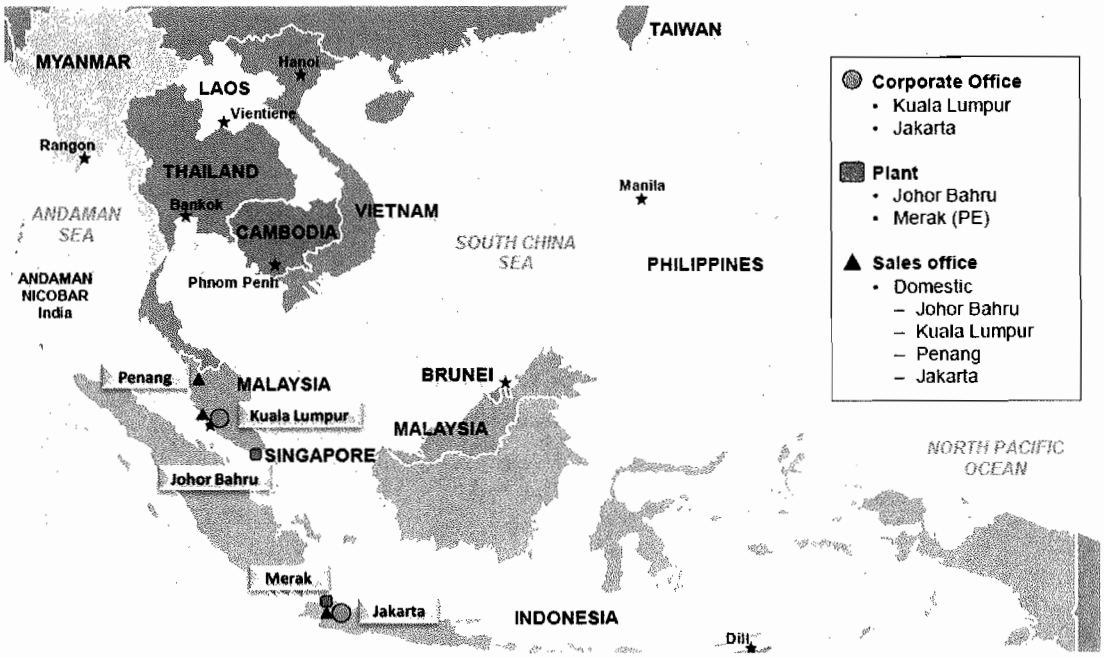
The following table sets out the number of our plants and production facilities in terms of land and building as at 31 December 2016.

Location	Existing use	Area (Acre)	Net Book Value as at 31 Dec 2016 (USD million)	Net Book Value as at 31 Dec 2016 (RM million)	Tenure (Years)	Lease Expiry Date
Pasir Gudang (4 leases)	Production plant	122	31	141	60	2 leases expiring in 2051 2 leases expiring in 2050
Tanjung Langsat	Production plant	100	22	99	60	2061
Pasir Gudang	Tank farm	22	1	6	36	2052
Pasir Gudang	Vacant land	65	6	26	30	2041
Pasir Gudang	Vacant land lease back to Johor Port Authority	22	1	4	30	2036
Total (Malaysia)		**331**	**61**	**276**		
Indonesia	Production/housing area/vacant land	202	19	84	20-30	Land is owned by LCTN
Total (Malaysia and Indonesia)		**533**	**80**	**360**		

In addition, we expect to commence commercial operations of the TE3 Project and PP3 Project in the second half of 2017 and the second half of 2018, respectively. The US Shale Gas Project is expected to be operational in the second half of 2019. For more detailed information, please refer to Section 7.6.8 of this Prospectus.

In addition to our operational facilities, we also have a corporate office in Kuala Lumpur and a corporate office in Jakarta, and four sales offices across each of Johor Bahru, Kuala Lumpur, Penang and Jakarta.

The map below shows the location of our plants and offices:



Final Report

Independent Market Report on the Petrochemicals Industry

Focus on Malaysia and Indonesia

April 2017

Prepared for

Lotte Chemical Titan Holding Berhad

22nd Floor, Rasa Tower I, 555 Phahonyothin Road, Kwaeng Chatuchak, Khet Chatuchak, Bangkok 10900 Thailand
Tel: +662 793 4600 Fax: +662 937 0144

Nexant

Contents

Section 1 Introduction

1.1 OBJECTIVES

Nexant has been appointed as an Industry Consultant to provide an independent industry report (this "Report") to support the Prospectus and Offering Circular for an initial public offering of Lotte Chemical Titan Holding Berhad ("Company") on Bursa Malaysia Securities Berhad.

The scope of this Report covers key aspects of the global and South East Asia (SEA) petrochemicals sector, with particular focus on the markets of Malaysia and Indonesia. This Report covers the following major petrochemical products:

- Polyolefins (polyethylene and polypropylene)
- Olefins (ethylene and propylene)
- Related products including Butadiene and Benzene

1.2 PRODUCT OVERVIEW

Petrochemicals are chemical products derived from petroleum and other hydrocarbon sources. Feedstocks for petrochemical production includes natural gas, ethane, LPG, naphtha and coal (see Section 2.2.3). In 2016, total global industry revenues for the sector were estimated at approximately US$3 trillion. They are used principally as building blocks for a wide variety of materials and applications. Key market end-use sectors include transportation, packaging, construction, agriculture, textiles, consumer goods and electronics.

Table 1.1 Overview of Petrochemical Products Covered within this Report

			Global		SEA*		Malaysia		Indonesia	
Building Block	Derivative	Key Derivatives and/or Applications	Demand 2016	CAGR (2017-2027)F	Demand 2016	CAGR (2017-2027)F	Demand 2016	CAGR (2017-2027)F	Demand 2016	CAGR (2017-2027)F
Ethylene		Feedstock for polyethylene	146.5	3.7	10.3	4.3	1.4	4.8	1.4	10.3
	Polyethylene	Packaging, agriculture, automotive, construction	90.7	3.9	5.7	4.3	1.2	4.0	1.3	4.7
Propylene		Feedstock for polypropylene	97.5	3.8	6.0	6.4	0.6	11.1	0.8	12.1
	Polypropylene	Packaging, textiles, automotive, construction	63.8	3.9	4.8	4.6	0.5	3.2	1.5	5.0
Butadiene		Feedstock for SB Rubber, Butadiene Rubber, ABS	11.3	2.8	0.7	7.3	0.2	7.0	0.1	14.0
Benzene		Feedstock for Styrene	45.5	2.5	2.4	3.3	0.2	6.6	0.3	2.3

Note: SEA including Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

Note: CAGR = Compound Annual Growth Rate

Note: Unit = Million tons

Note: F = Forecast

Source: Nexant

The petrochemical industry is predominantly a process-based industry that is characterised by the following key issues:

- **Feedstock inputs**: Raw materials typically account for the majority of operating expenses. Although diverse, feedstocks used are predominantly petroleum based. Therefore many petrochemical producers have significant exposure to crude oil pricing. Given the importance of feedstock, producers with access to low priced gas feedstocks typically have a competitive advantage and higher levels of profitability over naphtha based producers.

