

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****Notes to the consolidated financial statements****1. Corporate information**

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 6th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur. The principal place of business of the Company is located at PLO 312, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor.

On 28 March 2017, the Company was converted to a public company. Accordingly, its name changed from Lotte Chemical Titan Holding Sdn. Bhd. to Lotte Chemical Titan Holding Berhad.

The Company is an investment holding company. The principal activities of the subsidiaries are disclosed in Note 33. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries for the financial years ended 31 December 2014, 2015 and 2016.

The Company's ultimate holding company is Lotte Chemical Corporation, a company incorporated in Republic of Korea.

2. Summary of significant accounting policies**2.1 Basis of preparation**

These financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis other than as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM"). Except when indicated otherwise, all values are rounded to the nearest thousand (RM'000).

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.2 Standards issued but not yet effective

The Standards, Amendments, Annual Improvements and IC Interpretation that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these Standards, Amendments, Annual Improvements and IC Interpretation, if applicable, when they become effective.

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017
Annual Improvements to MFRSs 2014-2016 Cycle	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors anticipate that the abovementioned Standards, Amendments, Annual Improvements and IC Interpretation will be adopted in the financial statements of the Group when they have become effective and that the adoption of these standards will have no material impact on the amounts reported in the financial statements of the Group in the period of initial application except as discussed below:

MFRS 107: Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107: Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

13. ACCOUNTANTS' REPORT (Cont'd)



Building a better
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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.2 Standards issued but not yet effective (cont'd)

MFRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments to MFRS 2 address three main areas:

- (a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- (b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- (c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.2 Standards issued but not yet effective (cont'd)

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The directors anticipate that the application of MFRS 15 in the future should not have a significant impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to estimate the full extent of the impact of adopting MFRS 15 until the Group completes a detailed review.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.2 Standards issued but not yet effective (cont'd)****MFRS 9 Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The directors anticipate that the application of MFRS 9 in the future may have an impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group completes a detailed review.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effect of MFRS 16 on its financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.4 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.4 Business combination and goodwill (cont'd)**

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Investment in associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.6 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.7 Fair value measurement

The Group measures derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.7 Fair value measurement (cont'd)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

13. ACCOUNTANTS' REPORT (Cont'd)**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.8 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest income

Interest income is recognised by using the effective interest method.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Commission income

Commission income from services is recognised in profit or loss as and when services are rendered.

2.9 Taxes**(i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.9 Taxes (cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

13. ACCOUNTANTS' REPORT (Cont'd)



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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(ii) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.10 Foreign currency****(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements are presented in Ringgit Malaysia (RM).

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

13. ACCOUNTANTS' REPORT (Cont'd)Building a better
working world**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.10 Foreign currency (cont'd)****(iii) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 22) for further information about the recorded decommissioning provision.

Turnarounds, which are periodic scheduled major maintenance and refurbishment to bring the plant to its original capabilities, are typically carried out every 3 to 5 years.

Turnaround costs, including allocated costs in bringing the turnaround to its completion are capitalised and amortised over a period of 60 months commencing from the month subsequent to the completion of the turnaround where the economic benefits associated with the turnaround will flow to the entity.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.11 Property, plant and equipment (cont'd)

In the event that the next turnaround takes place earlier than the 60 months period, the carrying amount capitalised in the statement of financial position is derecognised immediately in the profit or loss prior to the commencement of the next turnaround.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Leasehold land	1.8% - 6.3%
Buildings	2% - 10%
Plant and support facilities	3.3% to 33%
Computers, office and other equipment	10% - 33%

Construction in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.12 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

13. ACCOUNTANTS' REPORT (Cont'd)**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.12 Leases (cont'd)*****Group as a lessee***

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.13 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

The Group does not have any financial assets classified as held-to-maturity investments or AFS financial assets.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

- Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

13. ACCOUNTANTS' REPORT (Cont'd)



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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group assesses whether impairment exists for financial assets on an individual basis.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the statement of profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

13. ACCOUNTANTS' REPORT (Cont'd)



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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

- Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

13. ACCOUNTANTS' REPORT (Cont'd)



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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd)

2.15 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and cross currency swaps to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using weighted average basis. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.17 Impairment of non-financial assets (cont'd)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of statement of the cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables.

2.19 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd)****2.20 Provisions****(a) General**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(b) Decommissioning liability

The Group records a provision for decommissioning costs of its manufacturing facility. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risk specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the assets.

2.21 Employee benefits**(i) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad (Incorporated in Malaysia)

2. Summary of significant accounting policies (cont'd)

2.21 Employee benefits (cont'd)

(ii) Defined benefit plans

The Group's subsidiaries in Indonesia are required to provide defined benefit plans to eligible employees under legislative requirements or industry arrangements.

The costs of providing benefits under defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The past service cost is recognised as an expense at the earlier of the date of the plan amendment or curtailment and the date that the Group recognises related restructuring costs.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

3. Significant accounting estimates and judgements (cont'd)

The key judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of its property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technology developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits to be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(c) Provisions

The Group has recognised a provision for dismantling and removing its manufacturing facilities from its leased sites. In determining the amount of the provision, assumptions and estimates are made in relation to the discount rate applied, expected dismantling and removal costs (which will incorporate expected future inflation rates), and expected timing of those costs. These estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

Further details on the key assumptions are disclosed in Note 22.

(d) Inventories

Inventories are written down based on an assessment of their net realisable value. When estimating the net realisable value of inventories, management considers all the facts relating to the inventories and the operating environment at the time the estimates are made. Where the actual realised values of the inventories differ from the original estimate, such differences will be taken to profit or loss in the period in which the inventories are sold.

13. ACCOUNTANTS' REPORT (Cont'd)



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Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

3. Significant accounting estimates and judgements (cont'd)

(e) Investment in associate

In 2012, the Group acquired a 10% equity stake in Lotte UBE Synthetic Rubber Sdn. Bhd. ("LUSR"). Based on the shareholders' agreement signed between the shareholders of LUSR, LUSR's board of directors shall consist of six directors, of which the Group is entitled to appoint one director. Further to the above, the Group is also a key supplier of raw materials and utilities to LUSR. Given the above, the directors have judged that the Group is able to exercise significant influence over LUSR and has accordingly accounted for its investment in LUSR as an associate.

4. Revenue

	2016 RM'000	2015 RM'000	2014 RM'000
Sales of goods	8,136,628	8,147,847	8,611,229

5. Finance costs

	2016 RM'000	2015 RM'000	2014 RM'000
Interest expense on:			
- Term loan	2,016	2,467	8,818
- Sukuk Ijarah (Islamic Bond)	-	2,847	6,779
- Bond	-	1,039	2,474
- Short term borrowings	199	958	4,070
	2,215	7,311	22,141
Bank charges	2,597	2,825	2,615
Letter of credit charges	1,683	3,076	6,706
Unwinding of discount on provision (Note 22)	8,322	9,244	7,727
Other finance costs	259	427	1,885
	15,076	22,883	41,074

13. ACCOUNTANTS' REPORT (Cont'd)

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Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

6. Profit before tax

	2016 RM'000	2015 RM'000	2014 RM'000
Profit before tax is arrived at after charging/(crediting):			
Depreciation of property, plant and equipment (Note 11)	398,363	420,959	338,996
Employee benefits expense (Note 7)	170,618	148,094	117,411
Operating leases, minimum lease payments for:			
- Storage terminals	9,566	10,029	9,628
- Warehouse and hostels	2,097	1,836	1,608
- Equipment and other assets including vehicles, road, office building, apartments, car park etc.	10,951	11,832	6,692
(Gain)/Loss on foreign exchange:			
- Realised	(5,402)	54,997	8,293
- Unrealised	26,528	29,734	(7,060)
Amortisation of prepaid lease payments (Note 12)	2,147	1,984	1,231
Auditors' remuneration:			
- Statutory audits	751	705	611
- Other services	366	334	298
Inventories written off	481	12	1,788
Property, plant and equipment written off	49,171	11,136	13,079
(Gain)/Loss on disposal of property, plant and equipment	(11)	(976)	57
Lease rental income	(2,037)	(851)	(403)
(Reversal of impairment loss)/impairment loss on:			
- Trade receivables	(221)	(320)	1,457
- Other receivables	67	-	(146)
(Reversal of write-down)/Write-down of inventories to net realisable value	(3,630)	(3,488)	2,827
Bad debts written off	-	-	242
Bad debts recovered	(11)	-	(26)
Fair value changes in derivatives	5,418	(28,143)	(2,398)

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
7. Employee benefits expense

	2016	2015	2014
	RM'000	RM'000	RM'000
Wages and salaries	151,340	130,714	103,260
Defined contribution plan	15,203	14,331	11,282
Defined benefit plan (Note 25)	2,662	1,940	1,842
Social security contributions	1,413	1,109	1,027
	<u>170,618</u>	<u>148,094</u>	<u>117,411</u>

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM1,560,000 (2015 : RM920,000; 2014 : RM747,000) as disclosed in Note 8.

8. Key management personnel compensation

	2016	2015	2014
	RM'000	RM'000	RM'000
Directors of the Company			
Executive:			
Bonus and allowances	1,560	920	747
Benefits-in-kind	437	303	169
	<u>1,997</u>	<u>1,223</u>	<u>916</u>
Non-executive:			
Fees	90	90	97
Allowances	5	4	15
	<u>95</u>	<u>94</u>	<u>112</u>
Other directors of subsidiaries			
Executive:			
Salaries	1,127	1,211	1,531
Bonus and allowances	975	1,116	1,334
Benefits-in-kind	487	295	460
	<u>2,589</u>	<u>2,622</u>	<u>3,325</u>
Other key management			
Executive:			
Bonus and allowances	18	276	170
Benefits-in-kind	27	348	214
	<u>45</u>	<u>624</u>	<u>384</u>
	<u>4,726</u>	<u>4,563</u>	<u>4,737</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
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Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)
9. Income tax

	2016	2015	2014
	RM'000	RM'000	RM'000
Current tax expense			
Current year	12,502	9,302	3,221
Overprovision in prior year	(5,844)	(18)	(966)
	<u>6,658</u>	<u>9,284</u>	<u>2,255</u>
Deferred tax expenses (Note 14)			
Origination and reversal of temporary differences	380,216	417,058	24,602
Underprovision in prior year	7,240	9,766	11,163
	<u>387,456</u>	<u>426,824</u>	<u>35,765</u>
Total income tax recognised in profit or loss	<u>394,114</u>	<u>436,108</u>	<u>38,020</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%; 2014: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows:

	2016	2015	2014
	RM'000	RM'000	RM'000
Profit before tax	<u>1,710,194</u>	<u>1,050,177</u>	<u>17,805</u>
Tax at Malaysian statutory tax rate of 24% (2015: 25%, 2014: 25%)	410,447	262,544	4,451
Tax effects of:			
Expenses not deductible for tax purposes	16,563	17,023	5,484
Income not subject to tax	(31,442)	(38,112)	(43,465)
Different tax rates in other countries	(225)	2	(15)
Deferred tax recognised at different tax rates	-	10,458	1,422
Deferred tax adjustments arising from translation of tax bases of qualifying assets, unused tax losses and other allowances to functional currency of a subsidiary	(2,625)	168,752	57,866
Unused tax losses not recognised as deferred tax assets	-	5,693	2,080
(Over)/Underprovision in prior year			
- Current tax	(5,844)	(18)	(966)
- Deferred tax	7,240	9,766	11,163
Income tax recognised in profit or loss	<u>394,114</u>	<u>436,108</u>	<u>38,020</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
9. Income tax (cont'd)

In 2006, a subsidiary of the Group was granted the International Procurement Centre ("IPC") tax incentive from Malaysian Industrial Development Authority ("MIDA"). Under the IPC tax incentive, income arising from qualifying activities of the subsidiary was exempt from tax for a period of 10 years commencing on 1 January 2007. The tax incentive expired on 31 December 2016.

During the financial year ended 31 December 2016, a subsidiary of the Group was granted the Principal Hub Incentive which entitles it to full income tax exemption by the relevant authority on the income arising from its Principal Hub activities for a period of 5 years commencing 1 January 2017.

10. Earnings/(loss) per share ("EPS")

Basic and diluted EPS are calculated by dividing net profit/(loss) for the year attributable to the owner of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2016	2015	2014
Net profit/(loss) attributable to the owner of the parent (RM'000)	<u>1,315,386</u>	<u>613,211</u>	<u>(19,198)</u>
Weighted average number of ordinary shares at the end of the year ('000)	<u>1,727,792</u>	<u>1,727,792</u>	<u>1,727,792</u>
Basic and diluted EPS (sen)	<u>76.13</u>	<u>35.49</u>	<u>(1.11)</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
11. Property, plant and equipment

	Land and buildings RM'000	Plant and support facilities RM'000	Computers, office and other equipment RM'000	Construction- in-progress RM'000	Total RM'000
Cost					
At 1 January 2014	427,286	6,048,552	60,019	281,323	6,817,180
Additions	-	291	100	154,091	154,482
Write off	(101)	(30,433)	(471)	-	(31,005)
Disposals	-	-	(240)	-	(240)
Reclassification	-	9,238	-	(17,540)	(8,302)
Adjustment*	-	76,547	-	-	76,547
Transfers	101	298,511	4,564	(303,176)	-
Exchange differences	26,766	403,795	4,010	7,051	441,622
At 31 December 2014	454,052	6,806,501	67,982	121,749	7,450,284
Additions	-	9,753	571	147,284	157,608
Write off	-	(28,648)	(253)	-	(28,901)
Disposals	-	(1,597)	-	-	(1,597)
Reclassification	-	-	-	(601)	(601)
Adjustment*	-	(83,366)	-	-	(83,366)
Transfers	-	105,607	1,080	(106,687)	-
Exchange differences	104,401	1,581,693	15,740	18,709	1,720,543
At 31 December 2015	558,453	8,389,943	85,120	180,454	9,213,970
Additions	-	888	50	1,000,075	1,001,013
Write off	(1,549)	(141,409)	(562)	-	(143,520)
Disposals	-	-	(149)	-	(149)
Reclassification	-	1,822	-	-	1,822
Adjustment*	-	26,909	-	-	26,909
Transfers	41	20,326	1,142	(21,509)	-
Exchange differences	24,280	365,189	3,737	80,107	473,313
At 31 December 2016	581,225	8,663,668	89,338	1,239,127	10,573,358

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
11. Property, plant and equipment (cont'd)

	Land and buildings RM'000	Plant and support facilities RM'000	Computers, office and other equipment RM'000	Construction- in-progress RM'000	Total RM'000
Accumulated depreciation					
At 1 January 2014	153,644	3,431,368	43,680	-	3,628,692
Depreciation charge (Note 6)	11,931	319,826	7,239	-	338,996
Write off	(52)	(17,405)	(469)	-	(17,926)
Disposals	-	-	(83)	-	(83)
Exchange differences	10,471	237,147	3,214	-	250,832
At 31 December 2014	175,994	3,970,936	53,581	-	4,200,511
Depreciation charge (Note 6)	14,087	397,955	8,917	-	420,959
Write off	-	(17,512)	(253)	-	(17,765)
Disposals	-	(1,360)	-	-	(1,360)
Exchange differences	42,100	959,851	13,306	-	1,015,257
At 31 December 2015	232,181	5,309,870	75,551	-	5,617,602
Depreciation charge (Note 6)	15,106	380,587	2,670	-	398,363
Write off	(750)	(93,037)	(562)	-	(94,349)
Disposals	-	-	(149)	-	(149)
Exchange differences	11,370	258,234	3,464	-	273,068
At 31 December 2016	257,907	5,855,654	80,974	-	6,194,535
Net carrying amount					
At 31 December 2014	278,058	2,835,565	14,401	121,749	3,249,773
At 31 December 2015	326,272	3,080,073	9,569	180,454	3,596,368
At 31 December 2016	323,318	2,808,014	8,364	1,239,127	4,378,823

* Adjustment arising from changes in measurement of estimated costs for dismantling and removal.

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
11. Property, plant and equipment (cont'd)

The carrying amount of land and buildings comprise:

	2016 RM'000	2015 RM'000	2014 RM'000
Long term leasehold land	227,738	225,239	188,860
Buildings	95,580	101,033	89,198
	<u>323,318</u>	<u>326,272</u>	<u>278,058</u>

During the financial year ended 31 December 2016, spare parts amounting to RM1,822,000 were reclassified from inventories to property, plant and equipment as they meet the definition of property, plant and equipment under MFRS 116 Property, Plant and Equipment.

During the financial year ended 31 December 2015, spare parts amounting to RM 601,000 (2014: RM8,302,000) were reclassified from property, plant and equipment to inventories as they do not meet the definition of property, plant and equipment under MFRS 116 Property, Plant and Equipment.

12. Prepaid lease payments

	2016 RM'000	2015 RM'000	2014 RM'000
Cost of leasehold lands:			
At 1 January	51,949	41,360	17,802
Addition	-	890	20,625
Exchange differences	2,272	9,699	2,933
At 31 December	<u>54,221</u>	<u>51,949</u>	<u>41,360</u>
Accumulated amortisation:			
At 1 January	14,959	10,363	8,510
Amortisation for the year (Note 6)	2,147	1,984	1,231
Exchange differences	837	2,612	622
At 31 December	<u>17,943</u>	<u>14,959</u>	<u>10,363</u>
Carrying amount			
At 31 December	<u>36,278</u>	<u>36,990</u>	<u>30,997</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

13. Investment in associates

	2016 RM'000	2015 RM'000	2014 RM'000
Unquoted equity shares, at cost	1,407,088	18,405	18,405
Group's share of post-acquisition reserves	(10,806)	(5,492)	(937)
Exchange differences	155,835	-	-
	<u>1,552,117</u>	<u>12,913</u>	<u>17,468</u>

Details of the Group's associates at the end of the reporting period are as follows:

Names of associates	Country of incorporation	Proportion of ownership			Principal activities
		2016 %	2015 %	2014 %	
Lotte UBE Synthetic Rubber Sdn. Bhd. ("LUSR")	Malaysia	10	10	10	Manufacture and sales of synthetic rubber
Lotte Chemical USA Corp. ("LCUC")	United States	40	-	-	Investment holding

Acquisition of new associate

During the financial year ended 31 December 2016, the Group subscribed for 80 ordinary shares in Lotte Chemical USA Corp. ("LCUC") for a total consideration of RM1,388,682,800, representing 40% equity interest in LCUC. Upon completion of the share subscription, LCUC became an associate of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
13. Investment in associates (cont'd)
Summarised financial information on associates

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information represent the amounts in the financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statement of financial position

	LUSR RM'000	LCUC RM'000	Total RM'000
At 31 December 2014			
Current assets	33,009	-	33,009
Non-current assets	408,842	-	408,842
Current liabilities	(9,499)	-	(9,499)
Non-current liabilities	(237,626)	-	(237,626)
Equity attributable to shareholders	<u>194,726</u>	<u>-</u>	<u>194,726</u>
Proportion of the Group's ownership interest in the associate	10%		
Equity attributable to the Group	19,473	-	19,473
Other adjustments	(2,005)	-	(2,005)
Carrying amount of the investment	<u>17,468</u>	<u>-</u>	<u>17,468</u>
At 31 December 2015			
Current assets	53,432	-	53,432
Non-current assets	550,692	-	550,692
Current liabilities	(119,042)	-	(119,042)
Non-current liabilities	(292,264)	-	(292,264)
Equity attributable to shareholders	<u>192,818</u>	<u>-</u>	<u>192,818</u>
Proportion of the Group's ownership interest in the associate	10%		
Equity attributable to the Group	19,282	-	19,282
Other adjustments	(6,369)	-	(6,369)
Carrying amount of the investment	<u>12,913</u>	<u>-</u>	<u>12,913</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

13. Investment in associates (cont'd)

Summarised financial information on associates

(i) Summarised statement of financial position (cont'd)

	LUSR RM'000	LCUC RM'000	Total RM'000
At 31 December 2016			
Current assets	93,049	200,371	293,420
Non-current assets	546,455	3,651,814	4,198,269
Current liabilities	(236,082)	(17,159)	(253,241)
Non-current liabilities	(261,470)	-	(261,470)
Equity attributable to shareholders	<u>141,952</u>	<u>3,835,026</u>	<u>3,976,978</u>
Proportion of the Group's ownership interest in the associate	10%	40%	
Equity attributable to the Group	14,195	1,534,010	1,548,205
Other adjustments	-	3,912	3,912
Carrying amount of the investment	<u>14,195</u>	<u>1,537,922</u>	<u>1,552,117</u>

(ii) Summarised statement of comprehensive income

	LUSR RM'000	LCUC RM'000	Total RM'000
Year ended 31 December 2014			
Interest income	358	-	358
Other operating income	227	-	227
Administrative expenses	(7,770)	-	(7,770)
Interest expense	(15)	-	(15)
Income tax expense	(101)	-	(101)
Loss for the year	<u>(7,301)</u>	<u>-</u>	<u>(7,301)</u>
Group's share of results for the year	(730)	-	(730)
Other adjustments	(40)	-	(40)
Amount recognised in profit or loss	<u>(770)</u>	<u>-</u>	<u>(770)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
13. Investment in associates (cont'd)
(ii) Summarised statement of comprehensive income (cont'd)

	LUSR RM'000	LCUC RM'000	Total RM'000
Year ended 31 December 2015			
Revenue	18,318	-	18,318
Cost of goods sold	(51,322)	-	(51,322)
Interest income	105	-	105
Other operating income	2,445	-	2,445
Distribution expenses	(696)	-	(696)
Administrative expenses	(8,831)	-	(8,831)
Interest expense	(1,819)	-	(1,819)
Income tax expense	(26)	-	(26)
Loss for the year	<u>(41,826)</u>	<u>-</u>	<u>(41,826)</u>
Group's share of results for the year	(4,183)	-	(4,183)
Other adjustments	(369)	-	(369)
Amount recognised in profit or loss	<u>(4,552)</u>	<u>-</u>	<u>(4,552)</u>
Year ended 31 December 2016			
Revenue	84,150	-	84,150
Cost of goods sold	(120,774)	-	(120,774)
Interest income	134	1,696	1,830
Other operating income	1,311	-	1,311
Distribution expenses	(2,016)	-	(2,016)
Administrative expenses	(11,342)	(701)	(12,043)
Interest expense	(6,084)	-	(6,084)
Income tax expense	(27)	(598)	(625)
Loss for the year	<u>(54,648)</u>	<u>397</u>	<u>(48,167)</u>
Group's share of results for the year	(5,465)	159	(5,306)
Other adjustments	(11)	3	(8)
Amount recognised in profit or loss	<u>(5,476)</u>	<u>162</u>	<u>(5,314)</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
14. Deferred tax assets and liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	2016 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	(588,733)	(635,814)	(548,463)
Provisions	20,009	15,522	25,068
Derivative financial instruments	(439)	-	-
Unused capital allowances	-	-	109,791
Unused investment tax allowances	200,531	635,899	790,397
Unused tax losses	4,352	35,986	43,657
Net deferred tax (liabilities)/assets	<u>(364,280)</u>	<u>51,593</u>	<u>420,450</u>

Deferred tax balances are presented in the statement of financial position after appropriate offsetting as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	160	121,075	463,475
Deferred tax liabilities	(364,440)	(69,482)	(43,025)
Net deferred tax (liabilities)/assets	<u>(364,280)</u>	<u>51,593</u>	<u>420,450</u>

Unrecognised tax losses

At 31 December 2016, the Group has unused tax losses of approximately RM4,326,000 (2015: RM34,393,000; 2014: RM12,338,000) that are available for offset against future taxable profits of the companies in which the losses arose, but for which no deferred tax asset is recognised due to uncertainty over its realisation.