- **Regional diversity:** Whilst the industry is global, market demand growth for chemicals is highest in developing regions. Asia has become a major consumer and demand driver for petrochemical products. This is attributed to the rapid expansion in the region's industrial and manufacturing sectors and its large population base and rising income levels. Mature markets such as the US and Europe are significant in size but exhibit much lower growth;
- **Capital intensity:** Economies of scale through construction of large facilities and continued asset reinvestment to leverage improved technology and maintain plant equipment are essential to sustain competitiveness. Access to capital is therefore a significant barrier to entry to the industry. Capital spending is also cyclical and follows industry peaks when cash pools are more readily available;
- **Cyclicality:** Demand for petrochemicals is subject to business and economic developments driving cyclicality in industry profitability. This is further impacted by industrial supply typically increasing during peak levels of profitability due to easier access to capital;
- **Portfolio realignment:** Despite a high level of diversity, the industry has also experienced considerable portfolio realignment and increased levels of vertical integration. This is predominantly the consequence of increased competitive rivalry which has resulted in restructuring, mergers and acquisitions and demergers.

2.1 INDUSTRY OVERVIEW

2.1.1 Key Industry Value Chains

Primary petrochemical building blocks can be divided in the following major categories:

- Chemicals derived from methane ("C1 chemicals") such as methanol and ammonia
- Olefins – primarily include; ethylene and propylene

Other Building Blocks including butadiene and aromatics or BTX (benzene, toluene and xylenes).These products form the basis of the majority of all organic chemical products being processed by the industry today. Figure 2.1 provides a high level overview of the principal petrochemical value chains and major applications and end uses.

Figure 2.1 Overview of Principal Petrochemical Value Chains

Building Block	Main Derivatives	Further Derivatives	Major Applications
Ammonia	Urea	Urea-formaldehyde, fertilizers	Agriculture, construction materials & furniture
Methanol	MTBE, Acetic Acid, DME	Vinyl acetate monomer (VAM)	Fuel usage, textiles, packaging & construction
Ethylene	Polyethylene, PVC		Packaging, construction materials, automotive
	Ethylene Oxide/Ethylene Glycol	Polyester	Textiles, packaging, gas treatment and antifreeze
	Styrene	Polystyrene, EPS, ABS, SB rubber	Packaging, electronics, automotive and construction
Propylene	Polypropylene		Packaging, electronics, automotive and construction
	Propylene Oxide	Polyurethanes	Automotive, construction and furniture
	Acrylic Acid, Oxo Alcohols	Super absorbent Polymers	Diapers, automotive and construction
Butadiene	Butadiene Rubber, Styrene butadiene rubber		Tyre, automotive, electronics and appliances
Benzene	Styrene	Polystyrene, ABS, SB Rubber	Coatings, electronics, composites
	Cumene/Phenol/Acetone	Polycarbonate, Epoxy resins	Electronics, automotive and construction
	Diphenylmethane diisocyanate (MDI)	Polyurethanes	Automotive, construction and furniture
	Caprolactam, Adipic Acid	Polyamides (nylons)	Textiles, fibers and automotive
Toluene	Toluene diisocynate (TDI)	Polyurethanes	Automotive, construction and furniture
Xylenes	Purified terephthalic Acid (PTA)/Dimethyl Terephthalate (DMT)		Textile's fibers and packaging

Source: Nexant

2.1.2 Industry Outlook

Petrochemical industry margins are subject to cyclicality. Changes in supply and demand and resulting plant operating utilisation levels ("operating rates") are key factors that influence the cycle and the profitability of the petrochemical sector. Additionally the sector is highly capital intensive. This also contributes to cyclicality as new investments usually occur at the same time, following periods of sustained higher profitability. Crude oil pricing impacts the production costs and selling prices of many petrochemical products.

Growth in global oil demand has occurred at a modest rate (i.e., just above one percent per year) during the 2011-2016 period. Demand growth has been concentrated primarily in the emerging economies in Asia and the Middle East, with oil demand in the most developed markets generally declining or exhibiting marginal growth.

Crude oil prices consistently remained in the US$40-60 per barrel range during 2015 as OPEC and non-OPEC countries competed for market share through continued production. In addition, significant cost reductions for U.S. shale oil production led to record production for this oil source. Iran started to increase crude oil production substantially to recover lost market share as sanctions began to be removed in January 2016. This led to further oversupply in leading to prices below US$30 per barrel in Q1 2016. Oil prices have since risen from those low levels to trade within the US$40-60 per barrel range once again supported by OPEC and non-OPEC decisions to cut production towards the end of 2016.

Going forward, the major effects of the crude price decline since 2014 on supply may be felt over the next few years as almost US$300 billion of investment projects have been delayed or cancelled, and production decline rates are higher due to reduced expenditures. This could result in a price recovery in the medium term to incentivise investments in conventional oil production to offset declines from existing fields and meet continued oil demand growth.

Petrochemical markets have been exposed to cyclical changes in supply and demand. These changes are usually closely linked to economic growth patterns, especially in China given its strong manufacturing base. Global supply continues to increase, with renewed investments in the United States following increased shale gas availability adding to development of capacity in the Middle East. Asian capacity also continues to grow rapidly, led by investments in China. Advancing technology has accelerated the size of new investments. European producers remain heavily exposed to imports penetrating into Europe and displacement of uncompetitive material from traditional export markets.

Demand for olefins globally is projected to grow at approximately 3.7 percent CAGR (compound average annual growth rate) over the 2017-2027 period. Demand growth for propylene is anticipated at approximately 3.8 percent CAGR, while ethylene and butadiene demand growth over the same period is forecast at 3.7 and 2.8 percent, respectively. Investments in new downstream derivatives capacity of olefins are continuing throughout the Asian region, driving demand for olefins.

Global polyethylene demand was estimated at approximately 91 million tons while polypropylene demand was around 64 million tons in 2016. Those are forecast to grow at approximately 3.9 percent CAGR over the period 2017-2027. Demand for benzene globally reached 46 million tons in 2016. Nexant forecasts benzene demand to grow at 2.5 percent CAGR over the period 2017-2027.

Common key demand drivers for these petrochemical products are for packaging, automotive, construction and electrical/electronic markets.

2.1.3 Pricing and Profitability

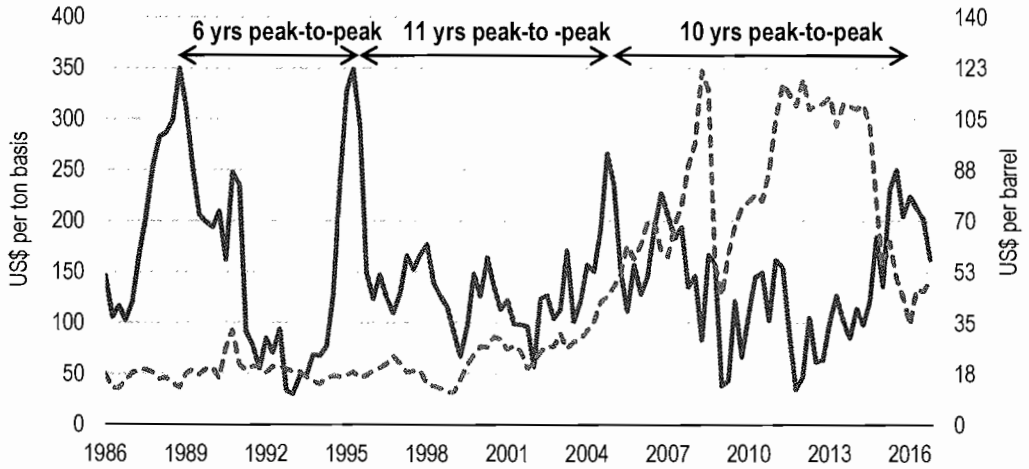
Industry demand is primarily influenced by economic activity while supply is affected by new capacity additions. Capital spending cycles are a common theme of the petrochemical sector as companies

usually have access to large cash reserves at the same time. In times of economic growth, profitability is high resulting in multiple new investments in plant capacity. This often results in periods of oversupply as large increments of new capacity are realised at the same time. This leads to lower pricing and depressed margins for extended periods of time until the new capacity can be absorbed by new demand growth. Cyclicality also promotes industry restructuring, mergers, demergers and acquisitions. These factors may also result in capacity rationalisation whereby older, smaller scale, higher cost production units are closed.