The availability of unused tax losses for offsetting against future taxable profits of the subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the countries in which the subsidiaries operate.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
14. Deferred tax assets and liabilities (cont'd)

Movements in temporary differences during the year:

Group	Property, plant and equipment RM'000	Provisions RM'000	Derivative financial instruments RM'000	Unused capital allowances RM'000	Unused investment tax allowances RM'000	Unused tax losses RM'000	Total RM'000
At 1 January 2014	(549,724)	19,527	-	119,873	790,397	50,722	430,795
Recognised in profit or loss (Note 9)	34,263	4,157	-	(16,705)	(47,743)	(9,737)	(35,765)
Exchange difference	(33,002)	1,384	-	6,623	47,743	2,672	25,420
At 31 December 2014	(548,463)	25,068	-	109,791	790,397	43,657	420,450
Recognised in profit or loss (Note 9)	35,635	(14,647)	-	(123,555)	(307,365)	(16,892)	(426,824)
Exchange difference	(122,986)	5,101	-	13,764	152,867	9,221	57,967
At 31 December 2015	(635,814)	15,522	-	-	635,899	35,986	51,593
Recognised in profit or loss (Note 9)	69,815	2,952	(260)	-	(428,956)	(31,007)	(387,456)
Recognised in other comprehensive income	-	443	-	-	-	-	443
Exchange difference	(22,734)	1,092	(179)	-	(6,412)	(627)	(28,860)
At 31 December 2016	(588,733)	20,009	(439)	-	200,531	4,352	(364,280)

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
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Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)
15. Inventories

	2016	2015	2014
	RM'000	RM'000	RM'000
At cost			
Raw materials	363,328	118,152	122,627
Work-in-progress	30,324	42,528	80,278
Consumables	421,030	406,708	331,718
Finished goods	332,390	282,706	238,674
	<u>1,147,072</u>	<u>850,094</u>	<u>773,297</u>
At net realisable value			
Raw materials	-	268,684	329,659
Finished goods	-	68,507	161,399
	<u>1,147,072</u>	<u>1,187,285</u>	<u>1,264,355</u>

The reversal of write-down of inventories disclosed in Note 6 arose when the subsequent selling prices or the estimated net realisable values of the related inventories exceeded their carrying amounts.

16. Trade and other receivables

	2016	2015	2014
	RM'000	RM'000	RM'000
Trade receivables			
Third parties	795,547	686,230	691,206
Due from ultimate holding company	17,757	13,335	11,145
Due from related companies	21,452	14,936	15,825
Due from associate company	25,786	4,179	3,074
	<u>860,542</u>	<u>718,680</u>	<u>721,250</u>
Impairment loss on trade receivables	-	(230)	(1,584)
	<u>860,542</u>	<u>718,450</u>	<u>719,666</u>
Other receivables			
Sundry deposits	10,143	6,056	5,760
Sundry receivables	271,771	117,080	74,344
Due from ultimate holding company	163	10,842	2,851
Due from related companies	-	408	-
Short-term loan to a related company	-	-	11,488
Due from associate company	802	1,076	2,771
	<u>282,879</u>	<u>135,462</u>	<u>97,214</u>
Impairment loss on other receivables	(75)	-	-
	<u>282,804</u>	<u>135,462</u>	<u>97,214</u>
Total trade and other receivables	<u>1,143,346</u>	<u>853,912</u>	<u>816,880</u>

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

16. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 45 day (2015: 30 to 45 day; 2014: 30 to 45 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. These amounts are unsecured and interest-free except for an amount of approximately RM25,786,000 (2015 : RM4,179,000; 2014 : RM3,074,000) due from an associate which is repayable within 60 days (2015: 60 days; 2014: 60 days) and bears late payment interest ranging from 1.635% to 7.50% (2015: 1.427% to 7.85%; 2014: 7.85%) per annum.

The ageing analysis of the Group's trade receivables is as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	788,045	656,665	620,371
1 to 30 days past due not impaired	66,573	61,066	92,160
31 to 90 days past due not impaired	5,924	718	6,445
Past due more than 90 days not impaired	-	1	690
	72,497	61,785	99,295
Impaired	-	230	1,584
	<u>860,542</u>	<u>718,680</u>	<u>721,250</u>

(i) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of these balances have been renegotiated during the financial year.

(ii) Receivables that are past due but not impaired

The Group has trade receivables amounting to RM72,497,000 (2105 : RM61,785,000; 2014 : RM99,295,000) that are past due at the reporting date but not impaired. Although these balances are unsecured, the management is confident on their recovery as they are mostly due from long-term customers with good payment records.

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

16. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

(iii) Receivables that are impaired

At 31 December 2015, trade receivables with an initial carrying value of RM230,000 (2014: RM1,584,000) were individually impaired and fully provided for. See below for the movement in the provision for impairment of trade receivables:

	2016 RM'000	2015 RM'000	2014 RM'000
At beginning of year	230	1,584	-
(Reversal of impairment loss)/ Impairment loss recognised (Note 6)	(221)	(320)	1,457
Impairment loss written off	-	(1,371)	-
Exchange differences	(9)	337	127
At end of year	<u>-</u>	<u>230</u>	<u>1,584</u>

Trade receivables that are individually determined to be impaired in the previous financial years relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables

Other receivables are unsecured and interest-free except for an amount of approximately RM573,000 (2015: RM798,000; 2014: RMNil) due from an associate which is repayable within 60 days (2015: 60 days; 2014: 60 days) and bears late payment interest ranging from 1.635% to 7.50% (2015: 1.427% to 7.85%; 2014: 5.85%) per annum.

The movement in the provision for impairment of other receivables is as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
At beginning of year	-	-	155
Impairment loss recognised	67	-	(146)
Exchange differences	8	-	(9)
At end of year	<u>75</u>	<u>-</u>	<u>-</u>

Other receivables that are individually determined to be impaired relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

17. Cash and bank balances

	2016 RM'000	2015 RM'000	2014 RM'000
Cash on hand and at banks	<u>1,040,344</u>	<u>1,511,001</u>	<u>184,001</u>

18. Share capital and reserves

	2016 '000	No. of shares 2015 '000	2014 '000
Authorised:			
Ordinary shares of RM1 each			
At beginning and end of the financial year	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
	2016 RM'000	Amount 2015 RM'000	2014 RM'000
Issued and fully paid :			
Ordinary shares of RM1 each			
At beginning and end of the financial year	<u>1,727,792</u>	<u>1,727,792</u>	<u>1,727,792</u>

Share premium

Share premium arose from the issuance of ordinary shares at a premium during previous financial years. The share premium account may be applied for purposes set out in Section 60 of the Companies Act, 1965.

Implementation of Companies Act 2016

On 31 January 2017, the Companies Act 2016 ("CA 2016) came into operation. Consequently, entities shall comply with CA 2016 in the preparation of financial statements for the financial year ending on or after 31 January 2017.

Section 74 of CA 2016 states that all shares issued before or after 31 Jan 2017 shall have no par or nominal value. CA 2016 provides certain transitional provisions relating to the abolition of nominal value. Section 618(2) of CA 2016 states that upon the commencement of Section 74 of CA 2016, the share premium account and capital redemption reserve shall become part of share capital.

On 31 January 2017, the amounts in the share premium account and capital redemption reserves of the Company amounting to RM294,113,000 and RM24,908,000 (Note 19) respectively were transferred to share capital of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)


Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)
19. Other reserves

	2016	2015	2014
	RM'000	RM'000	RM'000
Non-distributable			
Foreign currency translation reserve	1,918,842	1,514,639	409,400
Capital redemption reserves	24,908	24,908	24,908
	<u>1,943,750</u>	<u>1,539,547</u>	<u>434,308</u>

The movements of each category of the reserves are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Foreign currency translation reserve

Exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences arising from monetary items which form part of the Group's net investments in foreign operations are included in the foreign currency translation reserve.

(b) Capital redemption reserve

The capital redemption reserve arose from the cancellation of treasury shares in accordance with Section 67A of the Companies Act, 1965.

20. Loans and borrowings

	2016	2015	2014
	RM'000	RM'000	RM'000
Non-current			
Secured:			
Term loan	-	72,206	116,716
Current			
Secured:			
Term loan	75,365	71,347	58,009
Bond	-	-	20,402
Sukuk Ijarah (Islamic Bond)	-	-	55,893
Bankers' acceptances	-	-	77,000
On-shore foreign currency loan	-	-	90,857
	<u>75,365</u>	<u>71,347</u>	<u>302,161</u>
Total loans and borrowings	<u>75,365</u>	<u>143,553</u>	<u>418,877</u>

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

20. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at 31 December 2016 are as follows:

	2016	2015	2014
	RM'000	RM'000	RM'000
On demand or within one year	75,365	71,347	302,161
More than 1 year and less than 2 years	-	72,206	58,009
More than 2 years and less than 5 years	-	-	58,707
	<u>75,365</u>	<u>143,553</u>	<u>418,877</u>

Term loan

The term loan bears interest at London Interbank Offered Rate ("LIBOR") plus margin of 1.25% (2015: LIBOR + 1.25%; 2014: LIBOR + 1.25%) per annum. It is repayable via five equal semi-annual instalments of USD8.3 million commencing March 2015 and one final instalment of USD8.5 million due in September 2017.

The term loan is secured by:

- (a) A corporate guarantee from the Company; and
- (b) A negative pledge over the assets, revenues and business of a subsidiary.

Bond

The bond outstanding at 31 December 2014 was denominated in Indonesian Rupiah ("IDR") and bore fixed interest of 12.35% per annum. It was secured by the property, plant and equipment of a subsidiary. The bond was fully settled during the financial year ended 31 December 2015.

Sukuk Ijarah (Islamic Bond)

The Sukuk Ijarah ("Sukuk") outstanding at 31 December 2014 was denominated in Indonesian Rupiah ("IDR") and bore Ijarah fee instalment (i.e. interest) of 12.35% per annum. It was secured by the property, plant and equipment of a subsidiary. The Sukuk was fully settled during the financial year ended 31 December 2015.

Bankers' acceptances and on-shore foreign currency loan

Bankers' acceptances and on-shore foreign currency loan outstanding at 31 December 2014 bore interest at rates ranging from 0.84% to 3.81% per annum.

These were secured by:

- (a) Corporate guarantees from the Company and certain subsidiaries; and
- (b) Caveats over certain parcels of leasehold land of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
21. Trade and other payables

	2016 RM'000	2015 RM'000	2014 RM'000
Trade payables			
Third parties	410,430	441,428	486,996
Other payables			
Third parties	85,536	77,599	105,436
Amount due to ultimate holding company	330	467	213
Amount due to a related company	1,155	1,307	948
Accrued operating expenses	92,731	84,708	48,413
	<u>179,752</u>	<u>164,081</u>	<u>155,010</u>
Total trade and other payables	<u>590,182</u>	<u>605,509</u>	<u>642,006</u>

(a) Trade payables

These amounts are generally unsecured and non-interest bearing.

(b) Other payables

Other payables are generally unsecured, non-interest bearing and repayable on demand.

22. Provision

	2016 RM'000	2015 RM'000	2014 RM'000
At beginning of year	274,998	290,206	188,916
Remeasurement of provision (Note 11)	26,909	(83,366)	76,547
Unwinding of discount (Note 5)	8,322	9,244	7,727
Exchange differences	15,690	58,914	17,016
At end of year	<u>325,919</u>	<u>274,998</u>	<u>290,206</u>

The Group has an obligation to dismantle and remove structures on certain sites at the end of the lease term.

For these affected sites, the liabilities for dismantling and removal costs are recognised at the present value of the estimated future expenditure using existing technology and current prices, and discounted using an appropriate discount rate.

13. ACCOUNTANTS' REPORT (Cont'd)



Building a better
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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

22. Provision (cont'd)

The present value of the estimated costs is capitalised as part of the asset and a corresponding provision is recognised as a liability. The capitalised cost is depreciated over the expected life of the asset. The unwinding of the discount in the provision is included as finance costs in the statements of comprehensive income. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

While the provision is based on the best estimate of future costs, there is uncertainty regarding both the amount and timing of these costs. The estimates are reviewed on an annual basis or when there is an indication of a material change in circumstances.

The principal assumptions used for the purposes of estimating the provision for dismantling costs are as follows:

	2016 %	2015 %	2014 %
Inflation rate	2.50	2.50	2.50
Discount rate	3.14	3.15	2.89

23. Other financial liabilities

	2016 RM'000	2015 RM'000	2014 RM'000
Financial guarantee contract	198	248	250

The Group provides unsecured financial guarantees to a bank in respect of banking facilities granted to its associate.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
24. Derivative financial assets/(liabilities)

Non-hedging derivatives	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
2016			
Non-current			
Total return equity swap	19,220	11,369	-
Current			
Forward currency contract	120,000	1,169	-
2015			
Current			
Forward currency contract	70,000	-	(657)
2014			
Current			
Cross currency swap	85,056	-	(27,668)

The total return equity swap is an approved financial derivative entered by the Group to swap the returns of an underlying share with an approved financial institution. The total return equity swap has a tenure of 2 years.

The foreign currency contracts are used to manage the Group's foreign exchange exposure arising from certain anticipated transactions in Malaysian Ringgit ("MYR"). These derivatives are not designated as cash flow or fair value hedges and are entered into for periods consistent with the anticipated currency transactions. The forward currency contracts have maturities of less than one year.

During the financial year ended 31 December 2016, the Group recognized a net loss of RM5,418,000 (2015: net gain of RM28,143,000; 2014: net gain of RM2,398,000) arising from fair value changes in its derivative financial instruments. The fair value changes are attributable to changes in quoted share prices of the underlying assets, interest rates, foreign exchange spot and forward rates. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 28.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
25. Defined benefit obligation

The Group operates a defined benefit plan for qualifying employees of its subsidiaries in Indonesia. The defined benefit plan is unfunded.

The amounts recognised in the statements of comprehensive income in respect of this defined benefit plan is as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Service cost:			
Current service cost	1,778	1,254	1,259
Net interest expense	884	686	583
Components of defined benefit costs recognised in profit or loss	<u>2,662</u>	<u>1,940</u>	<u>1,842</u>
Remeasurement of the net defined benefit liability: Actuarial gain/(loss) arising from changes in financial assumptions, representing component of defined benefit costs recognised in other comprehensive income	<u>1,809</u>	<u>(910)</u>	<u>923</u>
	<u>4,471</u>	<u>1,030</u>	<u>2,765</u>

The movement in the present value of the defined benefit obligation is as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
At beginning of year	9,950	8,562	6,218
Current service cost	1,778	1,254	1,259
Net interest expense	884	686	583
Total amount recognised in other comprehensive income	1,809	(910)	923
Benefits paid	(403)	(393)	(672)
Exchange differences	949	751	251
At end of year	<u>14,967</u>	<u>9,950</u>	<u>8,562</u>

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

25. Defined benefit obligation (cont'd)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015	2014
Discount rate	8.22%	8.75%	8.00%
Expected rate of salary increase	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

The present value of the defined benefit obligation has been calculated using the projected unit credit method.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected rate of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding other assumptions constant.

- If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease/(increase) by RM1,381,000/(RM1,608,000) (2015: RM919,000/(RM1,068,000); 2014: RM763,000/(RM886,000))
- If the expected salary growth rate is 1% higher/(lower), the defined benefit obligation would increase/(decrease) by RM1,565,000/(RM1,372,000) (2015: RM918,000/(RM1,045,000); 2014: RM860,000/(RM757,000)).

The sensitivity analysis presented above may not be representative of the potential actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26. Commitments

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Contracted but not provided for	<u>672,414</u>	<u>852,000</u>	<u>62,000</u>
Approved but not contracted for	<u>1,101,938</u>	<u>554,000</u>	<u>1,066,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

26. Commitments (cont'd)

(b) Operating lease commitments - as lessee

The Group entered into lease agreements for the lease of a dedicated jetty. The lease will expire in 2026. There are also operational leases entered into with leasing companies for computers, motor vehicles, offices and storage tanks.

The future aggregate minimum lease payments under non-cancellable operating leases commitments at the end of the reporting period are as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Not later than 1 year	10,000	11,000	12,000
Later than 1 year but not later than 5 years	35,000	35,000	39,000
Later than 5 years	35,000	44,000	51,000
	<u>80,000</u>	<u>90,000</u>	<u>102,000</u>

27. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Compensation paid/payable by the Group to these key management personnel during the financial year is disclosed in Note 8.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
27. Related parties (cont'd)

The significant related party transactions of the Group other than key management personnel compensation (see Note 8), are as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Ultimate holding company			
Sales of goods	81,712	74,542	65,210
Management and consulting fees incurred	10,164	15,495	5,539
Purchase of materials	4,911	2,512	2,320
Commission expense	534	541	491
Royalty expense	788	618	205
Commission income	362	211	102
Capital expenditure incurred	7,388	2,933	-
IT support services fee paid/payable	60	62	44
Expenses paid on behalf	48	133	36
Related companies			
Sales of goods	66,527	79,322	68,077
Capital expenditure incurred	677,062	1,107	2,049
IT support services fee paid/payable	2,393	2,504	1,843
Short-term loan granted	-	3,000	11,488
Commission expense	2,976	3,643	2,140
Interest income	-	1,102	144
Warehouse and logistics services incurred	1,336	-	-
Associate company			
Sales of goods	69,538	69,751	3,309
Sales of utilities	7,205	11,024	2,440
Income from shared services	572	241	67
Financial guarantee income	57	54	48
Lease rental income	2,037	851	403

28. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

28. Financial risk management objectives and policies (cont'd)

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are due from regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

At the reporting date, the Group's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statement of financial position.
- Corporate guarantee provided by the Group to a bank for credit facilities granted to an associate. Further details on the Group's potential exposure under the corporate guarantee are disclosed in Note 28(b).

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****28. Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)**

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk concentration profile

The Group is not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 16. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

28. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM'000	One to five years RM'000	Total RM'000
At 31 December 2016			
Financial liabilities:			
Term loan	76,041	-	76,041
Trade and other payables	590,182	-	590,182
Financial guarantee*	30,505	-	30,505
Total undiscounted financial liabilities	<u>696,728</u>	<u>-</u>	<u>696,728</u>
At 31 December 2015			
Financial liabilities:			
Term loan	73,368	72,883	146,251
Trade and other payables	605,509	-	605,509
Forward currency contracts	657	-	657
Financial guarantee*	29,226	-	29,226
Total undiscounted financial liabilities	<u>708,760</u>	<u>72,883</u>	<u>781,643</u>
At 31 December 2014			
Financial liabilities:			
Term loan	60,227	118,504	178,731
On-shore foreign currency loan	90,987	-	90,987
Bankers' acceptances	78,939	-	78,939
Bond	21,452	-	21,452
Sukuk Ijarah (Islamic Bond)	58,770	-	58,770
Trade and other payables	642,006	-	642,006
Cross currency interest rate swaps	27,668	-	27,668
Financial guarantee*	23,763	-	23,763
Total undiscounted financial liabilities	<u>1,003,812</u>	<u>118,504</u>	<u>1,122,316</u>

* Based on the maximum amount that can be called for under the financial guarantee contract

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
28. Financial risk management objectives and policies (cont'd)
(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's primary interest rate risk relates to interest-bearing borrowings.

The Group manages its interest rate exposure by using a mix of fixed and floating rate debts and actively reviewing its debt portfolio, taking into account the nature of its business and operations.

Interest rate sensitivity

At the reporting date, a change of 100 basis points ("bp") in interest rates would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	(Decrease)/ increase in profit before tax RM'000
Financial year ended 31 December 2016	
Interest rates increase by 100 bp	(573)
Interest rates decrease by 100 bp	573
	<u>573</u>
Financial year ended 31 December 2015	
Interest rates increase by 100 bp	(1,077)
Interest rates decrease by 100 bp	1,077
	<u>1,077</u>
Financial year ended 31 December 2014	
Interest rates increase by 100 bp	(1,310)
Interest rates decrease by 100 bp	1,310
	<u>1,310</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
28. Financial risk management objectives and policies (cont'd)
(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency exposure primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The foreign currencies in which these transactions are denominated are Ringgit Malaysia ("RM") and Indonesian Rupiah ("IDR"). There is no formal hedging policy with respect to foreign exchange exposure. Exposure to foreign currency is monitored on an on-going basis and the Group endeavours to keep the net exposures to an acceptable level.

The Group's exposure to foreign currency risk, based on the carrying amounts as at the end of the reporting period was:

	2016	2015	2014
	RM'000	RM'000	RM'000
Denominated in RM			
Trade and other receivables	287,748	237,956	212,330
Cash and bank balances	125,300	68,088	16,384
Trade and other payables	(71,665)	(59,609)	(52,193)
Loans and borrowings	-	-	(77,000)
Net exposure in the statements of financial position	<u>341,383</u>	<u>246,435</u>	<u>99,521</u>
Denominated in IDR			
Trade and other receivables	114,613	115,988	6,206
Cash and bank balances	29,341	1,585	6,485
Trade and other payables	(53,877)	(37,477)	(12,306)
Loans and borrowings	-	-	(76,295)
Net exposure in the statements of financial position	<u>90,077</u>	<u>80,096</u>	<u>(75,910)</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

28. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the RM/USD and IDR/USD exchange rates against the respective functional currencies, with all other variables held constant.

	Increase/(decrease)		
	2016 RM'000	2015 RM'000	2014 RM'000
RM/USD			
- strengthening of RM by 10% (2015: 10%; 2014: 10%)	23,586	16,802	6,786
- weakening of RM by 10% (2015: 10%; 2014: 10%)	(23,586)	(16,802)	(6,786)
IDR/USD			
- strengthening of IDR by 10% (2015: 10%; 2014: 10%)	6,225	5,463	(5,176)
- weakening of IDR by 10% (2015: 10%; 2014: 10%)	(6,225)	(5,463)	5,176

(e) Commodity price risk

Most of the Group's products and substantially all of the raw materials are commodities whose prices fluctuate based on market conditions. Accordingly, product margins and the Group's profitability fluctuate in accordance with commodity price movements. The Group manages commodity price risk by adjusting their product mix so that products are subject to different margin pressures. The Group does not currently use derivatives or other hedging instruments to manage its commodity price risk.

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

28. Financial risk management objectives and policies (cont'd)

(f) Fair value

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

	Note
Trade and other receivables	16
Loans and borrowings	20
Trade and other payables	21

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to insignificant impact of discounting.

The fair values of loan and borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Derivatives

The fair value of the total return equity swap is calculated by reference to the quoted share price of the underlying asset.

Fair values of forward currency contracts are calculated by reference to forward rates quoted at the reporting date for contracts with similar maturity profiles.

Financial guarantees

The Group provides a financial guarantee to a bank for credit facilities granted to an associate. The fair value of the guarantee is not expected to be material due to the following reasons:

- The likelihood is remote that the guaranteed party will default within the guaranteed period; and
- The estimated loss exposure to the Company arising from the outstanding credit facility that is not recovered if the guaranteed party were to default is not expected to be significant as the guaranteed party has net assets in excess of the outstanding amount of credit facilities.

13. ACCOUNTANTS' REPORT (Cont'd)



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**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

28. Financial risk management objectives and policies (cont'd)

(f) Fair value (cont'd)

Fair value hierarchy

The following table is the fair value measurement hierarchy of the Group's assets and liabilities.

	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
At 31 December 2016				
Financial assets				
Derivatives				
- Total return equity swap	11,369	-	11,369	-
- Forward currency contracts	1,169	-	1,169	-
	<u>12,538</u>	<u>-</u>	<u>12,538</u>	<u>-</u>
At 31 December 2015				
Financial liabilities				
Derivatives				
- Forward currency contracts	(657)	-	(657)	-
	<u>(657)</u>	<u>-</u>	<u>(657)</u>	<u>-</u>
At 31 December 2014				
Financial liabilities				
Derivatives				
- Cross currency swap	(27,688)	-	(27,688)	-
	<u>(27,688)</u>	<u>-</u>	<u>(27,688)</u>	<u>-</u>

There were no transfers between the various levels in the fair value hierarchy during the financial years ended 31 December 2014, 2015 and 2016.

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

29. Categories of financial instruments

The financial instruments of the Group as at 31 December are categorised into the following classes:

	Note	2016 RM'000	2015 RM'000	2014 RM'000
(a) Loans and receivables				
Trade and other receivables	16	1,143,346	853,912	816,880
Cash and bank balances	17	1,040,344	1,511,001	184,001
		<u>2,183,690</u>	<u>2,364,913</u>	<u>1,000,881</u>
(b) Financial instruments at fair value through profit or loss				
Derivative assets	24	12,538	-	-
Derivative liabilities	24	-	657	27,668
		<u>-</u>	<u>657</u>	<u>27,668</u>
(c) Financial liabilities measured at amortised cost				
Loans and borrowings	20	75,365	143,553	418,877
Trade and other payables	21	590,182	605,509	642,006
Financial guarantee contract	23	198	248	250
		<u>665,745</u>	<u>749,310</u>	<u>1,061,133</u>

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
30. Capital management

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain creditor confidence and to sustain future development of the business. The directors monitors the debt levels to maintain an optimum debt-to-equity ratio that complies with debt covenants.

The Group is not subjected to any externally imposed capital requirements.

The debt-to-equity ratio at the end of the reporting period was as follows:

	2016 RM'000	2015 RM'000	2014 RM'000
Total loans and borrowings (Note 20)	75,365	143,553	418,877
Less: Cash and bank balances (Note 17)	<u>(1,040,344)</u>	<u>(1,511,001)</u>	<u>(184,001)</u>
Net debt	<u>(964,979)</u>	<u>(1,367,448)</u>	<u>234,876</u>
Total equity	<u>7,969,420</u>	<u>6,232,644</u>	<u>4,611,917</u>
Debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>0.05</u>

There were no changes in the Group's approach to capital management during the 3 financial years.

31. Dividends

	2016 RM'000	2015 RM'000	2014 RM'000
In respect of the financial year ended 31 December 2015:			
Interim single tier dividend of 5.86 sen per share on 1,727,792,000 ordinary shares	<u>-</u>	<u>101,196</u>	<u>-</u>

On 3 March 2017, the Company declared a final single tier dividend in respect of the financial year ended 31 December 2016, of 6.95 sen per share on 1,727,792,000 ordinary shares, amounting to a dividend payable of RM120,000,000. The financial statements for the current financial year do not reflect this proposed dividend. This dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****32. Operating segments**

For management purposes, the Group is organised into business units based on its products and has 2 reportable segments, as follows:

- (i) Olefins and derivative products - Manufacture and sale of olefins and derivative products
- (ii) Polyolefin products - Manufacture and sale of polyolefin products

No operating segments have been aggregated to form the above reportable operating segments.

The President and Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are set on the following basis:

- (i) Transactions amongst subsidiaries
Transfer prices between business segments which arose from transactions amongst subsidiaries are established on terms and conditions that are mutually agreed upon.
- (ii) Transactions amongst inter-plant
Transfer price between business segments which arose from inter-plant's transactions are set at cost basis.

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
32. Operating segments (cont'd)
Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment :

	Olefins and derivative products RM'000	Polyolefins products RM'000	Eliminations RM'000	Total RM'000
31 December 2016				
Revenue				
External customers	1,657,305	6,479,323	-	8,136,628
Inter-segment	2,717,302	-	(2,717,302)	-
Total revenue	4,374,607	6,479,323	(2,717,302)	8,136,628
Expenses/(income)				
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	226,343	174,167	-	400,510
Property, plant and equipment written off	46,827	2,344	-	49,171
Reversal of write-down of inventories to net realisable value	(2,002)	(1,628)	-	(3,630)
Segment results	305,476	1,431,589	(26,871)	1,710,194
31 December 2015				
Revenue				
External customers	1,647,757	6,500,090	-	8,147,847
Inter-segment	3,298,370	-	(3,298,370)	-
Total revenue	4,946,127	6,500,090	(3,298,370)	8,147,847
Expenses/(income)				
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	246,666	176,277	-	422,943
Property, plant and equipment written off	10,849	287	-	11,136
Write-down/(Reversal of write-down) of inventories to net realisable value	196	(3,684)	-	(3,488)
Segment results	131,453	929,003	(10,279)	1,050,177

13. ACCOUNTANTS' REPORT (Cont'd)


**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

32. Operating segments (cont'd)

	Olefins and derivative products RM'000	Polyolefins products RM'000	Eliminations RM'000	Total RM'000
31 December 2014				
Revenue				
External customers	1,827,624	6,783,605	-	8,611,229
Inter-segment	4,355,732	-	(4,355,732)	-
Total revenue	6,183,356	6,783,605	(4,355,732)	8,611,229
Expenses/(income)				
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	195,363	144,864	-	340,227
Property, plant and equipment written off	12,587	492	-	13,079
Write-down of inventories to net realisable value	98	2,729	-	2,827
Segment results	14,246	22,841	(19,282)	17,805

Adjustments and eliminations

Fair value changes in derivatives are not allocated to individual segments as the underlying instruments are managed on a group basis except for fair value gains amounting to approximately RM28,143,000 for the financial year ended 31 December 2015 (2014: RM2,398,000) which have been allocated to the respective segments.

Reconciliation of profit

	2016 RM'000	2015 RM'000	2014 RM'000
Segment profit of:			
- Olefins and derivative products	305,476	131,453	14,246
- Polyolefins products	1,431,589	929,003	22,841
Total segment profit	1,737,065	1,060,456	37,087
Fair value changes in derivatives	(5,418)	-	-
Inter-segment sales (elimination)	(6,819)	-	-
Unallocated results	(14,634)	(10,279)	(19,282)
Profit before tax	1,710,194	1,050,177	17,805

13. ACCOUNTANTS' REPORT (Cont'd)

Building a better
working world
**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**
32. Operating segments (cont'd)
Geographic information

The Group operates in Malaysia and Indonesia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment:

	<----- Revenue by Geographical Segments ----->					
	Malaysia	China	Indonesia	*South East Asia	**Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers by location of customers:						
2016	3,149,483	923,203	2,316,730	789,695	957,517	8,136,628
2015	3,102,616	1,099,728	2,349,253	857,290	738,960	8,147,847
2014	3,313,152	787,995	2,506,431	1,054,364	949,287	8,611,229

* Excludes Malaysia and Indonesia

** Others include the Indian sub-continent, Northeast Asia, North America, Africa and Oceania

	2016	2015	2014
	RM'000	RM'000	RM'000
Non-current operating assets			
Malaysia	4,026,398	3,214,815	2,903,510
Indonesia	388,703	418,543	377,260
	<u>4,415,101</u>	<u>3,633,358</u>	<u>3,280,770</u>

Non-current operating assets for this purpose consist of property, plant and equipment and prepaid lease payments.

Major customers

There were no customers that individually account for 10% or more of group revenue for current and prior years.

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

33. Subsidiaries

(a) Details of the subsidiaries are as follows:

Name	Country of incorporation	Effective equity interest held			Principal activities
		2016 %	2015 %	2014 %	
Held by the Company					
Lotte Chemical Titan (M) Sdn. Bhd.	Malaysia	100	100	100	Manufacture and sales of petrochemical products and polyolefin resins
Lotte Chemical Titan Trading Sdn. Bhd.	Malaysia	100	100	100	Sales of petrochemical products and polyolefin resins and marketing arm for its related companies. Will cease operations in 2017
Lotte Chemical Titan Capital (L) Limited	Malaysia	100	100	100	Dormant
Titan Petrochemicals (M) Sdn. Bhd.	Malaysia	100	100	100	Dormant
Titan Vinyl (M) Sdn. Bhd.	Malaysia	100	100	100	Dormant
Titan Ethylene Glycol (M) Sdn. Bhd.	Malaysia	100	100	100	Dormant
Lotte Chemical Titan Corporation Sdn. Bhd. (Formerly known as Titan Styrene (M) Sdn. Bhd.)	Malaysia	100	100	100	Dormant. With effect from 1 January 2017, will be involved in trading of goods and provision of management services
Titan Chemicals International (L) Limited	Malaysia	100	100	100	Dormant

13. ACCOUNTANTS' REPORT (Cont'd)



**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)**

33. Subsidiaries (cont'd)

(a) Details of the subsidiaries are as follows (cont'd):

Name	Country of incorporation	Effective equity interest held			Principal activities
		2016 %	2015 %	2014 %	
Held by the Company (cont'd)					
Lotte Chemical Titan International Sdn. Bhd.	Malaysia	100	100	100	Investment holding
Titan Leasing (L) Ltd.	Malaysia	100	100	100	Dormant
P.T. Lotte Chemical Indonesia*#	Indonesia	100	-	-	Dormant
Held through Lotte Chemical Titan (M) Sdn. Bhd.					
Lotte Chemical Singapore Pte Ltd^	Singapore	100	100	100	Dormant
Held through Lotte Chemical Titan Trading Sdn. Bhd.					
Titan Trading Corp. Limited^	Hong Kong	100	100	100	Dormant
Held through Lotte Chemical Titan International Sdn. Bhd.					
P.T. Lotte Chemical Titan Tbk*	Indonesia	90.40	95.15	95.15	Investment holding and general trading

13. ACCOUNTANTS' REPORT (Cont'd)



Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

33. Subsidiaries (cont'd)

(a) Details of the subsidiaries are as follows (cont'd):

Name	Country of incorporation	Effective equity interest held			Principal activities
		2016 %	2015 %	2014 %	
Held through P.T. Lotte Chemical Titan Tbk					
Chemical Brothers Limited*	Mauritius	90.40	95.15	95.15	Investment holding
South Wealth Finance Limited*	British Virgin Islands	90.40	95.15	95.15	Investment holding
P.T. Lotte Chemical Titan Nusantara *	Indonesia	90.40	95.15	95.15	Manufacture and sales of polyethylene
Lotte Chemical Titan International Limited	Malaysia	90.40	95.15	95.15	Investment holding
PT Titan Trading	Indonesia	90.40	95.15	95.15	Dormant

^ audited by firms of auditors other than Ernst & Young

* audited by member firms of Ernst & Young in the respective countries

99.998% held by the Company and 0.002% held through Lotte Chemical Singapore Ptd Ltd

None of the non-wholly owned subsidiaries have non-controlling interests that are material to the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

**Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)****33. Subsidiaries (cont'd)****(b) Acquisition of P.T. Lotte Chemical Indonesia**

During the financial year ended 31 December 2016, the Company incorporated a new subsidiary, P.T. Lotte Chemical Indonesia ("LCI"), by subscribing for 60,299,000 ordinary shares (representing 99.998% equity interest in LCI) for a total consideration of RM251,895,963. Lotte Chemical Singapore Pte Ltd, a wholly-owned subsidiary of the Group, subscribed for 1,000 ordinary shares (representing 0.002% equity interest in LCI) for a total consideration of RM4,047.

The incorporation of LCI did not have any impact on the Group's financial performance and statement of financial position during the financial year.

(c) Subscription of additional ordinary shares in Lotte Chemical Titan Corporation Sdn. Bhd. (formerly known as Titan Styrene (M) Sdn. Bhd.)

During the financial year ended 31 December 2016, the Company subscribed for an additional 2,999,000 ordinary shares in Lotte Chemical Titan Corporation Sdn. Bhd. (formerly known as Titan Styrene (M) Sdn. Bhd.) for RM2,999,000. The subscription of new shares did not result in any change of the Company's ownership interest in the subsidiary.

(d) Disposal of shares in P.T. Lotte Chemical Titan Tbk

During the financial year ended 31 December 2016, Lotte Chemical Titan International Sdn. Bhd., a subsidiary of the Group sold 264,298,520 units of ordinary shares in P.T. Lotte Chemical Titan Tbk for a total consideration of RM17,372,293. As a result, the Group's shareholdings in P.T. Lotte Chemical Titan Tbk decreased from 95.15% to 90.40%. The disposal did not result in loss of control of the Group over P.T. Lotte Chemical Titan Tbk.

14. DIRECTORS' REPORT

LOTTE CHEMICAL TITAN**Registered Office:**

6th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Malaysia

Date: **05 JUN 2017**


The Shareholders
Lotte Chemical Titan Holding Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Lotte Chemical Titan Holding Berhad ("LCT"), we wish to report after due inquiry that during the period from 31 December 2016 (being the date to which the last audited consolidated financial statements of LCT have been made up) to the date of this letter (being a date not earlier than 14 days before the issue of this Prospectus):

- (a) the business of LCT and its subsidiaries ("LCT Group") have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited consolidated financial statements of LCT which have adversely affected the trading or the values of the assets of the LCT Group;
- (c) the current assets of the LCT Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the LCT Group;
- (e) there has been no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums in relation to any borrowings since the last audited consolidated financial statements of LCT; and
- (f) save as disclosed in this Prospectus, there has been no material change in the published reserves or any unusual factors affecting the profits of the LCT Group since the last audited consolidated financial statements of LCT.

Yours faithfully
For and on behalf of the Board of Directors of
LOTTE CHEMICAL TITAN HOLDING BERHAD

D. W. Lee 

LEE DONG WOO
NON-INDEPENDENT EXECUTIVE DIRECTOR
PRESIDENT & CHIEF EXECUTIVE OFFICER

LOTTE CHEMICAL TITAN HOLDING BERHAD (222357 P)
Corporate Office : 6th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
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15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of the issue of this Prospectus.
- (ii) As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, we have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.
- (v) Save for our IPO Shares reserved for subscription by our Directors and eligible employees of our Group as disclosed in Section 4.3.2(i) of this Prospectus, and subject to our Listing, there is currently no other scheme involving our Directors and employees in the share capital of our Company or any of our subsidiaries.
- (vi) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution.

15.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions will bear the same meanings used in our Constitution unless they are otherwise defined or the context otherwise requires.

Words	Meaning
Act	The Companies Act, 2016 or any statutory modification, amendment or re-enactment thereof for the time being in force.
Board of Directors	Board of directors for the time being of the Company.
Company	Lotte Chemical Titan Holding Berhad (Company No. 222357-P).
Constitution	The Constitution of the Company as adopted or as from time to time altered by special resolution or as required by the Act and/or Listing Requirements.
Depositor	A holder of Securities Account established by the Depository.
Depositories Act	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof and any other legislation or regulation for the time being in force made thereunder.
Directors	The Directors for the time being of the Company.
Depository	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W) which expression shall include any successors thereof.

15. ADDITIONAL INFORMATION (Cont'd)

Words	Meaning
Exchange or Bursa Securities	Bursa Malaysia Securities Berhad (Company No. 635998-W) which expression shall include any successors thereof.
Listing Requirements	The Main Market Listing Requirements issued by Bursa Securities, as may be amended from time to time and which are applicable to and which govern the Company.
Market Day	A day on which the stock market of the Exchange is open for trading in securities.
Member	Includes a Depositor who will be treated as if he is a member pursuant to Section 35 of the Depositories Act but excludes the Depository in its capacity as bare trustee.
Record of Depositors	A record provided by the Depository to the Company or its registrar under Chapter 24.0 of the Rules.
Rules	Rules of the Depository including any amendment that may be made from time to time.
Securities	Shall have the meaning given to it in Section 2(1) of the Capital Markets and Services Act, 2007.
Securities Account	An account established by the Depository for a Depositor for the recording of deposit or withdrawal of securities and for dealings in such securities by the Depositor.

(i) Transfer of SharesArticle 31 – Transfer of Securities

“The transfer of any listed Securities or class of listed Securities of the Company which have been deposited with the Depository shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Securities.”

Article 32 – Suspension of registers

“Subject to the provisions of the Act, the Depositories Act, the Rules and the Listing Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine PROVIDED ALWAYS that such registration shall not be suspended for more than thirty (30) days in any year. At least ten (10) clear Market Days' notice (or such other period as may from time to time be prescribed by Bursa Securities) prior to such closure shall be published in a daily newspaper circulating in Malaysia and shall also be given to Bursa Securities. The said notice shall state the period and purpose or purposes of such closure. The Company shall give notice in accordance with the requirements of the Rules to the Depository to prepare the appropriate Record of Depositors.”

15. ADDITIONAL INFORMATION (Cont'd)Article 34 – Non-liability for the Company's Directors and officer in respect of transfer

"Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Depository in registering or acting upon a transfer of securities apparently made by a Member or any person entitled to the securities by reason of death, bankruptcy or insanity of a Member although the same may be by reason of any fraud or other causes not known to the Company or the Directors or the Depository or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may, as between the transferor Member and the transferee be liable to be set aside and notwithstanding that the Depository or the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor Member in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner."

Article 35 – Renunciation

"Subject to the provisions of the Constitution, the Directors may recognise a renunciation of any security by the allottee thereof in favour of some other person."

(ii) Remuneration of DirectorsArticles 103(i) and (iii) – Directors' remuneration

"The Directors shall be paid by way of fees and other benefits for their services, such fixed sums (if any) as shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provide) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:

- (a) fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover; and
- (b) the remuneration of a Director holding an executive office pursuant to the Constitution shall be fixed by the Directors and may be payable by way of salary or by any or all of those modes, or otherwise as may be thought expedient but shall not include (where such remuneration is paid by way of salary) a commission on or percentage of turnover, and it may be made a term of such appointment or appointments that the appointee or appointees shall receive a pension, gratuity or other benefits on their retirement."

"Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article."

Articles 103(ii) and 105 – Reimbursement of expense

"The Directors shall be entitled to be reimbursed all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meeting or otherwise howsoever incurred in the course of the performance of their duties as Directors."

15. ADDITIONAL INFORMATION (Cont'd)

"If any Director, being willing and having been called upon to do so, shall render or perform extra or special services of any kind, including services on any committee established by the Board of Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Board of Directors may think fit for expenses, and also such remuneration as the Board of Directors may think fit, either as a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors."

(iii) Voting and borrowing powers of DirectorsArticles 109(i) and (ii) – Borrowing powers of Directors

- (i) The Directors may exercise all the powers of the Company whatsoever to borrow money, raise funds, accept credit facilities and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related company as may be thought fit.
- (ii) The Directors may borrow or raise any such money as aforesaid, upon such terms and conditions in all respects as the Directors may think fit, upon or by the issue or sale of any bonds, debentures, debenture stocks or securities. The Company may in general meeting grant a right for the holders of bonds, debentures, debenture stocks or securities to exchange the same for shares in the Company or any class authorised to be issued. The Directors may secure or provide for the payment of any moneys to be borrowed or raised by a mortgage or a charge upon all or any part of the undertaking or property of the Company, both present and future and upon any capital remaining unpaid upon the shares of the Company, whether called up or not or by any other security and the Directors may confer upon any mortgages or persons in whom any debentures, debenture stock or security is vested, such rights and powers as they think necessary or expedient; and they may vest any property of the Company in trustees for the purpose of securing any moneys so borrowed or so raised and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Directors may think necessary or expedient in relation to the undertaking or property of the Company, or the management or the realisation thereof, or the making, receiving or enforcing of calls upon the members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustees may be remunerated."

Article 109(iii) – Borrowings for unrelated third parties prohibited

"The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security, for any debt, liability or obligation of an unrelated third party."

15. ADDITIONAL INFORMATION (Cont'd)Article 125 – Declaration of interest and restriction of voting

“Subject to the Constitution, the Act and the requirements of the Exchange, a Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest (and if he shall do so his vote shall not be counted).”

(iv) Changes in capital and variation of class rightsArticle 9 – Issue of shares

“Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of the Constitution and the Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions, whether in regard to dividend, voting, return of capital or otherwise, and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:

- (a) No Director shall participate in an issue by the Company of shares or options to employees of the Company unless the shareholders of the Company in general meeting have approved of the specific issue and allotment to be made to such Director.
- (b) The rights attaching to shares of a class other than ordinary shares shall be expressed.”

Article 13 – Modification of class rights

“If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than seventy-five per centum (75%) of the total voting rights of the holders of the shares in the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of the Constitution relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be two (2) persons holding at least or representing by proxy, one-third of the number of issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.”

15.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

As our Shares are proposed for quotation on the Official List of the Main Market of Bursa Securities, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

15. ADDITIONAL INFORMATION (Cont'd)

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of the Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Subject to the above, there is no limitation on the right to own securities in our Company, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on such securities, which is imposed by Malaysian law or by the constituent documents of our Company.