Petrochemical industry cycles vary in length. However, historic data suggests that average cycle lengths have been between 6-11 years in duration, measuring peak to peak. Due to the global nature of the industry (connected through trade and pricing), the profitability of most commodity petrochemicals tends to follow the same cycle. Therefore most products typically demonstrate peak or trough levels of profitability over the same periods. Occasionally, structural changes in a given market can cause profitability of one sector to diverge from the overall industry cycle.

Figure 2.2 Petrochemical Industry Cyclicality

(Cash margin – commodity chemicals & polymers)



Source: Nexant

Figure 2.2 provides an overview of petrochemical industry profitability and highlights the cyclicality of the sector. Profitability is represented as a cash margin, expressed in US$ per ton petrochemical product. The cash margin presented represents the price of a petrochemical product minus its cash cost of production (i.e. feedstock cost plus direct operating costs, and excludes finance costs, depreciation and taxes). Data is based on an average for leading petrochemical plants in the region. This gives an estimated weighted average cash margin for the industry.

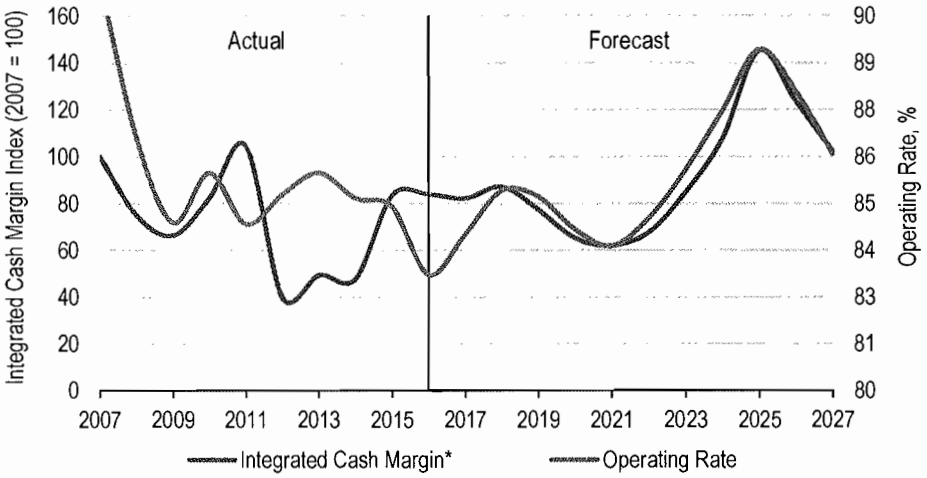
2.1.3.1 Asian Petrochemical Profitability

Long term trends in average profitability of the Asian petrochemical industry have closely reflected trends in the average industry operating rate. Profitability declined in 2008 due to the global economic crisis. Demand growth slowed, with exports of finished goods curtailed as the crisis took hold. Some demand recovered in the second half of 2009 as government stimulus packages proved successful in restoring liquidity and confidence to markets.

Global GDP growth rates declined steadily and dropped below their long term average in 2012. Growth rates of the Chinese and Indian economies which provided a large component of the growth in Asian markets over the last decade slowed considerably as the economies matured. Much weaker than expected demand growth resulted in oversupply in many petrochemical markets. Meanwhile,

competitiveness of many petrochemical derivatives was reduced by the sustained high prices of crude oil and naphtha, the preferred feedstock for much of the Asian industry.

Figure 2.3 Asian Petrochemical Industry Profitability
(Based on annual average integrated cash cost margin in SEA)



Note: Integrated cash margin for all commodity petrochemical products, across all integrated complexes in SEA. Cash margin for 2007 has been equated to 100 with cash margin of other years benchmarked against 2007 to produced index for Figure 2.3.

Source: Nexant

Despite some recovery in the global economy through 2014, profitability of various value chains failed to rebound due to overwhelming capacity additions in Asia Pacific, reducing profitability in this period. In 2015, a large drop in both crude oil and naphtha costs relieved cost pressure on those petrochemicals, and coupled with increasing demand of derivatives, improved cash margins for producers. New capacity, particularly in China, has been partially offset by some capacity closures of non-competitive units in other North-East Asia countries. Profitability declined modestly in 2016, owing principally to an oversupplied propylene value chain, but was still supported by the lower crude oil environment and demand in the ethylene value chain.

Asian markets are more heavily influenced by transactions in spot markets, contrary to the preference for contract volumes in Western markets. Market sentiment and opportunistic purchasing patterns in spot markets promote more volatility in profitability of Asian operations. However, strength of underlying markets (indicated by operating rates) remains the principle influence of profitability in the longer term.

Feedstocks continue to play a significant role in the petrochemical business, impacting on the cost position of a producer and the type of products that can be produced. Naphtha allows for a relatively diverse range of building blocks to be produced from steam cracking (i.e. ethylene, propylene, butadiene, benzene). When lighter feedstocks are used in steam cracking, such as ethane or LPG, relatively less propylene, butadiene and benzene are produced, which has been a recent trend as producers capture lower value of lighter feedstock opportunities (such as from US Shale gas). The implementation of Chinese coal to olefins projects on a commercial scale, has also had an effect of the range of building blocks available as such a production route focuses on the production of ethylene and propylene. Meanwhile profitability of on-purpose propylene production was supported by stronger market demand conditions for propylene downstream derivatives.

It is assumed that Asia will lead global demand growth, progressively absorbing major new capacity additions. The profitability of the Asian petrochemical industry is forecast to fluctuate near historical average over the next five years. Future margins are expected to be sufficient to support selective investment in new capacity capturing some form of cost advantage through feedstock sourcing or downstream integration.

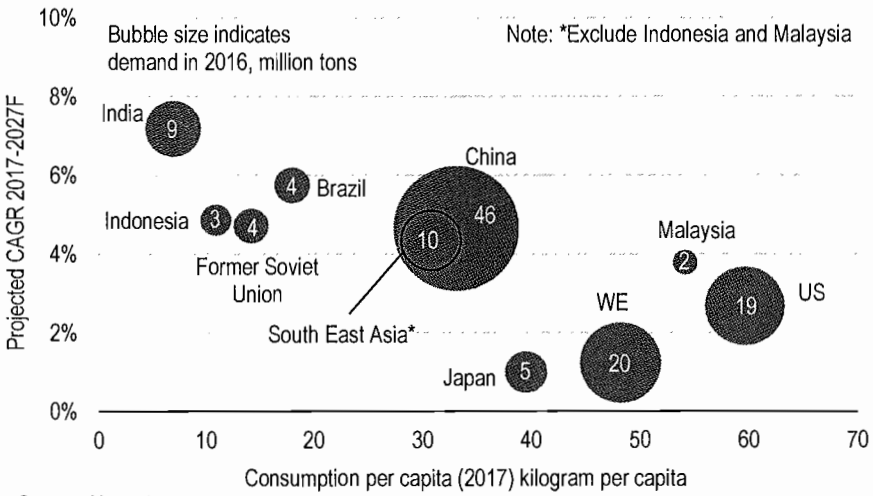
2.2 PETROCHEMICALS KEY DRIVERS & TRENDS

2.2.1 Demand Side Fundamentals

Olefins (ethylene and propylene) form two of the key industry building blocks, and are primarily used to produce other downstream derivative products from ethylene and propylene (such as polyolefins) onsite. As such consumption of polyolefins can be used to reflect petrochemicals demand by region as they are consumed directly by end users in a wide variety of key end uses such as construction, automotive, packaging, agricultural products, textiles and various consumer goods.