15.4 GENERAL INFORMATION

- (i) The nature of our business has been disclosed in Section 7 of this Prospectus.
- (ii) Save for the companies within our Group as disclosed in Section 6 of this Prospectus, our Company has not established any other place of business outside Malaysia.
- (iii) Apart from the listing sought on the Main Market of Bursa Securities, our Company is not listed on any stock exchange.
- (iv) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 16 of this Prospectus.
- (v) The date and time of the opening and closing of the application of the Retail Offering are set out in the Indicative Timetable Section and Sections 4.1, 4.2 and 16.1 of this Prospectus.
- (vi) Shares under the Retail Offering are payable in full at the Retail Price upon application. The Institutional Offering investors will pay the Institutional Price for the Shares under the Institutional Offering.
- (vii) Save as disclosed in Section 4.8 of this Prospectus, no commissions, discounts, brokerages or other special terms have been paid or is payable by our Company within the two years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares in or debentures of our Company and in connection with the issue or sale of any capital of our Company and no Director or Promoter or expert is or are entitled to receive any such payment or any other benefits.
- (viii) During the last financial year and up to the LPD, there were no:
 - (a) public take-over offers by third-parties in respect of our Shares; and
 - (b) public take-over offers by our Company in respect of other companies' shares.
- (ix) Except as disclosed in Section 9.3 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercise control over us.
- (x) As at the LPD, save as set out below, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits of our foreign subsidiaries and associates to Malaysia:
 - (a) Under the Indonesian Law No. 25 of 2007 on Foreign Investment ("**Indonesian Investment Law**"), foreign investors may not be authorised to conduct a transfer of assets and repatriation in foreign currency unless such transfer or repatriation are for, among others, the following:
 - capital;
 - profit, bank interest, dividend and other income;

15. ADDITIONAL INFORMATION *(Cont'd)*

- funds that are needed (i) to purchase raw materials and components, intermediate goods or finished goods; or (ii) to replace capital goods in order to protect the viability of investments;
- additional funds that are required for investment financing;
- funds for loan repayment;
- payable royalties or fees;
- income from foreign nationals who work for a foreign direct investment company;
- proceeds of the sale or liquidation of an investment;
- compensation of damages;
- compensation of acquisitions;
- payments made in connection with technical assistance, fees payable for technical and management services, payments made under a project contract and payments related to intellectual property rights; and
- proceeds of the sale of assets.

Indonesian Investment Law also provides that the matters mentioned above shall not reduce:

- the power of the Indonesian government to effect provisions of laws to require reporting of any fund transfers;
- the rights of the Indonesian government to draw taxes, royalties and/or other revenues from investments in accordance with the prevailing laws and regulations;
- the enforcement of law to protect the rights of creditors; and
- the enforcement of law to avoid Indonesia's losses.

- (b) Under the laws of the United States, there would be a withholding tax of 30% on dividends paid by a Delaware corporation to a Malaysian stockholder.

15.5 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial or business position of our Group.

15.6 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contracts that are not in the ordinary course of business during the two years preceding the date of this Prospectus:

- (i) subscription agreement dated 21 April 2016 between LCT and LC USA ("**2016 Subscription Agreement**") where LCT agreed to purchase from LC USA 80 shares of common stock in LC USA for a total cash consideration of USD342,800,000 (equivalent to RM1,477,639,400), upon the terms and conditions of the 2016 Subscription Agreement. The 2016 Subscription Agreement was completed on 21 April 2016;
- (ii) stockholders agreement dated 21 April 2016 among LC USA, LCC and LCT ("**Stockholders Agreement**") where the rights and obligations of LC USA, LCC and LCT in relation to, among others, the election of directors, reimbursement of expenses to directors, significant business decisions, restriction of transfers and pre-emption rights are set out;

15. ADDITIONAL INFORMATION (Cont'd)

- (iii) Deed No. 18 dated 11 November 2016 between PT LC Indonesia and PT Krakatau Industrial Estate Cilegon (“KIEC”) (“**Industrial Land Agreement A**”) where PT LC Indonesia will utilise 321,096 square meters of land (“**32 Ha Land**”) registered under the name of KIEC. Under the Industrial Land Agreement A, PT LC Indonesia will pay a consideration amount of IDR465,878,186,400 (equivalent to approximately RM150,944,532) (“**Consideration Amount**”). The Industrial Land Agreement A also provides that PT LC Indonesia would need to obtain KIEC’s prior written approval for any extension to the period of utilisation or any assignment of the 32 Ha Land to any third party (except to an affiliated party). On the same day, PT LC Indonesia, KIEC, and PT Krakatau Steel (Persero) Tbk (“KS”) also executed Deed No. 17 dated 11 November 2016 (“**Utilisation Agreement**”) where KIEC acknowledged and recognised that notwithstanding being the registered owner of the 32 Ha Land, the 32 Ha Land has already been transferred to KS. As such, the Consideration Amount shall be paid to KS instead, upon the terms and conditions of the Utilisation Agreement. A right to build certificate has been issued under the name of PT LC Indonesia as the registered owner of the 32 Ha Land;
- (iv) Deed No. 19 dated 11 November 2016 between PT LC Indonesia and KIEC (as amended by the Deed No. 10 dated 22 February 2017) (“**Industrial Land Agreement B**”) where PT LC Indonesia will utilise 144,131 square meters of land (“**15 Ha Land**”) registered under the name of KIEC. Under the Industrial Land Agreement B, PT LC Indonesia will pay a consideration amount of IDR209,119,667,900 (equivalent to approximately RM67,754,772) to KIEC. The Industrial Land Agreement B also provides that PT LC Indonesia would need to obtain KIEC’s prior written approval for any extension to the period of utilisation or any assignment of the 15 Ha Land to any third party (except to an affiliated party). A right to build certificate has been issued under the name of PT LC Indonesia as the registered owner of the 15 Ha Land;
- (v) subscription agreement dated 24 March 2017 between LCT and LC USA (“**2017 Subscription Agreement**”) where LCT agreed to purchase from LC USA 40 shares of common stock in LC USA for a total cash consideration of USD168,000,000 (equivalent to RM724,164,000), upon the terms and conditions of the 2017 Subscription Agreement. The 2017 Subscription Agreement was completed on 27 March 2017;
- (vi) master cornerstone placement agreement dated 2 June 2017 among our Company, the Joint Global Coordinators and the Cornerstone Investors (“**Master Cornerstone Placement Agreement**”) where the Cornerstone Investors agreed to subscribe an aggregate of 136,000,000 IPO Shares representing about 5.5% of our Company’s enlarged issued share capital, under the Institutional Offering, at RM8.00 per IPO Share or the Institutional Price, whichever is lower, upon the terms and conditions of the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements;
- (vii) retail underwriting agreement dated 4 June 2017 among our Company, the Managing Underwriter and the Joint Underwriters to severally and not jointly underwrite 55,783,000 IPO Shares under the Retail Offering at an underwriting commission of 1.5% of the Retail Price multiplied by the number of IPO Shares underwritten under the Retail Offering, upon the terms and conditions of the Retail Underwriting Agreement; and
- (viii) lock-up letter dated 2 June 2017 issued by our Company to the Joint Global Coordinators in relation to the lock-up arrangement. Please refer to Section 4.9.3(i) of this Prospectus for further information on the terms of the lock-up letter.

15. ADDITIONAL INFORMATION (Cont'd)**15.7 CONSENTS**

The written consents of the Principal Adviser, the Joint Global Coordinators, the Joint Bookrunners, the Managing Underwriter, the Joint Underwriters, the legal advisers, the Principal Bankers, the external company secretaries, the Share Registrar and the Issuing House as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and the Reporting Accountants for the inclusion of its name, the Accountants' Report, and the Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information in this Prospectus and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Nexant for the inclusion of its name and the IMR Report in this Prospectus and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 12 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) our material contracts as referred to in Section 15.6 of this Prospectus;
- (iii) our audited consolidated financial statements for the years ended 31 December 2014 to 2016;
- (iv) audited financial statements of our subsidiaries for the years ended 31 December 2014 to 2016 (save for the financial statements of LCTM for the years ended 31 December 2014 and 2015);
- (v) Reporting Accountants' Letter on the Compilation of Pro Forma Financial Information as included in Section 12.5 of this Prospectus;
- (vi) Accountants' Report as included in Section 13 of this Prospectus;
- (vii) The IMR Report as included in Section 8 of this Prospectus;
- (viii) Directors' Report as included in Section 14 of this Prospectus; and
- (ix) letters of consent referred to in Section 15.7 of this Prospectus.

15.9 RESPONSIBILITY STATEMENTS

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 confirm that, after making all reasonable enquiries, and 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, 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.

16. PROCEDURES FOR APPLICATION

16.1 OPENING AND CLOSING OF APPLICATIONS

Applications for our IPO Shares under the Retail Offering will be accepted and closed at the time and date stated as below:

OPENING OF THE RETAIL OFFERING: 10:00 a.m., 16 June 2017

CLOSING OF THE RETAIL OFFERING: 5:00 p.m., 28 June 2017

Our Directors and the Managing Underwriter may decide in their absolute discretion to extend the closing time and date for applications to any later time(s) and/or date(s). If they decide to extend the closing time and/or date for the applications, the Price Determination Date and dates for the balloting of applications for 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.

Late applications will not be accepted.

16.2 METHODS OF APPLICATION AND CATEGORY OF INVESTORS

16.2.1 Application for our IPO Shares under the Retail Offering

Applications for our IPO Shares under the Retail Offering may be made using either of the following:

<u>Type of application form</u>	<u>Category of investor</u>
WHITE Application Form or Electronic Share Application ⁽¹⁾ or Internet Share Application ⁽²⁾	Malaysian Public (for individuals)
WHITE Application Form only	Malaysian Public (for non-individuals, e.g. corporations, institutions, etc.)
PINK Application Form only	Eligible Persons

Notes:

- (1) The following surcharge per Electronic Share Application will be charged by the Participating Financial Institutions:
- (i) Affin Bank Berhad – No fee will be charged for application by their account holders;
 - (ii) AmBank (M) Berhad – RM1.00;
 - (iii) CIMB Bank Berhad – RM2.50;
 - (iv) HSBC Bank Malaysia Berhad – RM2.50;
 - (v) Malayan Banking Berhad – RM1.00;
 - (vi) Public Bank Berhad – RM2.00;
 - (vii) RHB Bank Berhad – RM2.50; and
 - (viii) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.

16. PROCEDURES FOR APPLICATION (Cont'd)

- (2) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institutions:
- (i) Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;
 - (ii) CIMB (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;
 - (iii) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS accounts held with CIMB and RM2.50 for applicants with CDS accounts with other ADAs;
 - (iv) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
 - (v) Public Bank Berhad (www.pbebank.com) – RM2.00; and
 - (vi) RHB Bank Berhad (www.rhbgroup.com) – RM2.50.

You must have a CDS account before you can submit your application either by way of Application Forms or Electronic Share Application as well as Internet Share Application.

The Eligible Persons who have made applications using the PINK Application Form may still apply for our IPO Shares allocated to the Malaysian Public under the Retail Offering using the WHITE Application Form, the Electronic Share Application or the Internet Share Application.

However, applicants using the WHITE and the PINK Application Form are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using the WHITE Application Form are not allowed to make additional applications using the Electronic Share Applications and the Internet Share Application, and vice versa.

16.2.2 Application for IPO Shares under the Institutional Offering

Malaysian institutional and selected investors and foreign institutional and selected investors being allocated our IPO Shares under the Institutional Offering (other than Bumiputera investors approved by the MITI) will be contacted directly by the respective Joint Global Coordinators and Joint Bookrunners and will follow the instructions as communicated by the respective Joint Global Coordinators and Joint Bookrunners.

Bumiputera investors approved by the MITI who have been allocated our IPO Shares will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

16.3 PROCEDURES FOR APPLICATION AND ACCEPTANCE

Application must be made in relation with and subject to the terms of this Prospectus and our Constitution. You agree to be bound by our Constitution.

16.3.1 Application by the Malaysian Public under the Retail Offering (WHITE Application Forms, Electronic Share Applications or Internet Share Applications)

Eligibility

You can only apply for our IPO Shares allocated to the Malaysian Public under the Retail Offering if you meet the following requirements:

- (i) you must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 17 of this Prospectus;
- (ii) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address;
 - (b) a corporation/institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors/trustee and if you have a share capital, more than half of your issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident or pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/institutions referred to in item (ii) (b) or (c) above or the trustees thereof; and
- (iii) you are not a director or an employee of the Issuing House or their immediate family members.

Applications by the Malaysian Public must be made on the WHITE Application Form provided or by way of Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full upon application is RM8.00 per IPO Share.

Applicants using the WHITE Application Form are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using WHITE Application Form are not allowed to make additional applications using the Electronic Share Application and the Internet Share Application, and vice versa.

16.3.2 Application by the Eligible Persons (PINK Application Forms)

The Eligible Persons will be provided separately with PINK Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus. The amount payable in full upon application is RM8.00 per IPO Share. Applicants using the PINK Application Forms are not allowed to submit multiple applications in the same category of application.

The Eligible Persons are not precluded from making additional applications under the Malaysian Public category using the WHITE Application Forms.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

Each application for our IPO Shares under the Retail Offering must be made by the relevant category of investors on the correct Application Form issued together with this Prospectus and must be completed in accordance with the notes and instructions contained in the respective category of Application Form. The Application Forms together with the notes and instructions contained in the Application Forms will constitute an integral part of this Prospectus. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or the notes and instructions contained in the Application Form or which are illegible may not be accepted at the absolute discretion of our Directors.

Full instructions for the application for our IPO Shares offered and the procedures to be followed are set out in the Application Form. All applicants are advised to read the Application Form and the notes and instructions in the Application Form carefully.

The Malaysian Public should adhere to the following procedures in making their applications under the Retail Offering:

Step 1: Obtain application documents

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and a copy of this Prospectus.

The WHITE Application Forms can be obtained subject to availability from the following parties:

- (i) Maybank IB;
- (ii) participating organisations of Bursa Securities;
- (iii) members of the Association of Banks in Malaysia;
- (iv) members of the Malaysian Investment Banking Association;
- (v) Issuing House; and
- (vi) our Company.

Step 2: Read this Prospectus

In accordance with Section 232(2) of the CMSA, the Application Form is accompanied by this Prospectus. You are advised to read and understand this Prospectus before making your application.

Step 3: Complete the relevant Application Form

You must complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions contained in the Application Form and in this Prospectus.

(i) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. Please inform Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, your name and national registration identity card ("**NRIC**") number must be the same as:

- (a) your NRIC;
- (b) any valid temporary identity document issued by the National Registration Department from time to time; or

16. PROCEDURES FOR APPLICATION (Cont'd)

- (c) your "Resit Pengenalan Sementara (KPPK 09)" issued under Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara, 1990.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority card.

For corporations/institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable.

If you are a non-Malaysian (in the case of PINK Application Form), your name and passport number must be exactly as that stated in your passport.

Our Company together with the Issuing House will not issue any acknowledgment of receipt of your Application Form or application monies.

(ii) CDS account number

You must state your CDS account number in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

(iii) Details of payment

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) Number of IPO Shares applied

Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

Step 4: Prepare appropriate form of payment

You must prepare the correct form of payment in RM for the FULL amount payable for our IPO Shares based on the Retail Price, which is RM8.00 per IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO. 583**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address. We only accept the following forms of payment:

- (i) banker's draft or cashier's order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (ii) money order or postal order (for applicants from Sabah and Sarawak only); or
- (iii) Guaranteed Giro Order ("**GGO**") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants).

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment.

Step 5: Finalise application

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC/valid temporary identity document issued by the National Registration Department/"Resit Pengenalan Sementara (KPPK 09)"/authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable)) into the Official "A" envelope and seal it.

16. PROCEDURES FOR APPLICATION (Cont'd)

You must write your name and address on the outside of the Official "A" and "B" envelopes. The name and address written must be identical to your name and address as per your NRIC/valid temporary identity document issued by the National Registration Department/"Resit Pengenalan Sementara (KPPK 09)"/authority card for armed forces or police personnel/certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents can be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

OR

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan
Malaysia

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-In Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia,

so as to arrive no later than 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.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

16.5 PROCEDURES FOR APPLICATION BY WAY OF AN ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares made available allocated to the Malaysian Public under the Retail Offering by way of Electronic Share Application.

16.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (i) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions.
- (ii) You **must have a CDS account**.
- (iii) You are advised to read and understand this Prospectus before making your application.
- (iv) You may apply for our IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. You are to submit at least the following information through the ATM, where the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so:
 - (a) Personal Identification Number (PIN);
 - (b) MIH Share Issue Account No. 583;
 - (c) CDS account number;
 - (d) number of IPO Shares applied for and/or the RM amount to be debited from the account; and
 - (e) confirmation of several mandatory statements as set out in Section 16.5.3 of this Prospectus.

16.5.2 Participating Financial Institutions

Electronic Share Application may be made through an ATM of the following Participating Financial Institutions and their branches:

- (i) Affin Bank Berhad;
- (ii) AmBank (M) Berhad;
- (iii) CIMB Bank Berhad;
- (iv) HSBC Bank Malaysia Berhad;
- (v) Malayan Banking Berhad;
- (vi) Public Bank Berhad;
- (vii) RHB Bank Berhad; or
- (viii) Standard Chartered Bank Malaysia Berhad (at selected branches only).

16. PROCEDURES FOR APPLICATION *(Cont'd)*

16.5.3 Terms and conditions of Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "**Steps for Electronic Share Application through a Participating Financial Institution's ATM**" in Section 16.5.1 of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

You must have a CDS account to be eligible to use the Electronic Share Application.

The CDS account must be in your own name. Invalid or nominee or third party CDS accounts will **not** be accepted.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

Upon the closing of the Retail Offering at 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 ("**Closing Time and Date**"), the Participating Financial Institutions will submit a magnetic tape containing their respective customers' applications for our IPO Shares to the Issuing House as soon as practicable but no later than 12:00 p.m. of the second business day after the Closing Time and Date.

You must ensure that you use your own CDS account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS account number when using an ATM card issued to you in your name. Your application will be rejected if you fail to comply with the foregoing.

The Electronic Share Application will be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below and in Section 16.7 of this Prospectus:

- (i) the Electronic Share Application will be made in relation with and subject to the terms of this Prospectus and our Constitution;
- (ii) you are required to confirm the following statements (by pressing pre-designated keys (or buttons) on the ATM keyboard) and undertake that the following information given are true and correct:
 - (a) you are at least 18 years of age as at the Closing Time and Date;
 - (b) you are a Malaysian citizen residing in Malaysia;
 - (c) you have read this Prospectus and understood and agreed with the terms and conditions of the application;
 - (d) the Electronic Share Application is the only application that you are submitting for our IPO Shares allocated to the Malaysian Public under the Retail Offering; and

16. PROCEDURES FOR APPLICATION (Cont'd)

- (e) you give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, you will be deemed to have confirmed each of the above statements as well as giving express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 134 of Financial Services Act, 2013 and Section 45 of the SICDA) to the disclosure by the relevant Participating Financial Institutions and/or Bursa Depository, as the case may be, of any of your particulars to the Issuing House and/or any relevant regulatory bodies.

- (iii) **You confirm that you are not applying for our IPO Shares as a nominee of any other person and that any Electronic Share Application that you make is made in your own name, as the beneficial owner. You must only make one Electronic Share Application and must not make any other application for our IPO Shares made available to the Malaysian Public under the Retail Offering, whether at the ATMs of any Participating Financial Institution or using Internet Share Application or using the WHITE Application Form.**
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. If we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated keys (or buttons) on the ATM keyboard) of the number of IPO Shares applied for will signify, and will be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Constitution.
- (vi) We reserve the right not to accept any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market for our Shares.
- (vii) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful application. If your Electronic Share application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into your account with that Participating Financial Institution within two Market Days after the receipt of confirmation for the Issuing House. The Issuing House shall inform the Participating Financial Institutions of the non-successful or partially successful application within two market Days after the balloting date. You may check your account on the fifth Market Day from the balloting date.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into your account with the Participating Financial Institution within two Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to applicants by the Issuing House by crediting into your account with the Participating Financial Institution not later than 10 Market Days from the date of the final ballot of application, at your own risk.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

- (viii) You request and authorise us:
- (a) to credit our IPO Shares allocated to you into your CDS account; and
 - (b) to issue share certificate(s) representing such shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (ix) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of our Company, the Issuing House and/or the Participating Financial Institution and irrevocably agree that if:
- (a) our Company and/or the Issuing House do not receive your Electronic Share Application and/or payment; and
 - (b) data relating to your Electronic Share Application and/or payment is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to us and/or the Issuing House,
- you will be deemed not to have made an Electronic Share Application and you will not make any claim whatsoever against our Company, the Issuing House and/or the Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.
- (x) All of your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application will be true and correct, and we, the Issuing House and the relevant Participating Financial Institution will be entitled to rely on the accuracy thereof.
- (xi) You must ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in your address, failing which the notification letter of successful allotment will be sent to your registered address last maintained with Bursa Depository.
- (xii) By making and completing an Electronic Share Application, you agree that:
- (a) in consideration of us agreeing to allow and accept the application for our IPO Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

16. PROCEDURES FOR APPLICATION *(Cont'd)*

- (b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House will not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our, the Participating Financial Institutions', Bursa Depository's and the Issuing House's control;
 - (c) notwithstanding the receipt of any payment by or on our behalf, the notice of successful allocation for prescribed securities issued in respect of our IPO Shares for which your Electronic Share Application has been successfully completed is the only confirmation for the acceptance of your offer to subscribe for and purchase our IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue of our IPO Shares allocated to you;
 - (e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation with the contract between the parties and/or the Electronic Share Application and/or any terms in this Prospectus, all rights, obligations and liabilities will be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia; and
- (xiii) The Issuing House, on the authority of our Directors, reserves the right to reject applications which do not conform to these instructions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF AN INTERNET SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares made available to the Malaysian Public under the Retail Offering by way of Internet Share Application.

16.6.1 Steps for Internet Share Application through an Internet Participating Financial Institution's website

Step 1: Set up of account

Before making an application by way of Internet Share Application, you **must have all** of the following:

- (i) an existing account with access to internet financial services with:
 - (a) **Affin Bank Berhad** at www.affinOnline.com;
 - (b) **CIMB** at www.eipocimb.com;
 - (c) **CIMB Bank Berhad** at www.cimbclicks.com.my;
 - (d) **Malayan Banking Berhad** at www.maybank2u.com.my;
 - (e) **Public Bank Berhad** at www.pbepbank.com; or
 - (f) **RHB Bank Berhad** at www.rhbgroup.com.

You need to have your user identification and PIN/password for the internet financial services facility; and

16. PROCEDURES FOR APPLICATION (Cont'd)

- (ii) an individual CDS account registered in your name (and not in a nominee's name) and in the case of a joint account, an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name.

Step 2: Read this Prospectus

You are advised to read and understand this Prospectus before making your application.

Step 3: Apply through internet

We have set out possible steps for an application of our IPO Shares via Internet Share Application below for illustration purposes only.

Please note that the actual steps for Internet Share Applications through the internet financial services website of a particular Internet Participating Financial Institution may differ from the steps outlined below.