The market growth potential within developing markets for plastics is evident on a consumption per capita basis. Key developing regions such as India, Indonesia, SEA and China still have a relatively low consumption per capita for polyolefins, relative to more developed regions, Malaysia, compared to other developing and some developed countries such as Japan and Western Europe ("WE"), has a comparatively high polyolefin consumption, for its population size. These and other high population countries provide high consumption potential for plastics as living standards improve and material substitution continues to take place. The polyolefins markets vary substantially country by country, as can be seen in Figure 2.4.

Figure 2.4 Polyolefins Consumption per Capita



Source: Nexant

Global demand for polyolefins exhibited good growth in 2016. Global demand was estimated at 155 million tons in 2016 representing around 4 percent consumption growth over 2015. A high proportion of global consumption growth is still in China. China's total polyolefins demand in 2016 was estimated at approximately 46 million tons or approximately 30 percent of the global market.

Future prospects for the global polyolefins market are closely linked to Chinese demand growth and sustained economic development. Its economy is increasingly benefiting from domestic consumption which is largely responsible for recent growth. However China continues to go through a transitional period with lower GDP growth year on year forecast, with GDP forecasts for China in the range of 5.3-6.2 percent between 2017-2027[1]. This compares with double digit growth achieved over the last decade. As a consequence Nexant forecasts total polyolefins consumption growth in China to slow to 4.7 percent (CAGR) over the period 2017-2027, in line with slower economic growth.

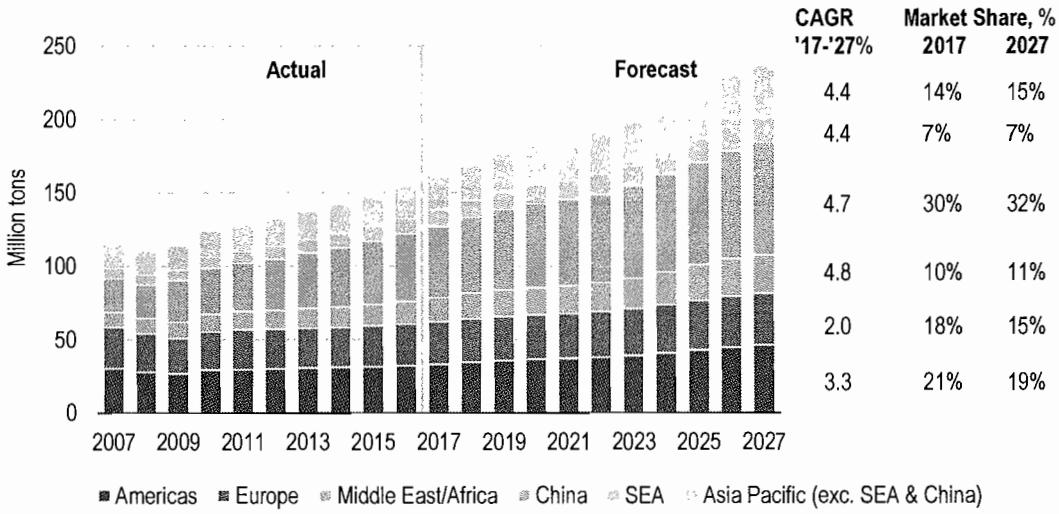
[1] IMF Statistics, October 2016

SEA is also expected to show ongoing levels of consumption growth. Nexant forecasts total polyolefins' consumption in SEA to grow at a CAGR of 4.4 percent over the period of 2017-2027. Overall, total Asia Pacific (excluding SEA and China) is forecast to grow at around 4.4 percent CAGR over the same period.

Demand growth is also highest in developing regions such as Brazil and the Middle East, and Africa which are forecast to grow at between 4-5 percent per year on average over the period 2017-2027. Although the Middle East/African has high demand growth, the total current market size of 16 million tons is relatively small, therefore the region remains a major exporter of polyolefins at between 11-13 million tons per year.

North America and Europe are large markets for polyolefins, but growth rates have been relatively flat in recent years due to maturity of polyolefin end-uses and low population growth. Nexant forecasts growth at approximately 2-3 percent per year for both regions over the period 2017-2027. Demand in North America is also supported by the rapid development of the Mexican economy.

Figure 2.5 Polyolefins Consumption by Region



Source: Nexant

Developing markets provide significant consumption growth potential for material substitution. Petrochemical polymers are substituting basic materials such as wood, glass, metals, paper and card in packaging, automotive and construction industries. This substitution is easily promoted as plastics tend to offer higher performance at a lower cost. This is highly visible in the food packaging sector where plastic packaging provides increased storage life, hygiene and freshness compared to traditional paper or fibre packaging. Plastic pipes for water transportation are also proving to be more cost effective and out performing metal based pipes in construction.

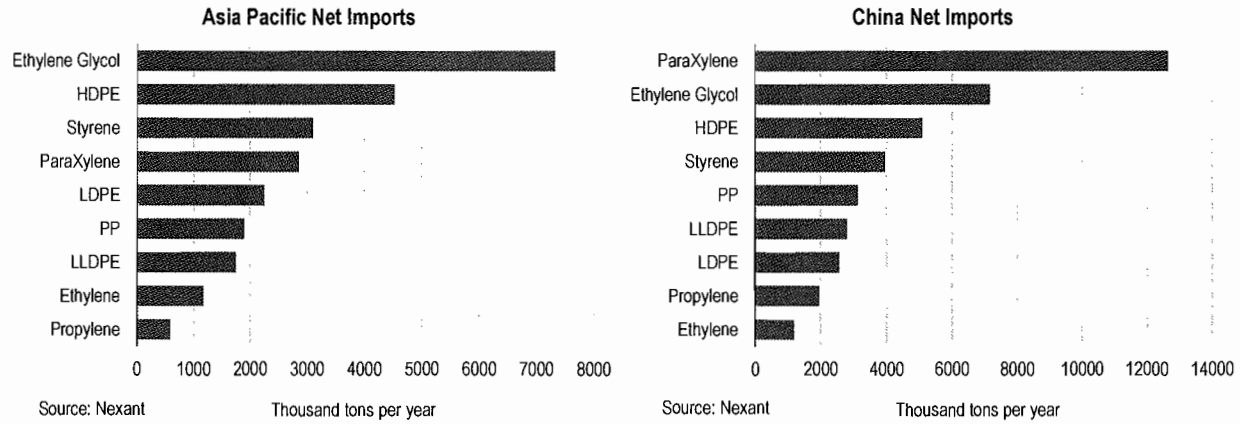
Asia Pacific has become a major consuming region for petrochemicals over the past decade. According to Nexant analysis, demand growth for polyolefins has been growing at approximately 6 percent CAGR over the period 2007-2016. This development has occurred largely in support of the region's rapidly expanding manufacturing sectors. A large proportion of this manufacturing is for export-oriented goods.

Nexant forecasts demand growth for petrochemicals in Asia Pacific during 2017-2027 to continue to outpace the rate of new supply additions in the region. As a result, Asia Pacific is expected to remain a significant importer of various chemical intermediates and polymers.

The following figure provides Nexant's estimate of net trade for Asia Pacific and China in 2016 for major petrochemical products. Net trade is the difference between production and consumption in a market.

Where production is greater than consumption, a market is a net exporter. Where consumption is greater than production, a market is a net importer.

Figure 2.6 Net Imports of Major Petrochemical Products
(Basis 2016)



Nexant expects that a large proportion of these net imports are for ethylene derivatives such as ethylene glycol, polyethylene and styrene for the Chinese market. For example, Nexant estimates Asia Pacific's total net import of ethylene glycol in 2016 to be approximately 7.3 million tons with approximately 98 percent of this volume for the Chinese market.

Key drivers and trends for global petrochemicals' demand (during the forecast period 2017-2027) include the following:

- Olefins/polyolefins markets are forecast to exhibit growth in-line with global GDP – consumption is primarily driven by packaging, automotive and building and construction industries. Consumer spending and confidence tends to promote market consumption. Demand also benefits from the substitution of basic materials such as glass, metals, paper and card, which is more prevalent in emerging markets.
- Global butadiene market demand is driven by the auto sector and the production of tyres. High levels of demand are forecasted in emerging markets as car ownership continues to rise and increases in truck distribution. Supply of butadiene is expected to tighten as demand levels increase as a higher proportion of ethylene production is forecast to be derived from naphtha feedstock alternatives. This trend is influenced by increases in lighter feedstock cracking in the Middle East and North America (due to increased shale gas usage).
- Styrene demand, produced from benzene, is primarily driven by Expandable Polystyrene (EPS) and Acrylonitrile Butadiene Styrene (ABS). Consumption growth driven primarily by demand from packaging, automotive, construction and consumer goods (electrical/electronic) sectors. Material substitution in the polystyrene sector has resulted in lower demand growth. However, this has been partially off-set by strong growth for expandable polystyrene (EPS) and acrylonitrile butadiene styrene (ABS). Demand growth is highly focused in China, Taiwan and other parts of SEA.

2.2.2 Supply Side Fundamentals

The majority of new petrochemical capacity developments are focused in the United States, Middle East and Asia (primarily China). These developments are largely associated with competitive feedstock availability and can be summarised as follows:

- U.S. shale gas has resulted in increased feedstock supply, specifically ethane and other natural gas liquids. As a result, U.S. petrochemical feedstock prices have declined relative to most regions resulting in improved production competitiveness and a surge in new investment interest.
- Construction of new refineries in China is driving investment in naphtha cracking complexes. Additionally the country's coal to chemicals sector is also expanding rapidly based on MTO/ MTP technology. China is also developing various propane to propylene projects based on imported propane.
- The Middle East continues to expand its petrochemicals capacity based on available feedstocks within the region. However the pace of development has slowed as advantaged low cost feedstocks, such as ethane, are in tighter supply within the region. New capacity developments are being focused on heavier feedstocks (LPG and naphtha) and include refinery integration projects utilising naphtha.

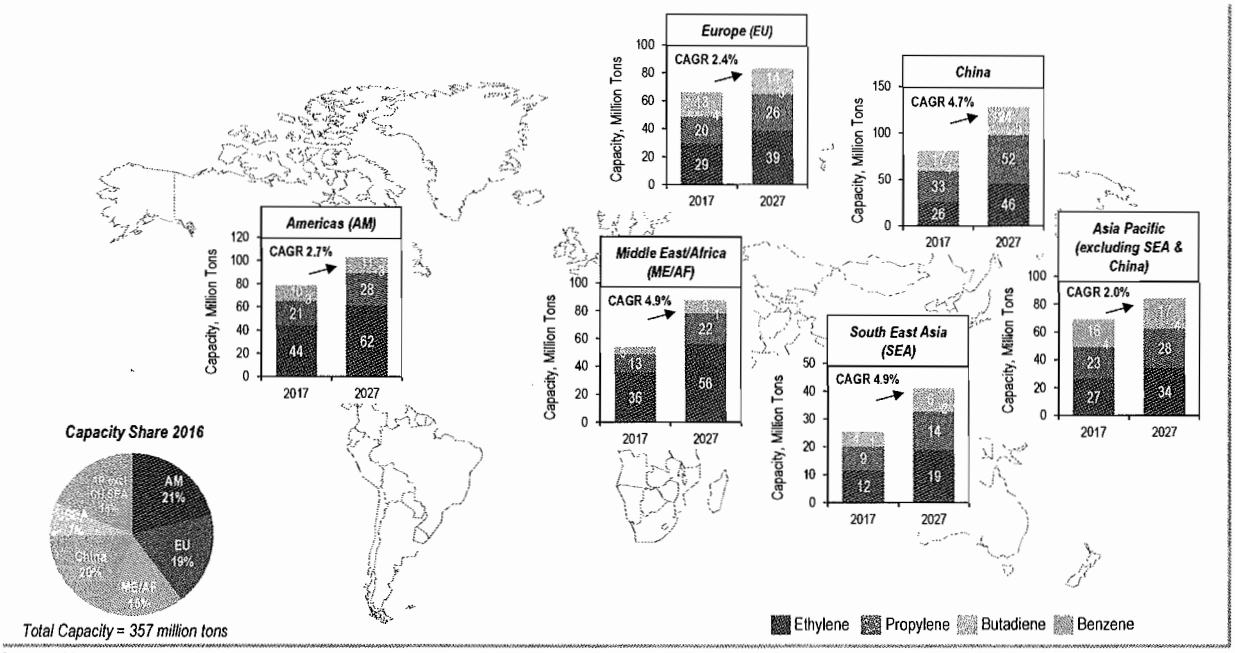
Global ethylene demand is forecast to grow at approximately 3.7 percent CAGR over the period 2017-2027. This is aligned with global GDP growth. On this basis actual consumption growth over the period is estimated at around 66 million tons and as a result, significant investment in new ethylene capacity would be required to meet market needs. Considering world scale cracker sizes of between 1.2-1.5 million tons per annum, total new cracker builds could be as high as 44-55 new ethylene plants.

Nexant forecasts firm total net ethylene capacity additions which is based on announced and planned projects that are likely or will be implemented of approximately 25 million tons over the period 2017-2027. This increase includes a number of projects that are already under construction or have passed final investment decision. Additional speculative capacity additions, which are projects which have yet to reach final investment decision, are also expected over this period. Speculative capacity additions may total up to a further 50-60 million tons per annum.

China has plans to develop both refinery/steam cracker projects as well as methanol-based olefin projects, most of which are being developed around coalfield methanol. Nexant forecasts that China will add approximately 5 million tons of additional ethylene capacity over the period 2017-2027.