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account.
- (ii) Log in to the internet financial services facility by entering your user identification and PIN/password.
- (iii) Navigate to the section of the website on applications in respect of IPO.
- (iv) Select the counter in respect of our IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS account number, number of IPO Shares applied for and the account number with a financial institution ("**Authorised Financial Institutions**") to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (viii) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:
 - (a) you are at least 18 years of age as at the Closing Time and Date;
 - (b) you are a Malaysian citizen residing in Malaysia;
 - (c) you have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
 - (d) you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application;
 - (e) the Internet Share Application is the only application that you are submitting for our IPO Shares made available to the Malaysian Public under the Retail Offering;

16. PROCEDURES FOR APPLICATION (Cont'd)

- (f) you authorise the Internet Participating Financial Institution with which you have an account to deduct the full amount payable for our IPO Shares from your account with the said Internet Participating Financial Institution;
- (g) you give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 134 of the Financial Services Act, 2013 and Section 45 of the SICDA) to the disclosure by the relevant Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to the Issuing House, the Authorised Financial Institution and/or any other relevant regulatory bodies;
- (h) you are not applying for our IPO Shares as a nominee of any other person and the application is made in your own name, as the beneficial owner and subject to the risks referred to in this Prospectus; and
- (i) you authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Retail Offering, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Retail Offering. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment for the Retail Offering.
- (x) You must pay for our IPO Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for, which can be printed out by you for your records.
- (xi) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for our IPO Shares is being made. Subsequently, the Internet Participating Financial Institution will confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for reference and records.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

16.6.2 Additional terms and conditions of Internet Share Application

THE TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION. PLEASE REFER TO THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION FOR THE EXACT TERMS AND CONDITIONS AND INSTRUCTIONS.

- (i) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application, which would result in the internet financial services website displaying the Confirmation Screen. You are required to complete your Internet Share Application by the close of the Retail Offering mentioned in Section 16.1 of this Prospectus.
- (ii) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website will be treated as your acceptance of the number of IPO Shares allotted to you.
- (iii) You request and authorise us to credit our IPO Shares allotted to you into your CDS account and to issue share certificate(s) representing those IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (iv) You acknowledge that your Internet Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, faults with computer software, computer security threats such as virus, hackers and crackers, fires and other events beyond the control of our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution and irrevocably agree that if:
 - (a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and
 - (b) data relating to your Internet Share Application and/or payment is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution,

you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.

- (v) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Internet Participating Financial Institution are correct, accurate and identical with the records maintained by Bursa Depository. Otherwise, your Internet Share Application will be rejected. You must inform Bursa Depository promptly of any change in your address, failing which the notification letter of successful allotment will be sent to your registered address last maintained with Bursa Depository.

16. PROCEDURES FOR APPLICATION *(Cont'd)*

- (vi) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the issue of our IPO Shares allocated to you.
- (vii) You agree that in relation to any legal action, proceedings or disputes arising out of or in relation with the contract between the parties and/or the Internet Share Application and/or any terms in this Prospectus, all rights, obligations and liabilities will be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (viii) You will hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, the Issuing House and/or the Internet Participating Financial Institution for reasons of multiple applications, suspected multiple applications, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.
- (ix) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.
- (x) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Promoter, the Principal Adviser, the Managing Underwriter, the Joint Underwriters, any of their respective Directors or any other person involved in the Retail Offering will not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

16.7 TERMS AND CONDITIONS

An application under the Retail Offering is subject to the following additional terms and conditions:

- (i) You are required to pay the Retail Price of RM8.00 for each IPO Share you have applied for.
- (ii) You can submit only one application for our IPO Shares made available to the Malaysian Public under the Retail Offering. For example, if you submit an application using the WHITE Application Form, you cannot submit an Electronic Share Application or Internet Share Application.

However, if you have made an application under the PINK Application Form, you can still apply for our IPO Shares made available to the Malaysian Public under the Retail Offering using the WHITE Application Form or by way of Electronic Share Application or Internet Share Application.

The Issuing House, acting under the authority of our Directors, has the discretion to reject applications that appear to be multiple applications under each category of investors.

We wish to caution you that if you submit more than one application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1.0 million and a jail term of up to 10 years under Section 182 of the CMSA.

16. PROCEDURES FOR APPLICATION (Cont'd)

- (iii) Each application under WHITE and PINK Application Form, Electronic Share Application and Internet Share Application must be for at least 100 IPO Shares or multiples of 100 IPO Shares.
- (iv) Your application must be made in connection with and subject to this Prospectus and our Constitution. You agree to be bound by our Constitution should you be allotted any of our Shares.
- (v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (vi) We or the Issuing House will not issue any acknowledgement of receipt of your application or application monies.
- (vii) No application will be deemed to have been accepted by reason of remittances having been presented for payment.

Our acceptance of your application to subscribe for or purchase our IPO Shares will be constituted by the issue of notices of allotment for our IPO Shares allotted to you.
- (viii) Submission of your CDS account number in your application includes your authority/consent in accordance with Malaysian laws of the right of Bursa Depository, the Participating Financial Institution and the Internet Participating Financial Institution (as the case may be) to disclose information pertaining to your CDS account and other relevant information to us, the Issuing House and any relevant regulatory bodies (as the case may be).
- (ix) **You agree to accept our decision as final should we decide not to allot any IPO Shares to you.**

16.8 AUTHORITY OF OUR DIRECTORS AND THE ISSUING HOUSE

Applicants will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market for our Shares.

The Issuing House, on the authority of our Directors, reserves the right to:

- (i) reject Application Forms, Electronic Share Application and Internet Share Application (where applicable) which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without assigning any reason therefor; and
- (iii) bank in all application monies including those from unsuccessful/partially successful applicants which would subsequently be refunded (where applicable) without interest.

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Directors are not responsible for any loss or non-receipt of the notice nor will they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16. PROCEDURES FOR APPLICATION (Cont'd)**16.9 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription in the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market for our Shares. Under the Listing Requirements, we need to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of our IPO and at the time of our Listing. If the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be refunded in full without interest.

If there is an under-subscription in the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus, all our IPO Shares not applied for under the Retail Offering will be underwritten by the Joint Underwriters under the Retail Underwriting Agreement.

16.10 UNSUCCESSFUL/PARTIALLY SUCCESSFUL AND REJECTED APPLICANTS

Application monies in respect of the unsuccessful/partially successful and rejected applicants will be refunded without interest in the following manner.

16.10.1 For applications by way of an Application Form

- (i) The application monies or the balance of it, as the case may be, will be refunded to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by registered post to your address maintained with Bursa Depository (for partially successful and rejected applications) if you have not provided such bank account information to Bursa Depository within 10 Market Days from the date of the final ballot.
- (ii) If your application was rejected because you did not provide a CDS account number, your application monies will be sent to the address stated in the NRIC or any valid temporary identity document issued by the National Registration Department or "Resit Pengenalan Sementara (KPPK 09)" from time to time at your own risk.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded without interest by the Issuing House as per item (i) or (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by registered post to your address maintained with Bursa Depository or as per item (ii) above (as the case may be) within 10 Market Days from the date of the final ballot.

16. PROCEDURES FOR APPLICATION (Cont'd)**16.10.2 For applications by way of Electronic Share Application**

- (i) The Issuing House will inform the Participating Financial Institutions of the non-successful or partially successful application within two Market Days after the balloting date. The application monies or the balance of it will be credited into your account without interest with the Participating Financial Institution within two Market Days after the receipt of confirmation from the Issuing House. You may check your account on the fifth Market Day from the balloting date.
- (ii) Where your successfully balloted application under the Electronic Share Application is subsequently rejected, the full amount of your application monies will be refunded without interest to you by crediting into your account with the Participating Financial Institution.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by crediting into your account with the Participating Financial Institution no later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will credit the application monies (or any part thereof) into your account without interest within two Market Days after the receipt of confirmation from the Issuing House.

16.10.3 For applications by way of Internet Share Application

- (i) The Issuing House will inform the Internet Participating Financial Institutions of the non-successful or partially successful application within two Market Days after the balloting date. The Internet Participating Financial Institution will arrange with the Authorised Financial Institution to credit the application monies or the balance of it into your account without interest or other benefit arising from it with the Authorised Financial Institution within two Market Days after the receipt of confirmation from the Issuing House. You may check your account on the fifth Market Day from the balloting date.
- (ii) Where your successfully balloted application under the Internet Share Application is subsequently rejected, the full amount of your application monies will be refunded without interest to you by crediting into your account with the Internet Participating Financial Institution.
- (iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded without interest by the Issuing House by crediting into your account with the Internet Participating Financial Institution no later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Internet Participating Financial Institution will credit the application monies (or any part thereof) into your account without interest within two Market Days after the receipt of confirmation from the Issuing House.

16.11 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account. We will not be issuing any physical share certificates to you. You will not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16. PROCEDURES FOR APPLICATION (Cont'd)

- (ii) A notice of allotment will be despatched to you at the address last maintained with Bursa Depository at your own risk prior to our Listing. This is your only acknowledgement of acceptance of the application.
- (iii) 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 you without any interest thereon. For applications made via the Application Form, the refund will be:
- credited into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository; or
 - despatched, in the form of cheques, by ordinary post to your address maintained with Bursa Depository if you 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 your account 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 your own risk.

16.12 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Form	Issuing House
Electronic Share Application	Participating Financial Institutions
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

If you are applying for our IPO Shares as a member of the Malaysian Public, you may check the status of your application by calling the Issuing House at +603 7841 8289 or your ADA at the telephone number as stated in Section 17 of this Prospectus between five to 10 Market Days (during office hours only) after the balloting date.

17. LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name	Address and telephone number	Broker code
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur Tel. No.: +603 7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Mezzanine & 3 rd Floor Chulan Tower No. 3 Jalan Conlay 50450 Kuala Lumpur Tel. No.: +603 2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	No. 38A & 40A Jalan Midah 1 Taman Midah Cheras 56000 Kuala Lumpur Tel. No.: +603 9130 8803	068-021
ALLIANCE INVESTMENT BANK BERHAD	17 th Floor, Menara Multi-Purpose Capital Square 8 Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: +603 2604 3333	076-001
AMINVESTMENT BANK BERHAD	15 th Floor Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: +603 2036 2633/+603 2078 2788	086-001
BIMB SECURITIES SDN BHD	Level 32 Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: +603 2691 8887	024-001
CIMB INVESTMENT BANK BERHAD	Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel. No.: +603 2261 8888	065-001
FA SECURITIES SDN BHD	A-10-17 & A-10-1 Level 10, Menara UOA Bangsar No. 5 Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel. No.: +603 2288 1676	021-002

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3 Jalan Kia Peng 50450 Kuala Lumpur Tel. No.: +603 2168 1168/+603 2710 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26 Menara LGB No. 1, Jalan Wan Kadir Taman Tun Dr Ismail 60000 Kuala Lumpur Tel. No.: +603 7723 6300	066-002
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel. No.: +603 2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor 7-0-8 Jalan 3/109F Danau Business Center Danau Desa 58100 Kuala Lumpur Tel. No.: +603 7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel. No.: +603 9056 2921	054-007
JUPITER SECURITIES SDN BHD	Levels 8 & 9 Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: +603 2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11 th - 14 th Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel. No.: +603 2171 0228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel. No.: +603 2164 9080/+603 2162 1490	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel. No.: +603 4297 8806	073-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah, Damansara Heights 50490 Kuala Lumpur Tel. No.: +603 2089 1590	073-021
KENANGA INVESTMENT BANK BERHAD	1 st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel. No.: +603 2178 1133	073-029
M & A SECURITIES SDN BHD	Level 1 – 3, No. 45 & 47 and No. 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel. No.: +603 2282 1820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel. No.: +603 7983 9890	057-004
MALACCA SECURITIES SDN BHD	55-1, Jalan Metro Perdana Barat 1 Taman Usahawan Kepong 52100 Kuala Lumpur Tel. No.: +603 6241 8595	012-001
MALACCA SECURITIES SDN BHD	No. 76-1, Jalan Wangsa Delima 6 Pusat Bandar Wangsa Maju (KLSC) Setapak 53300 Kuala Lumpur Tel. No.: +603 4144 2565	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5 Tower C Dataran Maybank No. 1 Jalan Maarof 59000 Kuala Lumpur Tel. No.: +603 2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2, Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel. No.: +603 6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11, 12, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: +603 2173 8888	026-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
KUALA LUMPUR (Cont'd)		
PM SECURITIES SDN BHD	Mezzanine & 1 st Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel. No.: +603 2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27 th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel. No.: +603 2268 3000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower 3, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel. No.: +603 9287 3888	087-001
RHB INVESTMENT BANK BERHAD	No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima Kepong 52100 Kuala Lumpur Tel. No.: +603 6257 5869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel. No.: +603 4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel. No.: +603 9058 7222	087-058
TA SECURITIES HOLDINGS	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel. No.: +603 2072 1277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N-1-3, Plaza Damas 60 Jalan Sri Hartamas 1 Sri Hartamas, 50480 Kuala Lumpur Tel. No.: +603 6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19 th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel. No.: +603 2147 1888	078-010

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN		
AFFIN HWANG INVESTMENT BANK BERHAD	20 th Floor Plaza Masalam 2 Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel. No.: +603 5513 3288	068-002
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B3A1, East Wing Floor 3A, Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4 th Floor Wisma Meru No. 1 Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel. No.: +603 3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2 nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7729 8016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD	No.79-1 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel. No.: +603 3322 1999	068-023
AMINVESTMENT BANK BERHAD	4 th Floor, Plaza Damansara Utama 2. Jalan SS21/60, 47400 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7710 6613	086-001
CIMB INVESTMENT BANK BERHAD	Level G & Level 1 Tropicana City Office Tower No. 3, Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7717 3388	065-001

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
SELANGOR DARUL EHSAN (Cont'd)		
JF APEX SECURITIES BERHAD	6 th Floor Menara Apex Off Jalan Semenyih Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel. No.: +603 8736 1118	079-001
JF APEX SECURITIES BERHAD	16 th Floor, Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7620 1118	079-002
JF APEX SECURITIES BERHAD	Block J-6-3A, Setia Walk PSN Wawasan Pusat Bandar Puchong 47160 Puchong Selangor Darul Ehsan Tel. No.: +603 5879 0163	079-004
JUPITER SECURITIES SDN BHD	No 42-46, 3 rd Floor Jalan SS19/1D 47500 Subang Jaya Selangor Darul Ehsan Tel. No.: +603 5632 4838	055-001
KENANGA INVESTMENT BANK BERHAD	55C (2 nd Floor) Jalan USJ 10/1F 47610 UEP Subang Jaya Selangor Darul Ehsan Tel. No.: +603 8024 1773	073-006
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2 nd Floor, The Curve No.6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: +603 7725 9095	073-016
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 7 Jln SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel. No.: +603 5621 2118	073-001
KENANGA INVESTMENT BANK BERHAD	No. 35, Ground, 1 st & 2 nd Floor Jalan Tiara 3, Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel. No.: +603 3348 8080	073-035

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (Cont'd)		
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel. No.: +603 5636 1533	012-001
MALACCA SECURITIES SDN BHD	No. 58 & 60, 1 st Floor Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel. No. :+603 7876 1533	012-001
MALACCA SECURITIES SDN BHD	No. 39-2, Jalan Temenggung 21/9 Seksyen 9, Bandar Mahkota Cheras 43200 Cheras Selangor Darul Ehsan Tel. No.: +603 9011 5913	012-001
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square 68 Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel. No.: +603 3050 8888	098-001
MAYBANK INVESTMENT BANK BERHAD	Level 1, No 3, Wisma Bentley Music Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7718 8888	098-001
PM SECURITIES SDN BHD	No. 157, Jalan Kenari 23A, Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel. No.: +603 8070 0773	064-001
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel. No.: +603 3341 5300	064-001
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A, 30, 30M & 30A Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7873 6366	087-011

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
SELANGOR DARUL EHSAN (Cont'd)		
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel. No.: +603 8736 3378	087-045
RHB INVESTMENT BANK BERHAD	1 st Floor, 10 & 11 Jalan Maxwell 48000 Rawang Selangor Darul Ehsan Tel. No.: +603 6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground and Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 1/2, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel. No.: +603 3343 9180	087-048
RHB INVESTMENT BANK BERHAD	Unit 1B, 2B & 3B Jalan USJ 10/1J 47610 UEP Subang Jaya Selangor Darul Ehsan Tel. No.: +603 8022 1888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel. No.: +603 5192 0202	096-001
SJ SECURITIES SDN BHD	101B, Jalan SS15/5A 47500 Subang Jaya Selangor Darul Ehsan Tel. No.: +603 5631 7888	096-002
SJ SECURITIES SDN BHD	No. 74-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel. No.: +603 3322 1915	096-001
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint, PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7732 3862	096-005

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SELANGOR DARUL EHSAN (Cont'd)		
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel. No.: +603 8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2 nd Floor, Wisma TA No.1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel. No.: +603 7729 5713	058-007
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel. No. : +606 2898 800	065-001
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel. No.: +606 3371 533	012-001
KENANGA INVESTMENT BANK BERHAD	71 (A & B) & 73 (A & B) Jalan Merdeka, Taman Melaka Raya 75000 Melaka Tel. No.: +606 2881 720	073-028
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1, 26 & 26-1, Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel. No.: +606 3372 550	073-034
MERCURY SECURITIES SDN BHD	No. 81, 81A, 81B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No.: +606 2921 898	093-003
PM SECURITIES SDN BHD	No. 6-1, Jalan Lagenda 2 Taman 1 Lagenda 75400 Melaka Tel. No.: +606 2880 050	064-006
RHB INVESTMENT BANK BERHAD	No.19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No.: +606 2833 622/+606 2818 823	087-002

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
MELAKA (Cont'd)		
RHB INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel. No.: +606 2825 211	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A and 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel. No.: +606 2862 618	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPMB Malim Business Park 75250 Melaka Tel. No.: +606 3352 511	078-014
PERAK DARUL RIDZUAN		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel. No.: +605 8066 688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2 nd & 3 rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2559 988	068-015
CIMB INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd and 3 rd Floor No. 8, 8A-8C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: +605 2088 688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2530 888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1 st , 2 nd & 4 th Floor 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2422 828	073-022
KENANGA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel. No.: +605 6222 828	073-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	Ground Floor, No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel. No.: +605 6939 828	073-031
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel. No.: +605 2419 800	057-001
MALACCA SECURITIES SDN BHD	No. 3, 1 st Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2541 533	012-013
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Perdagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2453 400	098-002
RHB INVESTMENT BANK BERHAD	Ground and 1 st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel. No.: +605 6236 498	087-014
RHB INVESTMENT BANK BERHAD	Ground and 1 st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel. No.: +605 6921 228	087-016
RHB INVESTMENT BANK BERHAD	21-25 Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel. No.: +605 2415 100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel. No.: +605 8088 229	087-034
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 72, Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel. No.: +605 4651 261	087-044

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
PERAK DARUL RIDZUAN (Cont'd)		
RHB INVESTMENT BANK BERHAD	No. 1 & 3, 1 st Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel. No.: +605 7170 888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1 st and 2 nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel. No.: +605 2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	27-1, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel. No.: +605 6216 010	078-009
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30303 Ipoh Perak Darul Ridzuan Tel. No.: +605 2411 290	078-013
PULAU PINANG		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60 Green Hall 10200 Penang Tel. No.: +604 2636 996	068-001
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Penang Tel. No.: +604 5372 882	086-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Barkath, 21 Lebu Pantai, 10300 Georgetown Penang Tel. No.: +604 2611 688	076-015
AMINVESTMENT BANK BERHAD	3 rd Floor, Menara Liang Court No. 37, Jalan Sultan Ahmad Shah 10050 Penang Tel. No.: +604 2261 818	086-001
CIMB INVESTMENT BANK BERHAD	Ground Floor Level 2, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel. No.: +604 2385 900	065-001

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
PULAU PINANG (Cont'd)		
INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 (Unit 1) & Level 3 No. 56 Cantontment Road 10250 Penang Tel. No.: +604 2268 288	054-002
JF APEX SECURITIES BERHAD	368-2-5, Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel. No.: +604 2289 118	079-005
JUPITER SECURITIES SDN BHD	20-1, Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Pulau Pinang Tel. No.: +604 6412 881	055-001
KENANGA INVESTMENT BANK BERHAD	7 th , 8 th & 16 th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Penang Tel. No.: +604 2283 355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Penang Tel. No.: +604 2817 611	057-005
M & A SECURITIES SDN BHD	216, 216A, 218 & 218A Pengkalan Weld Lebuh Macallum 10030 Penang Tel. No.: +604 2617 611	057-008
MALACCA SECURITIES SDN BHD	No. 39-1, Jalan Lenggong Vantage Point 11600 Jelutong, Penang Tel. No.: +604 2821 533	012-001
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel. No.: +604 3905 669	012-006
MALACCA SECURITIES SDN BHD	No. 17, 1 st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel. No.: +604 6421 533	012-007

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (Cont'd)		
MALACCA SECURITIES SDN BHD	No. 9-1-37, Taman Kheng Tian Jalan Van Praagh 11600 Jelutong Penang Tel. No.: +604 2816 822	012-014
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1 st Floor Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Tel. No.: +604 2196 888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel. No.: +604 3322 123	093-001
MERCURY SECURITIES SDN BHD	2 nd Floor, Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Pulau Pinang Tel. No.: +604 2639 118	093-004
MERCURY SECURITIES SDN BHD	D'Piazza Mall 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel. No.: +604 6400 822	093-004
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350 Pulau Pinang Tel. No.: +604 2273 000	064-004
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 2677 Jalan Chain Ferry, Taman Inderawasih, 13600 Seberang Prai Penang Tel. No.: +604 3900 022	087-005
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Penang Tel. No.: +604 5402 888	087-015

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
PULAU PINANG (Cont'd)		
RHB INVESTMENT BANK BERHAD	64 & 64-D Ground – 3 rd & 5 th – 8 th Floor Lebuh Bishop 10200 Penang Tel. No.: +604 2634 222	087-033
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 15-G-5, 15-G-6, 15-1-5 , 15-1-6, 15-2-5 dan 15-2-6 dan 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Penang Tel. No.: +604 6404 888	087-042
SJ SECURITIES SDN BHD	12 th Floor, Office Tower Hotel Royal Penang No. 3 Jalan Larut 10050 Georgetown Pulau Pinang Tel. No.: +604 228 9836	096-003
TA SECURITIES HOLDINGS BERHAD	3 rd Floor, Bangunan Heng Guan No. 171, Jalan Burmah 10050 Pulau Pinang Tel. No.: +604 2272 339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1 st Floor Bangunan Heng Guan No. 171, Jalan Burmah 10050 Penang Tel. No.: +604 2299 318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Penang Tel. No.: +604 5541 388	078-003
KEDAH DARUL AMAN		
AFFIN HWANG INVESTMENT BANK BERHAD	No. 70A, 70B, 70C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel. No.: +604 4256 666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2 nd Floor, Wisma PKNK, Jalan Sultan Badlishah, 05000 Alor Setar Kedah Darul Aman Tel. No.: +604 7317 088	076-004