China is also expanding domestic propylene capacity with a surge in propylene production in China from methanol and PDH (propane dehydrogenation). The bulk of the methanol-based propylene developments are in inland, coal-rich areas, whereas most of the PDH plants are in coastal areas giving access to imported propane. Some methanol-based plants have also chosen coastal locations however, as imported methanol pricing can be competitive with domestic methanol pricing, and using purchased methanol avoids the restrictive permitting procedures which affect oil and coal-based chemicals developments in China. Nexant forecasts that China alone will add approximately 19 million of additional propylene capacity over the period 2017-2027.

Figure 2.7 Olefins, Butadiene and Benzene Forecast Capacity Changes
(Million tons, 2017 vs 2027F)



Source: Nexant

The pace of new petrochemical investment in the Middle East has slowed in recent years. This slowdown is attributed to declining availability of additional low cost ethane throughout the region. The majority of current ethane supply is allocated to existing olefin projects. As a consequence new ethylene projects in the region are more likely to be based on mixed feedstock slates, including naphtha based projects. Nexant forecasts 17 million tons of additional ethylene capacity in the Middle East over the period 2017-2027. Over the forecast period, Nexant forecasts the addition of new projects in Iran with the total of around 3 million tons while other investments are forecast in Oman.

Shale gas in North America has reversed the fortunes of the region's petrochemical sector. This is especially true for existing petrochemical hubs in the U.S. Gulf Coast region which have high connectivity to the nation's gas infrastructure. Exploitation of shale gas reserves is resulting in increased natural gas supply and lower domestic gas pricing relative to global energy markets which remain driven by crude oil. Ethane supply, co-produced from natural gas extraction, is also increasing, It has minimum alternative value if not extracted from natural gas and hence its price is related to the low extraction costs to be monetized and used as feedstock in the petrochemicals industry. This results in lower feedstock costs for domestic ethylene producers and improved production competitiveness for many polymer and chemical intermediates sold into export regions.

Nexant forecasts between 13 million tons of additional ethylene capacity over the period 2017-2027 in North America. The total ethylene capacity expansion in the region is forecast at around 25 percent and consists of both new projects and expansions of existing crackers. Furthermore many existing crackers have been converted to lighter feedstocks to take advantage of low prevailing ethane pricing. However, Nexant notes that the competitive advantage on ethane has declined with the recent falling oil prices.

2.2.3 Feedstock Considerations

The majority of primary feedstocks employed for petrochemicals production are derived from crude oil refining or natural gas processing. Coal is also used in specific parts of the world such as China and South Africa but to a much lesser extent.

Oil production is a major source of chemical feedstock via the following routes:

- Associated gas production
- Co-products from refining (naphtha and LPG)

The principal products of interest from associated gas are natural gas liquids or NGLs (ethane, propane, butane and condensate). Ethane in particular has a high value as it could be extracted at low cost and monetized to produce a high value petrochemical product, and has limited other industrial applications. As a result ethane resulting from associated production oil production was flared (burnt and released to the atmosphere) at many sites before downstream petrochemical investments were realised. Flaring of ethane still takes place at some sites around the world where there is no demand from neighbouring chemicals 'plants.

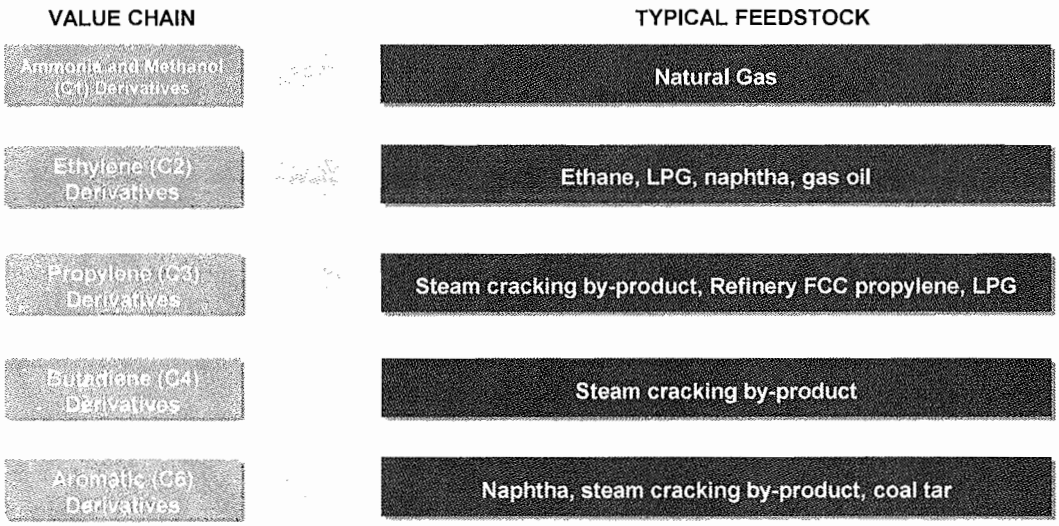
Propane and butane (LPG) can also be utilised as feedstocks for olefins production. However LPG's primary use is as a fuel for both residential and industrial usage.

Non associated gas also provides a source of natural gas liquids. However the composition of the natural gas stream is variable by different location. Rich streams are often referred to as 'wet gas' as they have a relatively high content of non-methane products whereas 'dry gas' has a high methane content and usually does not require further processing.

Refineries produce naphtha as a co-product which is also a valuable feedstock source for olefins and aromatics product. Naphtha also has an alternative use as a blend component for gasoline production. Hence some refineries consume naphtha on-site for this purpose.

The major feedstocks used in production of each of the primary petrochemical derivative chains are shown below.

Figure 2.8 Overview of Typical Petrochemical Feedstocks



C represents number of carbon molecules in chemical

New technology developments are also resulting in potential new opportunities for feedstocks including

- Gas to Liquids (GTL) which provides an additional source of naphtha.
- Coal to Liquids which produces syngas which can be converted into a range of different uses including methanol, ammonia and olefins.

MTO and MTP are relatively new technologies but typically provide a route from natural gas or coal to olefins. The large scale commercialisation of this type of project is taking place now in China for the first time.

Liquid based feedstock costs typically show a close correlation to crude oil prices. Gas based feedstock costs will depend upon whether the gas price formula is linked to crude oil pricing.

2.2.3.1 Feedstock Pricing

Global Naphtha Price

Naphtha price projections refer to "open spec" material with a minimum paraffin content of 65 percent. Asian price formation is typically linked to the Japanese import price (C&F Japan or MOPJ) with Singapore and Middle East pricing determined as netbacks from Japan (i.e. MOPJ minus logistic costs), based on the significant trade flow eastwards to Japan, particularly from the Middle East. Prices for naphtha in Singapore, Japan and the Middle East are quoted for naphtha streams whose quality conforms to the specifications in the "open-spec" naphtha contracts utilised by Japanese traders and others in the region. Sellers of more highly paraffinic naphtha – well suited to steam cracking, or highly aromatic heavy naphtha – suited to catalytic reforming, will typically achieve a premium to this pricing basis. The premium depends on economics of downstream processing, but can be as high as US$30-50 per ton.

Naphtha and gasoline prices are related by the economics of reforming (process of converting naphtha into a gasoline blendstock), and sets the floor naphtha price. As the relative demand for naphtha as a petrochemical feedstock increases, so naphtha values must increase, to attract more material away from reformers which are run principally to produce gasoline blendstocks.