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
KEDAH DARUL AMAN (Cont'd)		
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel. No.: +604 4204 888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1 Jalan Bayu 09000 Kulim Kedah Darul Aman Tel. No.: +604 4964 888	087-019
RHB INVESTMENT BANK BERHAD	Ground and 1 st Floor 214-A, 214-B, 215-A dan 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel. No.: +604 7209 888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, 1 st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel. No.: +604 7322 111	078-007
NEGERI SEMBILAN DARUL KHUSUS		
AFFIN HWANG INVESTMENT BANK BERHAD	1 st Floor 105, 107 & 109 Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel. No.: +606 7612 288	068-007
AFFIN HWANG INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel. No.: +606 4553 188	068-013
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1 st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel. No.: +606 7655 998	073-001
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43 Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus Tel. No.: +606 7669 555	098-005

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
NEGERI SEMBILAN DARUL KHUSUS (Cont'd)		
PM SECURITIES SDN BHD	1 st & 3 rd Floor 19 - 21 Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel. No.: +606 7623 131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel. No.: +606 7641 641	087-024
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347 Batu 1/2, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel. No.: +606 6461 234	087-046
JOHOR DARUL TAKZIM		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square Office Tower, No. 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel. No.: +607 2222 692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1 st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel. No.: +607 7717 922	076-006
AMINVESTMENT BANK BERHAD	3 rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel. No.: +607 4342 282	086-001
AMINVESTMENT BANK BERHAD	18 th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel. No.: +607 3343 855	086-001
CIMB INVESTMENT BANK BERHAD	No. 73, Ground Floor No 73A & 79A, First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel. No.: +607 2405 888	065-001

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
JOHOR DARUL TAKZIM (Cont'd)		
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel. No.: +607 2231 211	054-004
JUPITER SECURITIES SDN BHD	30-1, Jalan Molek 1/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel. No.: +607 3538 878	055-001
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No.: +607 3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground and Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel. No.: +607 9333 515	073-009
KENANGA INVESTMENT BANK BERHAD	No. 33 & 35 (A&B), Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel. No.: +607 7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel. No.: +606 9782 292	073-001
KENANGA INVESTMENT BANK BERHAD	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel. No.: +607 4326 963	073-001
KENANGA INVESTMENT BANK BERHAD	57, 59 & 61 Jalan Ali 84000 Muar Johor Darul Takzim Tel. No.: +606 9531 222	073-024
KENANGA INVESTMENT BANK BERHAD	Ground Floor, 234 Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel. No.: +607 4678 885	073-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (Cont'd)		
KENANGA INVESTMENT BANK BERHAD	916, Ground Floor Jalan Bakek 82000 Pontian Johor Darul Takzim Tel. No.: +607 6861 121	073-037
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No.: +607 3381 233	057-003
M & A SECURITIES SDN BHD	No. 27, 27A & 27B Jalan Molek 3/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel. No.: +607 3351 988	057-007
MALACCA SECURITIES SDN BHD	74 Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No.: +607 3351 533	012-001
MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000 Kulaijaya Johor Darul Takzim Tel. No.: +607 6638 877	012-019
MALACCA SECURITIES SDN BHD	Lot 880, Batu 3 ½ Jalan Salleh 84000 Muar Johor Darul Takzim Tel. No.: +606 9536 948	012-001
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel. No.: +607 3316 992	093-005
PM SECURITIES SDN BHD	Ground & 1 st Floor No. 43 & 43A Jalan Penjaja 3 Taman Kim's Park Business Centre 83000 Batu Pahat Johor Darul Takzim Tel. No.: +607 4333 608	064-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM (Cont'd)		
RHB INVESTMENT BANK BERHAD	6 th Floor, Wisma Tiong Hua, 8, Jalan Keris Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel. No.: +607 2788 821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel. No.: +607 4380 288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1 st & 2 nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel. No.: +606 9538 262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 119 dan 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel. No.: +607 5577 628	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel. No.: +607 9321 543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel. No.: +607 7769 655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. 10 Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel. No.: +607 6626 288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor Nos. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel. No.: +607 3522 293	087-043

17. LIST OF ADAS (Cont'd)

<u>Name</u>	<u>Address and telephone number</u>	<u>Broker code</u>
JOHOR DARUL TAKZIM (Cont'd)		
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel. No.: +607 9435 278	058-003
TA SECURITIES HOLDINGS BERHAD	15, Jalan Molek 1/5A Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel. No.: +607 3647 388	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	Levels 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel. No.: +607 3332 000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel. No.: +607 6635 651	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 70, Jalan Rosmerah 2/17 Taman Johor Jaya 81000 Johor Bahru Johor Darul Takzim Tel. No.: +607 3513 218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel. No.: +607 5121 633	078-008
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1 st Floor B-400, Jalan Berserah 25300 Kuantan Pahang Darul Makmur Tel. No.: +606 5660 800	076-002
CIMB INVESTMENT BANK BERHAD	Ground, 1 st & 2 nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel. No.: +609 5057 800	065-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
PAHANG DARUL MAKMUR (Cont'd)		
JUPITER SECURITIES SDN BHD	2 nd Floor, Lot No. 25 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel. No.: +609 2234 136	055-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Lorong Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel. No.: +606 5171 698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel. No.: +609 2220 993	012-001
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor 98, Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel. No.: +606 2234 943	087-022
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No 76-A Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel. No.: +605 4914 913	087-041
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel. No.: +606 5173 811	087-007
KELANTAN DARUL NAIM		
RHB INVESTMENT BANK	No. 3953-H, Ground & 1 st Floor Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel. No.: +606 7430 077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel. No.: +609 7432 288	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel. No.: +609 7473 906	078-004

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel. No.: +606 6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1 st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel. No.: +609 6238 128	021-001
RHB INVESTMENT BANK BERHAD	1 st Floor 59 Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel. No.: +609 6261 816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B, 1 st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel. No.: +609 6224 766	078-016
SARAWAK		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1 st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel. No.: +6082 341 999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD	No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel. No.: +6086 330 008	068-016
AMINVESTMENT BANK BERHAD	1 st Floor No. 164, 166 & 168 Jalan Abell 93100 Kuching Sarawak Tel. No.: +6082 244 791	086-001
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26, Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel. No.: +6082 358 688	065-001

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SARAWAK (Cont'd)		
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibul Sarawak Tel. No.: +6084 367 700	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel. No.: +6085 435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel. No.: +6082 338 000	073-003
KENANGA INVESTMENT BANK BERHAD	Ground & 1 st Floor Lorong Kampung Datu 3 96000 Sibul Sarawak Tel. No.: +6084 313 855	073-012
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel. No.: +6086 337 588	073-018
KENANGA INVESTMENT BANK BERHAD	Suites 9 & 10, 3 rd Floor, Yung Kong Abell Lot 365 Abell Road 93100 Kuching Sarawak Tel. No.: +6082 248 877/+6082 418 300	073-036
MERCURY SECURITIES SDN BHD	1 ST Floor 16 Jalan Getah 96100 Sarikei Sarawak Tel. No.: +6084 656 281/+6084 658 219	093-006
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2 nd Floor Lot 365, Section 50, Jalan Abell 93100 Kuching Sarawak Tel. No.: +6082 250 888/+6082 422 252	087-008
RHB INVESTMENT BANK BERHAD	2 nd Floor, Lot 1268 dan Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel. No.: +6085 422 788/+6085 437 914	087-012

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SARAWAK (Cont'd)		
RHB INVESTMENT BANK BERHAD	102 Pusat Pedada Jalan Pedada 98000 Sibu Sarawak Tel. No.: +6084 329 100 / +6084 321 434	087-013
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel. No.: +6086 311 770/+6086 3167 678	087-053
TA SECURITIES HOLDINGS BERHAD	12G, 12H & 12I Jalan Kampong Datu 96000 Sibu Sarawak Tel. No.: +6084 319 998	058-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 1265, 1 st Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel. No.: +6085 324 128/+6085 324 127	078-017
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1 st Floor No. 16, Lorong Intan 6 96000 Sibu Sarawak Tel. No.: +6084 252 737	078-018
SABAH		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, 9 th Floor, CPS Tower, Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel. No.: +6088 311 688	068-008
CIMB INVESTMENT BANK BERHAD	1 st & 2 nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel. No.: +6088 328 878	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68 Jalan Gaya 88000 Kota Kinabalu Sabah Tel. No.: +6088 236 188	073-032

17. LIST OF ADAS (Cont'd)

Name	Address and telephone number	Broker code
SABAH (Cont'd)		
RHB INVESTMENT BANK BERHAD	2 nd Floor, 81 & 83, Jalan Gaya 88000 Kota Kinabalu Sabah Tel. No.: +6088 269 788	087-010
RHB INVESTMENT BANK BERHAD	Ground Floor, Block 2, Lot 4 & Lot 5 Bandar Indah Mile 4, North Road 91000 Sandakan Sabah Tel. No.: +6089 229 286	087-057
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya Karamunsing 88100 Kota Kinabalu Tel. No.: +6088 234 090	078-011
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel. No.: +6089 218 681	078-012

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS

A. DETAILS OF OUR MAJOR LICENCES, PERMITS AND APPROVALS

Details of our major licences, permits and approvals for our operations as at the LPD together with the salient conditions attached and status of compliance are as follows:

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
1.	LCTM	MITI (Permit No. 000036 Serial No. 000336, previously issued under Serial No.000174)	1 May 2004/ N/A	Licence for the production of ethylene, propylene, pyrolysis gasoline, fuel oil, benzene, toluene, xylene and butadiene at PLO 312, Jalan Tembaga 4, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim.	<p>(a) The licence cannot be transferred and assigned to any person including assignees, servants or agents without the prior written approval from the Chief Secretary of MITI. The approval is valid unless revoked by the Chief Secretary of MITI.</p> <p>(b) The composition of the board of directors must, in general, reflect the company's equity structure and MITI must be notified of any appointments and change to the company's board of directors.</p> <p>(c) The company must hire and train Malaysian citizens in order to reflect a multi-racial composition at all employment levels.</p> <p>(d) The production capacity for ethylene and propylene must not exceed 821,800 MT per year and 640,400 MT per year respectively based on two shifts. The production capacity for benzene and toluene must not exceed 163,900 MT per year and 117,500 MT per year respectively based on two shifts. The production capacity for fuel oil, butadiene, pyrolysis gasoline and xylene must not exceed 182,000 MT per year, 100,000 MT per year, 650,000 MT per year and 367,400 MT per year respectively based on two shifts. Any expansion plans for the production capacity must obtain the prior approval of the Chief Secretary of MITI.</p>	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(e) The company must take all appropriate measures to install anti air, water and sound pollution and radiation hazards devices in accordance with the EQA.	Complied
					(f) The company should comply with all regulations in relation to the petroleum industry safety requirements as set out in the Petroleum (Safety Measures) Act, 1984 and such other rules as may be set out in the licence conditions issued by the relevant agencies.	Noted
					(g) The company or appointed distributor must obtain MDTCC's approval under the PDA if they intend to market or distribute in the domestic market petroleum-based products manufactured by the company by complying with the conditions set out in the Guidelines on the Application of PDA Permit. ⁽¹⁾	Complied
					(h) The company shall prioritise the appointment of Bumiputera companies as its distributors.	Noted
2.	LCTM	MITI (Permit No.000036, Serial No. 000335, previously issued under Serial No. 000307)	26 October 2007/ N/A	Licence for the production of crude butane and light cycle oil at PLO 312, Jalan Tembaga 4, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim.	(a) The approval cannot be transferred and assigned to any person including assignees, servants or agents without the prior written approval from the Chief Secretary of MITI. The approval is valid unless revoked by the Chief Secretary of MITI. (b) The composition of the board of directors must, in general, reflect the company's equity structure and MITI must be notified of any appointments and change to the company's board of directors.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(c) The company must hire and train Malaysian citizens in order to reflect a multi-racial composition at all employment levels.	Complied
					(d) The production capacity for crude butane and light cycle oil must not exceed 226,000 MT per year and 49,000 MT per year based on two shifts. Any expansion plans for the production capacity must obtain the prior approval of the Chief Secretary of MITI.	Complied
					(e) The company must take all appropriate measures to install anti air, water and sound pollution and radiation hazards devices in accordance with the EQA.	Complied
					(f) The company should comply with all regulations in relation to the petroleum industry safety requirements as set out in the Petroleum (Safety Measures) Act, 1984 and such other rules as may be set out in the licence conditions issued by the relevant agencies.	Noted
					(h) The company or appointed distributor must obtain MDTCC's approval if they intend to market or distribute in the domestic market petroleum-based products manufactured by the company by complying with the conditions set out in the Guidelines on the Application of PDA Permit ⁽¹⁾ .	Complied
					(i) The company shall prioritise the appointment of Bumiputera companies as its distributors.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
3.	LCTM	MDTCC (Approval letter dated 28 March 2017 from MDTCC (File Ref: KPDN(DN)26/709/28 Jld.1))	28 March 2017/ 30 September 2017	Temporary permit under the PDA to undertake the activities of marketing and distributing ethylene, benzene, toluene, fuel oil and propylene under own brand name.	The temporary permit is for six months from the date of the approval letter and expiring on 30 September 2017 ⁽¹⁾ .	Noted
4.	LCTM	MDTCC (PDA Permit No. 19112, PDA Serial No. 022154 and approval letter dated 21 April 2017 from MDTCC)	9 April 2017/ 8 April 2019	Permit under the PDA to undertake, in Johor, the activities of marketing and distributing ethylene, benzene, toluene, fuel oil and propylene domestically.	(a) The permit is not transferable without the permission from MDTCC. (b) The permit must be visibly displayed at the approved business premise. (c) The permit holder is required to obtain prior approval from MDTCC before making any change to its company structure including equity structure, composition of the board of directors, ownership, suppliers etc.	Noted Complied Noted
					(d) The permit holder is required to obtain prior approval from MDTCC before making any change to its nature of business, business partners and place of business.	Noted
					(e) The permit holder is required to submit renewal application 3 months before the expiry date.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(f) The permit holder shall comply with all conditions and instructions stipulated by MDTCC from time to time as well as be in compliant with any laws of Malaysia and not to carry out any activities which contravene such laws.	Noted
					(g) The permit holder is required to provide complete and accurate explanatory information as and when requested by MDTCC.	Noted
					(h) The permit will be revoked if there is any violation of any of the above mentioned conditions or any of the provisions under the PDA or any regulations thereunder, or any laws that are in force in Malaysia.	Noted
					(i) The permit holder will not take any legal action or claim damages from MDTCC in the event that the permit is not renewed or extended due to the permit holder's own negligence and failure to act.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
5.	LCTM	MITI (Licence No. A004691, Serial No. A032832, previously issued under Serial No. 023062)	13 February 1987 and 1 May 2004/ N/A	(i) Manufacturing licence from 13 February 1987 for the production of polypropylene; and (ii) from 1 May 2004 for the production of ethylene, propylene, pyrolysis gasoline, fuel oil, benzene, toluene, xylene, LLDPE, HDPE and butadiene at PLO 312, Jalan Tembaga 4, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim.	(a) The site is subject to the approval from the relevant state government and the DOE. (b) MITI and MIDA must be notified of the sale of the company's shares. (c) The company must provide training for Malaysian citizens so that there is a dissemination of technology and expertise to all levels of employment. (d) In line with the government's aim to encourage participation of locals, specifically Bumiputera, in economic activities, the company must as far as possible use services operated by Malaysian citizens which includes appointing Malaysian distribution companies where at least 30% of the company's sales to the domestic market should as far as possible be distributed by Bumiputera distributors. (e) The company is encouraged to ensure that the composition of its board of directors must as far as possible reflect the company's equity structure. MITI must be notified of any appointment or change to its board of directors.	Complied Complied Complied Noted Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
6.	LCTM	MITI (Licence No. 004691, Serial No. 032834, previously issued under Serial No. A031170)	26 October 2007/ N/A	Manufacturing licence for the production of crude butane, light cycle oil and TBA at PLO 312 Jalan Tembaga 4, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim.	<p>(a) The site is subject to the approval from the relevant state government and the DOE.</p> <p>(b) MITI and MIDA must be notified of the sale of the company's shares.</p> <p>(c) The company must provide training for Malaysian citizens so that there is a dissemination of technology and expertise to all levels of employment.</p> <p>(d) In line with the government's aim to encourage participation of locals, specifically Bumiputera, in economic activities, the company must as far as possible use services operated by Malaysian citizens which includes appointing Malaysian distribution companies where at least 30% of the company's sales to the domestic market should as far as possible be distributed by Bumiputera distributors.</p> <p>(e) The company is encouraged to ensure that the composition of its board of directors must as far as possible reflect the company's equity structure. MITI must be notified of any appointment or change to its board of directors.</p>	Complied Complied Complied Noted Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/ Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
7.	LCTM	MITI (Licence No.004691, Serial No. A032835, previously issued under Serial No.029285)	17 December 2008/ N/A	Manufacturing licence for the production of iso-butene blend, iso-butene/ raffinate-3, raffinate-1, raffinate-2 at PLO 312 Jalan Tembaga 4, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim.	<p>(a) The site is subject to the approval from the relevant state government and the DOE.</p> <p>(b) MITI and MIDA must be notified of the sale of the company's shares.</p> <p>(c) The company must provide training for Malaysian citizens so that there is a dissemination of technology and expertise to all levels of employment.</p> <p>(d) In line with the government's aim to encourage participation of locals, specifically Bumiputera, in economic activities, the company must as far as possible use services operated by Malaysian citizens which includes appointing Malaysian distribution companies where at least 30% of the company's sales to the domestic market should as far as possible be distributed by Bumiputera distributors.</p> <p>(e) The company is encouraged to ensure that the composition of its board of directors must as far as possible reflect the company's equity structure. MITI must be notified of any appointments or change to its board of directors.</p>	Complied Complied Complied Noted Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
8.	LCTM	MITI (Licence No. A014740, Serial No. 032833, previously issued under Serial No.A023063)	1 May 2004/ N/A	Manufacturing licence for the production of HDPE and LDPE at PLO 8 Tanjung Langsat Industrial Park, MK Sungai Tiram, 81700 Pasir Gudang, Johor Darul Ta'zim.	<p>(a) The site is subject to the approval from the relevant state government and the DOE.</p> <p>(b) MITI and MIDA must be notified of the sale of the company's shares.</p> <p>(c) The company must provide training for Malaysian citizens so that there is a dissemination of technology and expertise to all levels of employment.</p> <p>(d) In line with the government's aim to encourage participation of locals, specifically Bumiputera, in economic activities, the company must as far as possible use services operated by Malaysian citizens which includes appointing Malaysian distribution companies where at least 30% of the company's sales to the domestic market should as far as possible be distributed by Bumiputera distributors.</p> <p>(e) The company is encouraged to ensure that the composition of its board of directors must as far as possible reflect the equity structure of the company. MITI must be notified of any appointment or change to its board of directors.</p>	Complied Complied Complied Noted Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
9.	LCTM	Energy Commission (Licence No. LP 12/1/4/13 (Co-gen))	11 July 2007/ 10 July 2027	Licence for private installation and operation of an electrical installation at PLO 257, 312, 425 and 426, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, for the supply and use of electricity solely for LCTM within the Area of Supply.	<p>(a) The nominal capacity of the electricity generating facility shall not be more than 56 MW.</p> <p>(b) The licence shall come into force from the date of issue and shall expire on 10 July 2027.</p> <p>(c) The licensee shall ensure that it complies with the provision of the Electricity Supply Act, 1990 and all regulations.</p> <p>(d) The licensee shall comply with any provision of any other written law or to obtain any approval that is required under any written law for the time being in force for the implementation, operation and maintenance of the installation or any part of it.</p> <p>(e) The electrical installation shall be operated and maintained by qualified competent person as described in the Electricity Supply Act, 1990 and regulations.</p> <p>(f) The licensee shall submit information to the Energy Commission on the energy generated, fuel usage and other relevant data at monthly interval or otherwise as determined by the Energy Commission.</p> <p>(g) The licence shall not be transferred without the prior written approval of the Minister of Energy, Green Technology and Water.</p>	Complied Noted Complied Complied Complied Complied Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
(h)					The Energy Commission, with the approval of the Minister of Energy, Green Technology and Water, may review, amend or revoke any term and condition in the licence whenever it appears necessary or expedient for the purpose of compliance to the technical, safety and efficiency requirements applied generally to the electricity supply industry in Malaysia.	Noted
(i)					The Energy Commission may, upon service of written notice to the licensee, suspend the licence upon any of the following events occurring:	Noted
(i)					if the licensee has failed to comply with or is in breach of any condition of the licence, and has failed or neglected to remedy the same after the licensee has been requested to do so by the Energy Commission;	
(ii)					if the licensee has failed to comply with any directive or order or notice given in writing in accordance with the conditions of the licence by the Energy Commission.	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
(j)					<p>The Energy Commission may at any time revoke the licence by giving not less than 30 days' notice in writing to the licensee at its registered office in any of the following circumstances:</p> <ul style="list-style-type: none"> (i) if the licensee agrees in writing that the licence should be revoked; (ii) upon breach of any of the conditions of the licence; (iii) if the licensee ceases to work or operate the installation; (iv) if any amount payable under the licence is unpaid after it has become due whether notice in writing has been given to the licensee or not; (v) if the electricity generating facility is not completed and successfully commissioned within three years from the date of issue of the licence or within such extended period as the Energy Commission may allow in writing. 	Noted
(k)					<p>The "Area of Supply" means PLO 257, 312, 425 and 426, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor the site for LCTM.</p>	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
10.	LCTM	Energy Commission (Licence No. LP 12/1/4/21 (Co-gen))	1 June 1998/ 31 May 2019	Licence for private installation and operation of an electrical installation at PLO 8, Tanjung Langsat Industrial Park, Mukim Sg. Tiram, Johor Bahru, Johor, for the supply and use of electricity solely for LCTM within the Area of Supply.	<p>(a) The nominal capacity of the electricity generating facility shall not be more than 42.6 MW.</p> <p>(b) The licence shall come into force from the date of issue and shall expire on 31 May 2019.</p> <p>(c) The licensee shall ensure that it complies with the provision of the Electricity Supply Act, 1990 and all regulations.</p> <p>(d) The licensee shall comply with any provision of any other written law or to obtain any approval that is required under any written law for the time being in force for the implementation, operation and maintenance of the installation or any part of it.</p> <p>(e) The electrical installation shall be operated and maintained by qualified competent person as describe in the Electricity Supply Act, 1990 and regulations.</p> <p>(f) The licensee shall submit information to the Energy Commission on the energy generated, fuel usage and other relevant data at monthly interval or otherwise as determined by the Energy Commission.</p> <p>(g) The licence shall not be transferred without the prior written approval of the Minister of Energy, Green Technology and Water.</p>	Noted Complied Noted Complied Complied Complied Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(h) The Energy Commission, with the approval of the Minister of Energy, Green Technology and Water, may review, amend or revoke any term and condition in the licence whenever it appears necessary or expedient for the purpose of compliance to the technical, safety and efficiency requirements applied generally to the electricity supply industry in Malaysia.	Noted
					(i) The Energy Commission may, upon service of written notice to the licensee, suspend the licence upon the occurrence of the following events:	Noted
					(i) if the licensee has failed to comply with or is in breach of any condition of the licence, and has failed or neglected to remedy the same after the licensee has been requested to do so by the Energy Commission;	
					(ii) if the licensee has failed to comply with any directive or order or notice given in writing in accordance with the conditions of the licence by the Energy Commission.	
					(i) The Energy Commission may at any time revoke the licence by giving not less than 30 days' notice in writing to the licensee at its registered office in any of the following circumstances:	Noted
					(i) if the licensee agrees in writing that the licence should be revoked;	
					(ii) upon breach of any of the conditions of the licence;	

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(iii) if the licensee ceases to work or operate the installation;	
					(iv) if any amount payable under the licence is unpaid after it has become due whether notice in writing has been given to the licensee or not;	
					(v) if the electricity generating facility is not completed and successfully commissioned within three years from the date of issue of the licence or within such extended period as the Energy Commission may allow in writing.	
					(k) The "Area of Supply" means PLO 8, Tanjung Langsat Industrial Park, Mukim Sg. Tiram, Johor Bahru, Johor the site for LCTM.	Noted
11.	Titan Petrochemicals	Land Administrator of Johor Bahru (Licence No. A00770)	4 September 1998/ 31 December 2017	Temporary occupational licence for right of way of pipelines from Pasir Gudang to Tanjung Langsat on PTD 154829, PTD 154830, and PTD 154831, in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring 8,405.452 square meters, 2,312.688 square meters and 41,166.664 square meters respectively.	(a) The approved land for temporary occupational licence is only for the use of petrochemical pipelines. (b) Any concrete structures including fencing are not allowed to be constructed on the approved land. (c) The row of pipelines must not be changed or widen from the proposed route. (d) The licence must not be transferred, leased, charged or surrendered to any parties. (e) The licence may be terminated at any point in time if the State Authority requires the use of the approved land without compensation to the company.	Complied Complied Complied Complied Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(f) The licence will expire on 31 December in each calendar year and it must be renewed in early of the year.	Noted
					(g) The company must, from time to time, observe the rules and regulations in relation to cleanliness and health imposed by the local authority.	Complied
					(h) District Land Administrator has the authority to terminate the licence immediately without compensation to the company if the company is found to be in breach of any conditions stipulated.	Noted
					(i) The company must, from time to time, observe the laws and regulations enforced by the state authority.	Complied
12.	LCT Corporation	MTDCC (Approval letter dated 27 March 2017 from MDTCC (File Ref: KPDN(DN)26/709/ 28 Jld.1))	27 March 2017/ 30 September 2017	Temporary permit under the PDA to undertake the activities of the marketing and distributing ethylene, benzene, toluene, fuel oil and propylene under LCTM's production brand name.	The temporary permit is for six months from the date of the approval letter and expiring on 30 September 2017. ⁽¹⁾	Noted
13.	LCT Corporation	MDTCC (PDA Permit No. 19113, PDA Serial No. 022155 and approval letter dated 21 April 2017 from MDTCC)	9 April 2017/ 8 April 2019	Permit under the PDA to undertake, in Johor, the activities of marketing and distributing ethylene, benzene, toluene, fuel oil and propylene domestically.	(a) The permit is not transferable without the permission from MDTCC. (b) The permit must be visibly displayed at the approved business premise.	Noted Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(c) The permit holder is required to obtain prior approval from MDTCC before making any change to its company structure including equity structure, composition of the board of directors, ownership, suppliers etc.	Noted
					(d) The permit holder is required to obtain prior approval from MDTCC before making any change to its nature of business, business partners and place of business.	Noted
					(e) The permit holder is required to submit renewal application 3 months before the expiry date.	Noted
					(f) The permit holder shall comply with all conditions and instructions stipulated by MDTCC from time to time as well as be in compliant with any laws of Malaysia and not to carry out any activities which contravene such laws.	Noted
					(g) The permit holder is required to provide complete and accurate explanatory information as and when requested by MDTCC.	Noted
					(h) The permit will be revoked if there is any violation of any of the above mentioned conditions or any of the provisions under the PDA or any regulations thereunder, or any laws that are in force in Malaysia.	Noted
					(i) The permit holder will not take any legal action or claim damages from MDTCC in the event that the permit is not renewed or extended due to the permit holder's own negligence and failure to act.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
					(g) The principal hub expenses for domestic ancillary services will be at least RM35,000,000 per year. The company should engage local companies for ancillary services and facilities (e.g. legal, audit and other professional services) in Malaysia.	Noted
					(h) The company should provide services to network companies in at least five countries.	Noted
					(i) All incomes derive from trade and services activities provided by the company to network companies in Malaysia are eligible for tax exemptions provided that such incomes must not exceed 30% of the income derive from principal hub activities.	Noted
					(j) The exemptions are only applicable to the income received by the company for such permitted services or activities traded on an arm's length pricing with its related companies.	Noted
					(k) The company must comply with Transfer Pricing Guidelines 2012 and other rules in relation to transfer pricing set forth by the Inland Revenue Board of Malaysia.	Complied
					(l) The company should keep separate accounts for qualifying services and non-qualifying services as required under by the Inland Revenue Board of Malaysia.	Complied
					(m) The company should provide annual report to the MIDA for the purposes of assessment and evaluation of its operation. If the company fails to do so, the PHI will be withdrawn.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
15.	PT LCT Tbk	Minister of Trade, Indonesia (Licence No. 090501272-B)	2 June 2016/ 2 June 2021	Import licence to carry out the import of the following goods:	(a) Provide report to the Minister of Trade, Indonesia on the change of business activity at the latest of 30 days. (b) Provide import realisation report every three months.	Noted Complied
				(a) biaxially oriented polypropylene film;		
				(b) polyethylene;		
				(c) polypropylene; and		
				(d) ethylene.		
16.	PT LCT Tbk	Indonesia Custom Office (Licence No. 005373/BC.92/RK/2014)	27 June 2016/ N/A	Import licence to carry out import activity.	None.	-
17.	PT LCT Tbk	Indonesia Investment Coordinating Board (Licence No. 233/1/II/III/PMA/PERDAGANGAN/2012)	19 June 2012/ N/A	Main operational licence to conduct business activities in the fields of distribution and import.	(a) Submit an investment activities report every six months to the South Jakarta Regional Investment Board, DKI Jakarta Province Regional Investment Board and the Deputy of Investment Implementation Control of the Indonesia Investment Coordinating Board. (b) Must comply with environmental obligations and other obligations in accordance with prevailing regulations.	Complied Complied

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
18.	PT LC Indonesia	Indonesia Investment Coordinating Board on behalf of the Minister of Trade, Indonesia (Licence No. 090512343-B)	9 June 2016/ 9 June 2021	Import licence for the company business in the field of basic chemical industry.	(a) In the event of any change of business activities, business entities, directors and address, the company must submit a report no later than 30 days after the change to the Director of Licensing Services of the Indonesia Investment Coordinating Board. (b) The company must re-register the licence no later than 30 days before its expiry date. (c) The company must submit an import realisation report every three months to the Head of the Indonesia Investment Coordinating Board.	Noted
19.	PT LC Indonesia	Indonesia Custom Office (Licence No. 05.057464)	10 June 2016/ N/A	Import licence to carry out import activity.	None.	-
20.	PT LC Indonesia	Indonesia Investment Coordinating Board (Licence No. 1574/1/IP/PMA/2016)	9 June 2016/ 9 June 2019	Investment licence to carry out business in Indonesia in the field of basic chemical industry which are sourced from crude oil, natural gas, and coal.	(a) Submit an investment activities report every three months to the Head of the Indonesia Investment Coordinating Board. (b) Must fulfill the environmental obligations and other obligations in accordance with the prevailing regulations.	Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)

No.	Licensee/Party	Approving authority (Reference no.)	Date of commencement/ expiry	Type of licence/approval	Salient conditions	Status of compliance
21.	PT Nusanlara	Director of Licensing Services of Indonesia Investment Coordinating Board (Registration No. 090508220-B)	22 March 2016/ 22 March 2021	Importer-Producer Identification of PT LCT Nusanlara in accordance with Regulation No. 70/M-DAG-PER/9/2015 issued by the Minister of Trade, Indonesia, on Importer Identification Number.	(a) In the event of any change of business activities, business entities, directors and address, the company must submit a report no later than 30 days after the change to the Director of Licensing Services of the Indonesia Investment Coordinating Board. (b) The company must re-register the licence no later than 30 days before its expiry date.	Noted
22.	PT Nusanlara	Head of One Stop Integrated Service and Investment of Cilegon City (Licence No. 503/1399a/19-37/3807)	3 November 2015/ 3 November 2018	Nuisance licence evidencing registration of PT LCT Nusanlara's branch office/plant in accordance with Regional Regulation of Cilegon City (Peraturan Daerah Kota Cilegon) No. 2 of 2013 on Nuisance Licence Retribution.	(c) The company must submit an import realisation report every three months to the Head of the Indonesia Investment Coordinating Board. The licence must be renewed every three years and any re-registration must be submitted within three months period before its expiry date.	Complied Noted

ANNEXURE A: OUR MAJOR LICENCES, PERMITS AND APPROVALS (Cont'd)**Note:**

(1) By our letter dated 24 March 2017, we notified MDTCC of:

- (a) LCTM's and LCT Corporation's sale of the Surplus Products (namely, excess ethylene, benzene, toluene, fuel oil and propylene) to manufacturers in Malaysia without MDTCC's approval which resulted in inadvertent breaches of the PDA; and
- (b) our proposal to only sell such Surplus Products in the future through MDTCC-approved persons in Malaysia.

MDTCC had, via its letter to us dated 28 March 2017, stated that MDTCC took note of the contents of our letter dated 24 March 2017 and in this regard, MDTCC agreed not to pursue any action (which would also include fines or penalties) against LCTM and LCT Corporation.

On 30 March 2017, LCTM wrote to MIDA to seek MIDA's confirmation that LCTM's production licences issued by MITI under the PDA (as set out under items (1) and (2) above) ("**Production Licences**") will not be affected by the past selling of the Surplus Products in Malaysia. MIDA had, via its letter dated 31 March 2017, noted that the issues related to the sale of the Surplus Products relate to the provisions of the PDA and accordingly, MIDA confirmed that the Production Licences are not affected by the said issues.

On 21 April 2017, each of LCTM and LCT Corporation has obtained a permit from MDTCC to undertake activities of marketing and distributing ethylene, benzene, toluene, fuel oil and propylene domestically. For the details of these permits, please refer to items 4 and 13 above.

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT**B.1 PROPERTIES OWNED BY OUR GROUP**

Details of the lands and buildings owned by us as at the LPD are as follows:

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
1.	LCTM HSD 189009, PT No. PTD 109065, in the Mukim of Plentong, District of Johor Bahru, Johor Darul Ta'zim PLO 425, Jalan Perak, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Ta'zim Leasehold for a period of 60 years, expiring on 26 November 2051	Industrial land with buildings erected on the land comprising of: (a) five production plants, namely: (i) NC2 Plant; (ii) BD Plant; (iii) OCU Plant; (iv) BTX Plant; and (v) TBA Plant; (b) a cogeneration plant; (c) a single-storey technical station; (d) a materials store; and (e) a single storey office	(³)16 February 2000 (⁴)31 January 2008 (⁴)31 January 2008 15 March 2000 21 November 2012 20 October 1999 (³)16 February 2000 (⁴)31 January 2008 (⁴)31 January 2008	1,220,681.9 square feet/ 28.02 acres (or approximately 11.34 hectares)	The land cannot be sold, leased, charged, mortgaged or transferred in whatsoever manner, including the use of all types of agreement with the purpose of disposing/selling the land without the approval of state director.	Nil	27,330,449.16

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
2.	LCTM HSD 189010, PT No. PTD 109066, in the Mukim of Plentong, District of Johor Bahru, Johor Darul Ta'zim PLO 426, Jalan Tembaga 3, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Ta'zim Leasehold for a period of 60 years, expiring on 26 November 2051	/ Currently used for the NC2 Plant, BD Plant, OCU Plant, BTX Plant, TBA Plant and cogeneration plant Industrial land with buildings erected on the land comprising three flare stacks / Currently used for three flare stacks	14 April 1992, 24 June 1994 and 16 February 2000	656,070 square feet/ 15.49 acres (or approximately 6.27 hectares)	Please see item 1.	Nil	12,239,368.10

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
3.	LCTM PN 6731, Lot 51758 (previously known as HSD 162760 PT No. PTD 90011) in the Mukim of Plentong, District of Johor Bahru, Johor Darul Ta'zim PLO 257, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Ta'zim Leasehold for a period of 60 years, expiring on 20 May 2050	Industrial land with buildings erected on the land comprising of: (a) two production plants, namely: (i) NC1 Plant; and (ii) PE1 Plant; (b) three materials stores; (c) a maintenance workshop; (d) a control room; (e) a single-storey warehouse; and (f) a single-storey manufacturing office / Currently used for the NC1 Plant and PE1 Plant	24 June 1994 (⁵)24 June 1994 30 November 1994 (⁵)24 June 1994 (⁵)24 June 1994 12 January 1999 8 July 1998	1,737,373 square feet/ 41.90 acres (or approximately 16.95 hectares)	The land cannot be sold, leased, charged, mortgaged or transferred in whatsoever manner, including the use of all types of agreement with the purpose of disposing/selling the land without the approval of state authority.	Nil	37,318,451.45

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
4.	LCTM HSD 162764, PT No. PTD 90015 in the Mukim of Plentong, District of Johor Bahru, Johor Darul Ta'zim PLO 312, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Ta'zim Leasehold for a period of 60 years, expiring on 20 May 2050	Industrial land with the buildings erected on the land comprising of: (a) two production plants namely, (i) PP1 Plant; and (ii) PP2 Plant; (b) two double-storey office; (c) a maintenance office; (d) a maintenance workshop; (e) a control room; (f) a double-deck warehouse; (g) a single-storey canteen; and (h) a safety and security office / Currently used for the PP1 Plant, PP2 Plant and administrative office	(e)14 April 1992 16 February 2000 (e)14 April 1992 (e)14 April 1992 (e)14 April 1992 (e)14 April 1992 26 January 2000 (e)14 April 1992 (e)14 April 1992	1,402,981 square feet/ 36.72 acres (or approximately 14.86 hectares)	Please see item 3.	Nil	64,138,174.03

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
5.	LCTM HSD 310853, PT No. PTD 2855, in the Mukim of Sungai Tiram, District of Johor Bahru, Johor Darul Ta'zim PLO 8, Persiaran Tg. Langsat, Tg. Langsat Industrial Estate, 81700 Pasir Gudang, Johor Darul Ta'zim Leasehold for a period of 60 years, expiring on 14 February 2061	Industrial land with buildings erected on the land comprising of: (a) two production plants namely, (i) PE2 Plant; and (ii) PE3 Plant; (b) a cogeneration plant; (c) a flare stack; (d) a single-storey multi-purpose building; (e) two single-storey warehouse; (f) two single-storey technician station; (g) a guard shed and parking bays; (h) three material store;	(7)28 February 2000 8 August 2001 15 March 2000 (7)28 February 2000 (8)12 May 2000 16 February 2000 12 December 2001 21 June 2000 (7)28 February 2000	3,019,144 square feet/ 100.00 acres (or approximately 40.47 hectares)	Please see item 3.	Lease registered in favour of Lotte Ube over land area of 5.623 hectares for 30 years from 1 December 2012 to 30 November 2042	98,506,970.48

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
(i)		a maintenance workshop;	⁽⁷⁾ 28 February 2000				
(j)		a control room; and	⁽⁷⁾ 28 February 2000				
(k)		a single-storey office (PTC)	⁽⁸⁾ 12 May 2000				
		/ Currently, (i) part of the land is used for the PE2 Plant, PE3 Plant, cogeneration plant and flare stack; and (ii) part of the land is leased to Lotte Ube to be used as a polybutadiene production plant					

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
6.	PT LCT Nusantara HGB Certificate No.14/Gerem HGB Certificate No.14/Gerem Jl. Raya Merak Km. 116, Kel. Rawaarum - Cilegon Leasehold for a period of 30 years, expiring on 18 October 2019	Vacant land / Access route to the PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia) in Merak, Cilegon, Banten Province, Indonesia	N/A	N/A/ 4.03 acres (or approximately 1.63 hectares)	Under Law No. 5 of 1960 on Agrarian Law, a right to build authorises the right owner to construct and own buildings over a plot of land and may be encumbered with a mortgage. The right to build may only be granted to an Indonesian citizen or Indonesian legal entity having domicile within Indonesia territory. Right to build may be granted for a maximum of 30 years and may be extended for a maximum of 20 years and renewed for a maximum of 30 years.	Nil	2,218,463.21

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
7.	PT LCT Nusantara HGB Certificate No.2/Rawa Arum HGB Certificate No.2/Rawa Arum Jl. Raya Merak Km. 116, Kel. Rawaarum - Cilegon Leasehold for a period of 30 years, expiring on 18 October 2019	Vacant land / Access route to PT LCT Nusantara's PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia) in Merak, Cilegon, Banten Province, Indonesia	N/A	N/A/ 2.69 acres (or approximately 1.09 hectares)	Please see item 6.	Nil	1,484,307.52
8.	PT LCT Nusantara HGB Certificate No.17/Rawa Arum HGB Certificate No.17/Rawa Arum Jl. Raya Merak Km. 116, Kel. Rawaarum - Cilegon Leasehold for a period of 30 years, expiring on 21 February 2025	Industrial land with building erected on the land comprising production plants (namely, PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia)), administration building, warehouse, workshop and technical office and parking area / Currently (i) part of the land is used for PE1 Plant (Indonesia), PE2 Plant (Indonesia) and PE3 Plant (Indonesia); and (ii) part of the land is leased to PT Air Products Indonesia to be used as a nitrogen and hydrogen production plant	Please refer to note (1)	583,425 square feet/ 94.16 acres (or approximately 38.11 hectares)	Please see item 6.	Nil	51,454,629.91

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
9.	PT LCT Nusantara HGB Certificate No.18/Rawa Arum HGB Certificate No.18/Rawa Arum Jl. Raya Merak Km. 116, Kel. Rawaarum - Cilegon Leasehold for a period of 30 years, expiring on 21 February 2025	Vacant land / Currently used as staff car park area	N/A	N/A/ 2.16 acres (or approximately 0.87 hectares)	Please see item 6.	Nil	1,190,066.44
10.	PT LCT Nusantara HGB Certificate No.20/Rawa Arum HGB Certificate No.20/Rawa Arum Jl. Raya Merak Km. 116, Kel. Rawaarum - Cilegon Leasehold for a period of 30 years, expiring on 21 February 2025	Vacant land / N/A	N/A	N/A/ 92.51 acres (or approximately 37.44 hectares)	Please see item 6.	Nil	21,370,611.23

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
11.	PT LCT Nusantara HGB Certificate No.838/Kotabumi HGB Certificate No.838/Kotabumi Jl. Palam Putri, RT 007 RW 14 Kotabumi, Purwakarta, Cilegon Leasehold for a period of 20 years, expiring on 7 October 2024	Land with building erected on the land for housing complex comprising five residential houses and one function hall / Currently used as residential house for staff	Please refer to note (1)	14,768 square feet/ 3.22 acres (or approximately 1.30 hectares)	Please see item 6.	Nil	3,078,407.32
12.	PT LCT Nusantara HGB Certificate No. 839/Kotabumi HGB Certificate No. 839/Kotabumi Jl. Palam Putri, RT 007 RW 14 Kotabumi, Purwakarta, Cilegon Leasehold for a period of 20 years, expiring on 7 October 2024	Land with building erected on the land for housing complex comprising four residential houses / Current used as residential house for staff	Please refer to note (1)	13,304 square feet/ 1.52 acres (or approximately 0.62 hectares)	Please see item 6.	Nil	1,490,701.19

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
13.	PT LCT Nusantara HGB Certificate No.840/Kota Bumi HGB Certificate No.840/Kota Bumi Jl. Palam Putri, RT 007 RW 14 Kotabumi, Purwakarta, Cilegon Leasehold for a period of 20 years, expiring on 7 October 2024	Land with building erected on the land for housing complex comprising six residential houses, one function hall, one diesel house and one security post / Currently used as residential house for staff	Please refer to note (1)	16,447 square feet/ 1.10 acres (or approximately 0.45 hectares)	Please see item 6.	Nil.	1,116,534.17
14.	PT LCT Nusantara HGB Certificate No.841/Kotabumi HGB Certificate No. 841/Kotabumi Jl. Palam Putri, RT 007 RW 14 Kotabumi, Purwakarta, Cilegon Leasehold for a period of 30 years, expiring on 25 August 2027	Land with building erected on the land comprising one residential house / Currently used as residential house for staff	Please refer to note (1)	3,014 square feet/ 0.39 acres (or approximately 0.16 hectares)	Please see item 6.	Nil	380,521.76

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of registered owner/ (beneficial owner, if applicable)/Lot. no./Postal address/Tenure	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Restriction in interest	Encumbrances	Audited NBV as at 31 December 2016 RM
15.	PT LC Indonesia HGB Certificate No.3045/Warnasari HGB Certificate No. 3045/Warnasari Village, District of Citangkil, Cilegon City, Banten Province. Leasehold for a period of 30 years, expiring on 8 February 2047.	Vacant land / N/A	N/A	N/A / 79.35 acres (or approximately 32.11 hectares)	Please see item 6.	Nil	Please refer to note (2)
16.	PT LC Indonesia HGB Certificate No.3046/Warnasari HGB Certificate No. 3046/Warnasari Village, District of Citangkil, Cilegon City, Banten Province. Leasehold for a period of 30 years, expiring on 8 February 2047	Vacant land / N/A	N/A	N/A / 35.62 acres (or approximately 14.41 hectares)	Please see item 6.	Nil	Please refer to note (2)

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

Notes:

- (1) Under Law No. 28 of 2002 on building ("Law No. 28/2002"), a certificate of function worthiness or *Sertifikat Laik Fungsi* ("SLF") issued by the local government is required before a building can be used. The SLF serves as evidence that the building has been constructed in accordance with the permitted specification as provided in the building permit or *Izin Mendirikan Bangunan* ("IMB") and complies with the building safety standards, Regulation No. 5 of 2012 on Building which was subsequently issued by the Mayor of Cilegon on 27 February 2012 provides that any party who owns a building must first obtain an SLF. However, the implementation of such requirement was subject to specific regulations relating to the criteria and guidelines of issuing an SLF which was subsequently issued by the Mayor of Cilegon on 10 October 2016 as Regulation No. 44 of 2016. All the buildings owned by PT LCT Nusantara in Cilegon were erected before the coming into force of Law No. 28/2002 save for its coal boiler which was erected on part of the land held under HGB Certificate No. 17/Rawa Arum before 10 October 2016. On 4 May 2017, PT LCT Nusantara had submitted the relevant application (together with supporting documents) to the public work department. In this regard, so long as the SLF has not been obtained, we will disclose the status of the application in our quarterly reports by way of an announcement to Bursa Securities and in our annual report. We will also make the necessary announcement upon obtaining the SLF.
- (2) The right to build certificate for the land was issued under PT LC Indonesia's name as the registered owner of the land on 14 February 2017. As such, there is no audited NBV as at 31 December 2016 for the land.
- (3) Referring to the same CCC dated 16 February 2000.
- (4) Referring to the same CCC dated 31 January 2008.
- (5) Referring to the same CCC dated 24 June 1994.
- (6) Referring to the same CCC dated 14 April 1992.
- (7) Referring to the same CCC dated 28 February 2000.
- (8) Referring to the same CCC dated 12 May 2000.