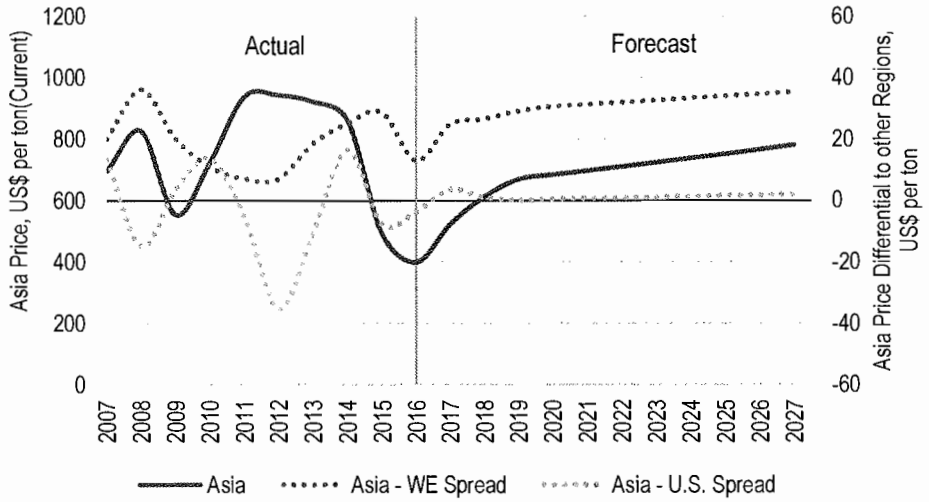
In recent times (2015 and 2016), the decline in crude oil prices have seen a decline in naphtha prices (as naphtha is a product from the refining of crude oil). Naphtha prices were also affected by competition from LPG feedstock. Asian petrochemical plants typically replace up to 15 percent of their naphtha feedstock with LPG when prices become favourable, usually during the middle of the year when LPG is not required for winter heating demand. Higher volumes of lower cost LPG feedstock from U.S. has been coming into Asia and competing with naphtha, reducing its price. In China, naphtha based olefins production capacity additions are expected to face competition from increasing use of coal and natural gas as feedstocks.

Asia's petrochemical industry faces impending regulatory requirements coupled with new capacity in the Middle East and the United States, which could negatively impact projected growth in the region. Thus, the Asian petrochemical industry may face downward pressure on margins due to the increase in global capacities and higher feedstock costs. But with prospects for the automotive and other manufacturing industries in Asia driving ongoing petrochemicals demand through the forecast period, regional naphtha demand is set to grow in tandem.

Asia's naphtha deficit is projected to grow through 2030 due to the region's higher demand for petrochemical feedstock, despite increased naphtha production from the Asian refinery capacity additions as a result of increased refinery petrochemical integration and increased processing of Middle East condensate in Asian refineries and condensate splitters. Strong demand growth in Asia, driven by increases in naphtha use as a steam cracker feedstock for olefins production, may support naphtha

prices in the medium term. Increases in naphtha use as a petrochemical feedstock are likely to be primarily driven by increases in its use as a steam cracker feedstock for olefins production, which will be linked to the region's steam cracker capacity additions.

Figure 2.9 Global Naphtha Prices



Source: Nexant

Naphtha prices in the United States are expected to be at slight premium over WE through the forecast. Naphtha prices in Asia are expected to remain above West European prices and support the naphtha trade flows between the Mediterranean and North Asia. Most Asian and Middle Eastern naphtha streams have a higher quality than the "open-spec" naphtha specifications. Sellers of more highly paraffinic naphtha – well suited to steam cracking, or highly aromatic heavy naphtha – suited to catalytic reforming, will typically achieve a premium to this pricing basis.

U.S. Ethane Price

U.S. ethane pricing, due to its exclusive use as a petrochemical feedstock, is highly dependent on the prices of competing petrochemical feedstocks as well as the price of natural gas from which it is extracted. In contrast, market prices for propane, butanes, and natural gasoline generally are relatively insensitive to the value of the natural gas from which they are extracted. Rather, their prices are influenced by competition with crude oil-derived products in markets where they compete as alternative fuels or petrochemical feedstocks.

The only significant use for ethane is as a steam cracker feedstock for the production of ethylene. Approximately 70 percent of the ethylene produced in the United States is derived from ethane and ethane/propane cracking. Ethane produced in oil refining is generally consumed as a fuel gas within the refinery.

The factors that influence ethane pricing are:

- Its value to a steam cracker operator;
- The cost of intentionally extracting it from natural gas; and
- More importantly, supply/demand balance.

The gas plant operator controls the supply based on how much ethane can be extracted economically and in accordance with contractual commitments, and the ethylene plant operator controls the demand

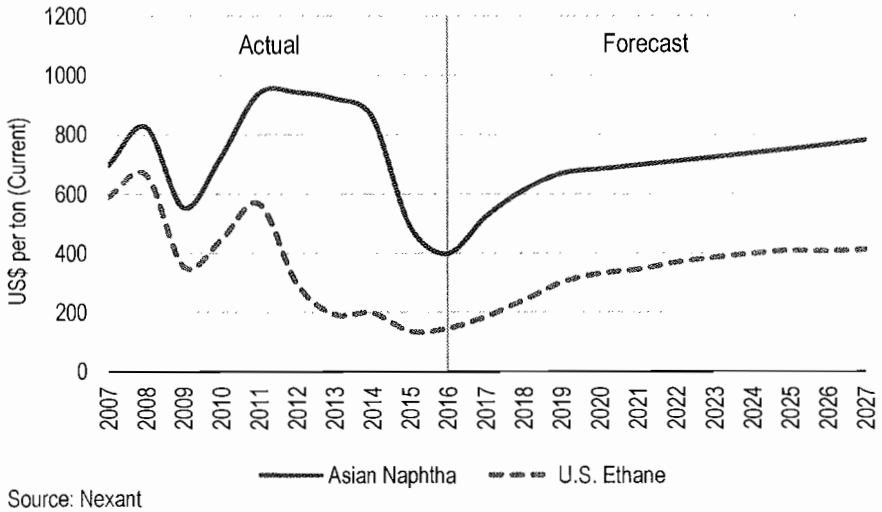
based on how much ethane can be cracked at a lower net variable cost than that achievable with alternative cracking feedstocks.

The U.S. Gulf Coast market price for ethane will vary between two limits of extracting the ethane and the price the steam cracker operator is willing to absorb. Those limits will be dependent upon:

- The supply of ethane available versus the incentive for the ethylene industry to use it.
- The price of the natural gas relative to fuel oil.
- The demand for ethylene.
- The cost of production of ethylene from alternative ethylene feedstocks (e.g., propane, butanes and naphtha).

Lower natural gas prices since 2008 have dramatically improved the attractiveness of recovering ethane from natural gas. Ethane prices are also highly dependent on ethane's value as a steam cracker feedstock relative to naphtha.

Figure 2.10 Asian Naphtha vs U.S. Ethane Prices



Source: Nexant

Ethane prices and its pricing relative to natural gas is projected to increase during the forecast to reflect a premium to its natural gas value as a result of increased demand for ethane from major steam cracker capacity additions and the development of ethane exports. Export infrastructure in the form of pipelines to Canada and export terminals has been developed on the U.S. Gulf and East Coasts that will result in major quantities of ethane being exported, which will also make a substantial contribution to U.S. ethane demand by 2017.

2.2.4 Petrochemicals Cost Position

The cost of producing petrochemicals varies greatly by location around the world. The principal factors in determining operating costs are linked to the cost of the prevailing feedstock. However, secondary cost advantages are associated with the following key points:

- Plant scale
- Utility costs
- Technology/complexity
- Co-product credit (valuation of by-products in production)
- Fixed costs (location issues)

Currently, the lowest cost olefin producers are based in the Middle East. Leader ethylene crackers in the region are typically 100 percent ethane-based, although recent capacity additions are on a mixed-feed cracker designs rather than on a 100 percent ethane feedstock basis. Ethane is usually supplied at a fixed price that is considerably below market price levels available in Europe or the U.S., with no linkage to the wider energy market.

With gas and ethane prices in North America currently falling to relatively low levels, gas-based ethylene facilities in North America are considerably more competitive than naphtha crackers in various regions. However, the ethane crackers in North America still incur slightly higher cash costs than the ethylene plants in locations such as Venezuela and Africa, where there is good accessibility to low cost feedstock gas.

Naphtha crackers in the world incur a range of cash costs; for example, naphtha crackers are estimated to be more competitive in Singapore and Thailand than in Japan and Western Europe.

Ethylene plants in China and Europe cracking gas oil and heavy feedstocks are broadly the high-cost producers in the global industry.

Ethylene is mainly produced from two different feedstocks (oil and gas) via steam cracking process. Oil-based ethylene feedstocks such as naphtha and condensate produce a greater proportion of propylene and butadiene per unit of ethylene produced while gas feedstocks such as ethane produce almost exclusively ethylene.

In general, naphtha-based plants offer the highest cost route to ethylene production (via steam cracking). These operations have no noticeable feedstock advantage and are highly capital intensive due to the complexity of the facility required to separate and utilise co-product streams.

Figure 2.11 Global Ethylene Cost Curve
(Cash Cost Basis: 2016, Brent Oil at US$44 per barrel)

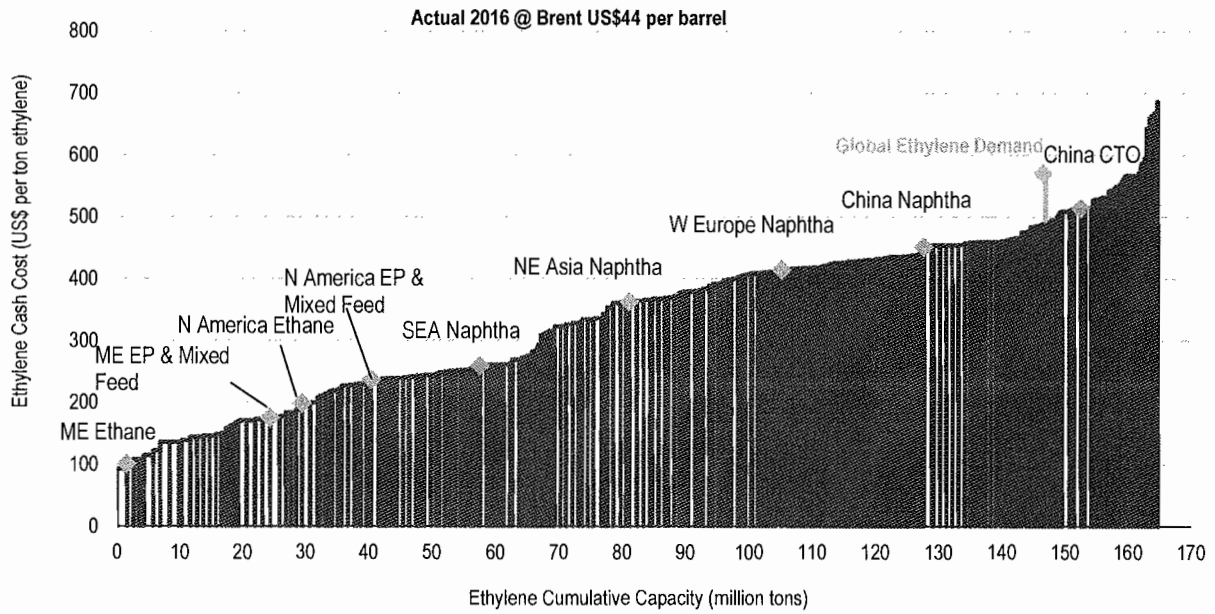
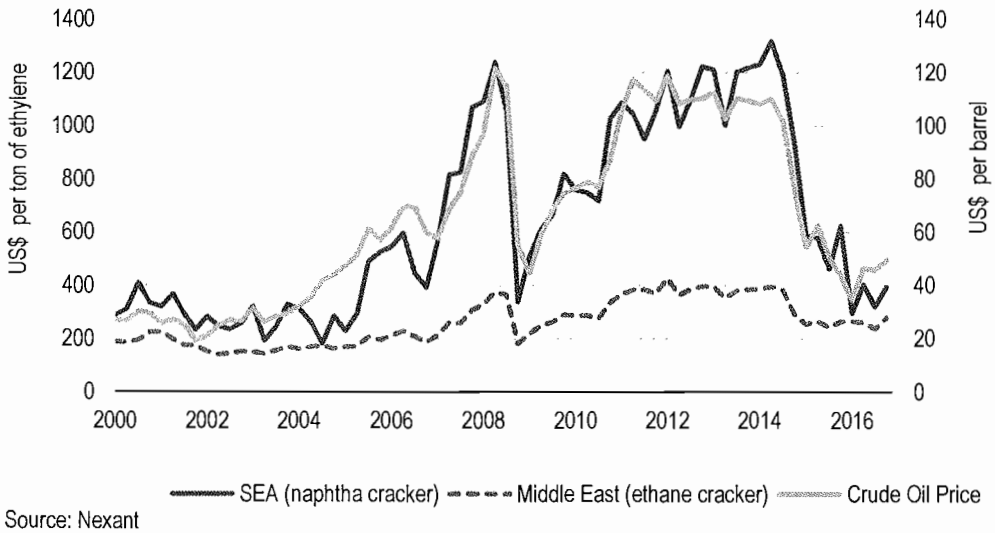


Figure 2.12 Impact of Crude Oil Pricing on Ethylene Production Costs
(Basis – Leader Cracker)



Source: Nexant

Prior to the rapid escalation in crude oil prices (before 2004), production cost comparisons between naphtha crackers and advantaged ethane crackers were more evenly matched. The average difference in production costs between a leader ethylene producer in the Middle East and a naphtha producer in SEA was approximately US$114 per ton of ethylene produced over the period 2000-2004, based on Nexant's analysis.

The difference in production costs between naphtha-based producers and ethane (stranded gas) producers increased greatly during 2005-2014 following the sharp escalation in crude oil pricing. The average difference in production costs between a leader ethylene producer in the Middle East and a SEAn naphtha producer increased to approximately US$430 per ton of ethylene produced over the period 2005-2014. Crude oil price volatility has continued to impact the global competitiveness structure of the industry. According to Nexant analysis, the cash cost spread between these two representative producers fell to around US$307 per ton in 2015 and US$93 per ton in 2016. When the crude oil price is high, ethylene producers with access to low cost gas feedstock are able to obtain a higher cash margin relative to an ethylene producer based on naphtha feedstock. During times of lower crude oil pricing, naphtha prices are lowered, increasing the competitiveness of naphtha based crackers relative to gas based crackers as observed presently. It is noted that whilst ethane based producers experience a strong advantage during periods of higher crude oil prices, naphtha based producers continue to set the basis for ethylene pricing, representing the marginal producers and a major proportion of the industry.