None of the properties disclosed above are in breach of any land use conditions and/or are not in compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above for inclusion in this Prospectus.

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)**B.2 PROPERTIES LEASED/TENANTED BY OUR GROUP**

Details of the properties leased/tenanted by us as at the LPD are as follows:

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee/Lot. no./Postal address	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Tenure/Date of expiry	Rental amount
1.	Johor Port Authority (as lessor) and LCTM (as lessee)					
	Grant No. 122244, Lot No.66212 in the Mukim of Plentong, District of Johor Bahru, State of Johor	Industrial/ Currently used for storage of naphtha, hydrogenated pyrolysis gasoline and raw pyrolysis gasoline	24 December 1999	2,799 square feet/ 11.99 acres (or approximately 4.85 hectares)	36 years and 3 months / 31 December 2052 ⁽¹⁾	Total payment of RM20,363,733.00 (five percent of the total payment upon execution of the agreement and subsequently, a staggered payment twice a year from 2016 to 2019)
	PTD 9035 Kawasan LPJ (Terminal 1), Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Ta'zim					
2.	Johor Port Authority (as lessor) and LCTM (as lessee)					
	Grant No. 122260, Lot No.66218 in the Mukim of Plentong, District of Johor Bahru, State of Johor	Industrial/ Currently used as storage farm for propylene and ethylene	17 March 1993	689 square feet/ 10.58 acres (or approximately 4.28 hectares)	36 years and 3 months / 31 December 2052 ⁽²⁾	Total payment of RM17,979,312.00 (five percent of the total payment upon execution of the agreement and subsequently, a staggered payment twice a year from 2016 to 2019)
	PLO 131, Lorong Sawit Kawasan LPJ (Terminal 2), Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Ta'zim					

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee/Lot. no./Postal address	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Tenure/Date of expiry	Rental amount
3.	Johor Port Authority (as lessor) and LCTM (as lessee)					
	Grant No. 429875, Lot No.185318 in the Mukim of Plentong, District of Johor Bahru, State of Johor	Industrial/ The entire land is currently rented to JPB	N/A	N/A/ 22.01 acres (or approximately 8.91 hectares)	17 years / 31 December 2022 Option to renew for 14 years from 1 January 2023 to 31 December 2036	Total payment of RM10,166,246.01 (six equal monthly instalments of RM1,666,666.67 and the balance RM166,246.01 upon registration of the lease)
4.	Idemitsu Chemicals (M) Sdn Bhd (as lessor) and LCTM (as lessee)					
	HS(D) 178032 for PTD 101364 in the Mukim of Plentong, District of Johor Bahru, State of Johor PLO 408, Jalan Pekeliling, 81700 Pasir Gudang, Johor Darul Ta'zim	Industrial/ Vacant land	N/A	N/A/ 65.71 acres (or approximately 26.59 hectares)	30 years / 31 July 2040	Total payment of RM22,898,969.00 (11.24% of the total payment upon execution of the agreement, 83.76% of the total payment upon presentation of lease for registration and the remaining to be paid upon registration of the lease)
5.	Tenaga Nasional Berhad (as lessor) and LCTM (as lessee)					
	PN61071 Lot 195179 (previously known as HSD 478642 and PTD 204356) in the Mukim of Plentong, District of Johor Bahru, State of Johor. P.O. Box 151, 81707 Pasir Gudang, Johor	Industrial/ Currently used as storage farm for naphtha, benzene, toluene, butadiene and TBA	15 May 2016	2,895 square feet/ 20.00 acres (or approximately 8.09 hectares)	18 years and 9 months / 12 November 2028	Total payment of RM10,890,000.00 (10% of the total payment made on 13 November 1998, 60% of the total payment upon execution of the agreement and the remaining to be paid upon registration of the lease)

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee/Lot. no./Postal address	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Tenure/Date of expiry	Rental amount
6.	Perbadanan Setiausaha Kerajaan Johor (as lessor) and LCTM (as lessee) PTD 222990 in the Mukim of Plentong, District of Johor Bahru, Johor PLO 312, Jalan Tembaga 4, Pasir Gudang, Kawasan Perindustrian, 81700 Pasir Gudang, Johor	Industrial/ Construction of crossover piping for the TE3 Project is currently in progress	N/A	N/A/ 2.50 acres (or approximately 1.01 hectares)	30 years from the presentation of lease at the relevant land registry ⁽³⁾	Lump sum payment of RM4,425,081
7.	Malaysian Reinsurance Berhad (as landlord) and LCTM (as tenant) Part of Grant No. 40039, Lot No. 52315, in the Mukim of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur	Commercial/ Currently used as office space by LCTM	3 October 2001	9,189.9 square feet/ N/A	3 years / 30 November 2019	RM43,192.65 per month
8.	Ewein Land Sdn Bhd (as landlord) and LCTM (as tenant) Unit 6-2 and 6-3, 6 th Floor, Bangunan Malaysia Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur	Commercial/ Currently used as office space by LCTM	10 June 2008	861 square feet/ N/A	3 years / 30 September 2017	RM2,712 per month

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)

No.	Name of lessor/lessee or landlord/tenant or grantor/grantee/Lot. no./Postal address	Description of property/ Existing use	Date of issuance of CCC	Built-up area/ Land area	Tenure/Date of expiry	Rental amount
9.	Unit 1-10-05, Level 10, Menara IJM Land, 1, Lebuhr Tunku Kudin 3, 11700 Gelugor, Penang PT Jakarta Setiabudi International Tbk (as lessor) and PT LCT Nusantara (as lessee)	Commercial / Currently used as office space by PT LCT Nusantara	Please refer to note (4)	6,362 square feet/ N/A	A lease for a period of nine years, expiring on 30 April 2019	IDR91,618,950 (equivalent to RM29,685) per month
	HGB Certificate No. 617/Karet Setiabudi Building 2, 3rd Floor, Suite 306-307, Jl. HR Rasuna Said Kav.62, Kuningan, Jakarta 12920, Indonesia					

Notes:

- (1) The presentation of the lease with the relevant land registry for registration is pending. Under the lease agreement dated 13 October 2016 between the Johor Port Authority and LCTM, the Johor Port Authority has a period of one year commencing from 1 October 2016 to register the lease.
- (2) The presentation of the lease with the relevant land registry for registration is pending. Under the lease agreement dated 13 October 2016 between the Johor Port Authority and LCTM, the Johor Port Authority has a period of one year commencing from 1 October 2016 to register the lease.
- (3) The presentation of the lease with the relevant land registry for registration is pending Perbadanan Setiausaha Kerajaan Johor obtaining State consent arising from a restriction in interest on the title to the land against, amongst others, granting a lease.
- (4) Under Jakarta Regional Regulation No. 7 of 2010 on Building ("RR No. 7/2010") and Governor of Jakarta Regulation No. 128 of 2012 on Implementation of Sanction on Violation of Building Utilization ("GR No. 128/2012"), a SLF issued by the local government is required before a building can be used. The SLF serves as evidence that the building has been constructed in accordance with the permitted specification as provided in the building permit or IMB and complies with the building safety standards. It is the building owner's obligation to obtain the SLF failing which it is a breach by the building owner under RR No. 7/2010 and GR No. 128/2012.

None of the properties disclosed above are in breach of any land use conditions and/or are not in compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties.

ANNEXURE B: OUR PROPERTIES AND MATERIAL PLANTS AND EQUIPMENT (Cont'd)**B.3 MATERIAL PLANTS AND EQUIPMENT**

The material plants and equipment used by our operations as at the LPD are as follows:

<u>No.</u>	<u>Description</u>	<u>Location</u>	<u>Description of use</u>	<u>Audited NBV as at 31 December 2016</u>
				RM'000
1.	The building, plant and machinery of the NC1 Plant	Pasir Gudang, Johor, Malaysia	Production of ethylene and propylene	400,934
2.	The building, plant and machinery of the NC2 Plant	Pasir Gudang, Johor, Malaysia	Production of ethylene and propylene	540,473
3.	The building, plant and machinery of the BTX Plant	Pasir Gudang, Johor, Malaysia	Production of benzene and toluene	100,558
4.	The building, plant and machinery of the BD Plant	Pasir Gudang, Johor, Malaysia	Production of butadiene	149,488
5.	The building, plant and machinery of the OCU Plant	Pasir Gudang, Johor, Malaysia	Production of propylene	180,591
6.	The building, plant and machinery of the TBA Plant	Pasir Gudang, Johor, Malaysia	Production of TBA	73,455
7.	The building, plant and machinery of the PP1 Plant	Pasir Gudang, Johor, Malaysia	Production of homopolymer/copolymer	63,377
8.	The building, plant and machinery of the PP2 Plant	Pasir Gudang, Johor, Malaysia	Production of homopolymer/copolymer	187,637
9.	The building, plant and machinery of the co-generation plant	Pasir Gudang, Johor, Malaysia	Production of power and steam	156,841
10.	The building, plant and machinery of the PE1 Plant	Pasir Gudang, Johor, Malaysia	Production of HDPE	93,441
11.	The building, plant and machinery of the PE2 Plant	Tanjung Langsat, Johor, Malaysia	Production of LDPE	328,234
12.	The building, plant and machinery of the PE3 Plant	Tanjung Langsat, Johor, Malaysia	Production of HDPE	148,556
13.	The building, plant and machinery of the co-generation plant	Tanjung Langsat, Johor, Malaysia	Production of power generation and steam	105,938
14.	The building, plant and machinery of the PE1 Plant (Indonesia)	Merak, Cilegon, Banten Province, Indonesia	Production of HDPE	83,921
15.	The building, plant and machinery of the PE2 Plant (Indonesia)	Merak, Cilegon, Banten Province, Indonesia	Production of HDPE	89,649
16.	The building, plant and machinery of the PE3 Plant (Indonesia)	Merak, Cilegon, Banten Province, Indonesia	Production of LLDPE	192,729
	Total			2,895,822

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

LOTTE CHEMICAL TITAN HOLDING BERHAD
(222357-P)

Unaudited condensed consolidated
interim financial statements
For first quarter ended 31 March 2017

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Contents	Page
Unaudited condensed consolidated statement of comprehensive income	1 - 2
Unaudited condensed consolidated statement of financial position	3 - 4
Unaudited condensed consolidated statement of changes in equity	5
Unaudited condensed consolidated statement of cash flows	6 - 7
Explanatory notes pursuant to MFRS 134	8 - 16
Other explanatory notes	17 - 24

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

The Board of Directors of Lotte Chemical Titan Holding Berhad ("LCT" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements of LCT and its subsidiaries ("the Group") for the quarter ended 31 March 2017, which should be read in conjunction with the accompanying explanatory notes on page 8 to 24.

Unaudited condensed consolidated statement of comprehensive income

	Note	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Revenue		1,914,525	1,985,435
Cost of goods sold		<u>(1,527,174)</u>	<u>(1,622,335)</u>
Gross profit		387,351	363,100
Other income		6,449	2,877
Distribution expenses		(19,143)	(26,851)
Administrative expenses		(25,225)	(18,845)
Foreign exchange differences		4,175	22,770
Fair value changes on derivatives		38,853	(964)
Other expenses		<u>(2,994)</u>	<u>(2,023)</u>
Profit from operations		389,466	340,064
Finance income		3,599	1,824
Finance costs	B6	<u>(4,216)</u>	<u>(3,917)</u>
Net finance costs		(617)	(2,093)
Share of results of associates		<u>(2,482)</u>	<u>(1,928)</u>
Profit before tax	B5	386,367	336,043
Income tax	B7	<u>(43,503)</u>	<u>(63,794)</u>
Net profit for the period		<u>342,864</u>	<u>272,249</u>
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		(17)	-
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		<u>(108,594)</u>	<u>(540,256)</u>
		<u>(108,611)</u>	<u>(540,256)</u>
Total comprehensive income/(loss) for the period		<u>234,253</u>	<u>(268,007)</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of comprehensive income (cont'd)

	Note	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Net profit for the period attributable to:			
Owner of the Company		342,154	272,172
Non-controlling interests		710	77
		<u>342,864</u>	<u>272,249</u>
Total comprehensive income/(loss) for the period attributable to:			
Owner of the Company		233,866	(267,157)
Non-controlling interests		387	(850)
		<u>234,253</u>	<u>(268,007)</u>
Basic and diluted earnings per ordinary share (sen)	B18	<u>19.80</u>	<u>15.75</u>

The unaudited condensed consolidated statement of other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of financial position

	Note	As at 31.3.2017 RM'000	As at 31.12.2016 RM'000
Assets			
Non-current assets			
Property, plant and equipment		4,907,934	4,378,823
Prepaid lease payments		52,172	36,278
Investments in associates		2,272,457	1,552,117
Deferred tax assets		146	160
Derivative financial instruments		50,835	11,369
		<u>7,283,544</u>	<u>5,978,747</u>
Current assets			
Inventories		1,103,344	1,147,072
Trade and other receivables		753,634	1,143,346
Tax recoverable		8,687	8,805
Prepayments		17,996	21,008
Derivative financial instruments		12	1,169
Cash and bank balances		424,847	1,040,344
		<u>2,308,520</u>	<u>3,361,744</u>
Total assets		<u><u>9,592,064</u></u>	<u><u>9,340,491</u></u>
Equity and liabilities			
Capital and reserves			
Share capital		2,046,813	1,727,792
Share premium		-	294,113
Other reserves		1,810,571	1,943,750
Retained earnings		4,203,880	3,981,743
Total equity attributable to owner of the Company		8,061,264	7,947,398
Non-controlling interests		22,409	22,022
		<u>8,083,673</u>	<u>7,969,420</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of financial position (cont'd)

	Note	As at 31.3.2017 RM'000	As at 31.12.2016 RM'000
Non-current liabilities			
Provision		324,085	325,919
Deferred tax liabilities		393,871	364,440
Defined benefit obligation		15,604	14,967
		<u>733,560</u>	<u>705,326</u>
Current liabilities			
Loans and borrowings	B11	97,621	75,365
Trade and other payables		676,415	590,182
Other financial liabilities		196	198
Derivative financial instruments		599	-
		<u>774,831</u>	<u>665,745</u>
Total liabilities		<u>1,508,391</u>	<u>1,371,071</u>
Total equity and liabilities		<u>9,592,064</u>	<u>9,340,491</u>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 (Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of changes in equity

	←----- Non-distributable reserves -----→		Attributable to owners of the Company -----→		Total equity attributable to owners of the Company -----→		Non-controlling interest RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserves RM'000	Foreign currency translation reserve RM'000	Distributable earnings RM'000	Retained earnings RM'000		
At 1 January 2016	1,727,792	294,113	24,908	1,514,639	2,660,402	6,221,854	10,790	6,232,644
Net profit for the period	-	-	-	-	272,172	272,172	77	272,249
Other comprehensive loss	-	-	-	(539,329)	-	(539,329)	(927)	(540,256)
Total comprehensive loss for the period	1,727,792	294,113	24,908	975,310	2,932,574	5,954,697	9,940	5,964,637
At 31 March 2016	1,727,792	294,113	24,908	1,918,842	3,981,743	7,947,398	22,022	7,969,420
Net profit for the period	-	-	-	-	342,154	342,154	710	342,864
Other comprehensive loss	-	-	-	(108,271)	(17)	(108,288)	(323)	(108,611)
Total comprehensive income for the period	-	-	-	(108,271)	342,137	233,866	387	234,253
Dividends	-	-	-	-	(120,000)	(120,000)	-	(120,000)
Transition to no par value regime*	319,021	(294,113)	(24,908)	-	-	-	-	-
At 31 March 2017	2,046,813	-	-	1,810,571	4,203,880	8,061,264	22,409	8,083,673

* Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balances of the share premium and capital redemption reserves became a part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use these amounts for purposes as set out in Sections 618(3) and 618(4) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of cash flows

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Cash flows from operating activities		
Profit before tax	386,367	336,043
Adjustments for:-		
Depreciation of property, plant and equipment	100,543	106,498
Amortisation of prepaid land lease payments	705	555
Finance costs	4,216	3,917
Property, plant and equipment written off	134	756
Write-down/(Reversal of write-down) of inventories to net realisable value	664	(3,930)
Expenses recognised in respect of defined benefit plan	1,343	568
Inventories written off	74	-
Reversal of impairment loss on:		
- Trade receivables	-	(112)
- Other receivables	(10)	-
Share of results of associates	2,482	1,928
Bad debts recovered	-	(23)
Gain on disposal of property, plant and equipment	(12)	-
Finance income	(3,599)	(1,824)
Fair value changes in derivatives	(38,853)	964
Gain on partial settlement of derivative financial instrument	(884)	-
Unrealised gain on foreign exchange	<u>(5,287)</u>	<u>(14,887)</u>
Operating profit before working capital changes	447,883	430,453
Change in inventories	27,686	193,798
Change in trade and other receivables	238,340	63,203
Change in trade and other payables	<u>20,434</u>	<u>(101,425)</u>
Cash generated from operations	734,343	586,029
Payments under defined benefit plan	(629)	(29)
Finance costs paid	(1,254)	(1,092)
Proceeds from partial settlement of derivative financial instruments	1,683	-
Income tax paid	<u>(2,812)</u>	<u>(1,914)</u>
Net cash generated from operating activities	<u>731,331</u>	<u>582,994</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Unaudited condensed consolidated statement of cash flows (cont'd)

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Cash flows from investing activities		
Finance income received	3,599	1,824
Proceeds from disposal of property, plant and equipment	12	-
Acquisition of property, plant and equipment	(481,047)	(226,301)
Prepaid lease payments made	(16,082)	-
Investment in associate	(747,046)	-
Net cash used in investing activities	<u>(1,240,564)</u>	<u>(224,477)</u>
Cash flows from financing activities		
Interest paid on long-term borrowings	(420)	(675)
Net proceeds from draw-down of short-term borrowings	60,081	-
Repayments of long-term borrowings	(36,908)	(34,716)
Dividend paid	(120,000)	-
Net cash used in financing activities	<u>(97,247)</u>	<u>(35,391)</u>
Net (decrease)/increase in cash and cash equivalents	(606,480)	323,126
Effect of exchange rate changes on the balance of cash held in foreign currencies	(9,017)	(137,790)
Cash and cash equivalents at beginning of period	1,040,344	1,511,001
Cash and cash equivalents at end of period	<u>424,847</u>	<u>1,696,337</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2016 and the accompanying notes attached to the unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 15 May 2017.

A2. Significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, except for the adoption of the following amendments to MFRSs during the financial period:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax for Unrealised Losses
Amendments to MFRS 12	Disclosure of Interests in Other Entities

The adoption of the above amendments had no significant impact on the interim financial statements of the Group.

A3. Seasonality or cyclicity of operations

The petrochemical industry and the operating margins in this industry have historically been cyclical. Changes in supply and demand, both domestically and internationally (including in Southeast Asia, China and other markets the Group sells to), and resulting utilisation rates are key factors that influence the cycle and profitability of the petrochemical industry.

Supply is affected by significant capacity additions in the market, and if such additions are not matched by corresponding growth in demand, average industry utilisation rates and margins will face downward pressures. Conversely, if capacity additions are not able to keep up with increased demand, average industry utilisation rates and margins face upward pressure. As a result, the petrochemical industry is cyclical and characterised by periods of tight supply, leading to high utilisation rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced utilisation rates and margins. The demand and supply balance may favour one position or the other for an extended period of time and may not rebalance quickly.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A3. Seasonality or cyclical nature of operations (cont'd)

As the petrochemical industry is cyclical, new investments usually occur at the same time, following periods of sustained higher profitability. Cyclical changes in supply and demand are usually closely linked to economic growth patterns, especially in China given its strong manufacturing base. Global supply is increasing, with renewed investments in the United States following increased shale gas availability, adding to the development of capacity in the Middle East and Asia, led by investments in China.

It is not possible to predict accurately the supply and demand balances, market conditions and other factors that may affect industry capacity utilisation rates and margins in the future.

We do not typically experience significant seasonality in our business operations.

A4. Exceptional items

There was no exceptional item during the quarter under review.

A5. Material changes in estimates

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2016 that may have a material effect on the results of the quarter under review.

A6. Debt and equity securities

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A7. Dividend paid

During the quarter under review, the Company paid a final single tier dividend in respect of the financial year ended 31 December 2016, of 6.95 sen per share on 1,727,792,000 ordinary shares, amounting to a dividend of RM120,000,000.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A8. Operating segments

For management purposes, the Group is organised into business units based on its products and has 2 reportable segments, as follows:

- (i) Olefins and derivative products - Manufacture and sale of olefins and derivative products
- (ii) Polyolefin products - Manufacture and sale of polyolefin products

The following table provides an analysis of the Group's revenue and results by business segment:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations RM'000	Total RM'000
For the period ended 31 March 2017				
Revenue				
External customers	432,462	1,482,063	-	1,914,525
Inter-segment	460,594	-	(460,594)	-
Total revenue	893,056	1,482,063	(460,594)	1,914,525
Expenses				
Depreciation of property, plant and equipment and amortisation of pre-paid lease payments	49,656	51,592	-	101,248
Property, plant and equipment written off	134	-	-	134
Write-down of inventories to net realisable value	-	664	-	664
Segment results	78,948	262,975	44,444	386,367

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A8. Operating segments (cont'd)

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations RM'000	Total RM'000
For the period ended 31 March 2016				
Revenue				
External customers	406,151	1,579,284	-	1,985,435
Inter-segment	648,757	-	(648,757)	-
Total revenue	1,054,908	1,579,284	(648,757)	1,985,435
Expenses/(income)				
Depreciation of property, plant and equipment and amortisation of pre-paid lease payments	55,821	51,232	-	107,053
Property, plant and equipment written off	756	-	-	756
Reversal of write-down of inventories to net realisable value	(2,105)	(1,825)	-	(3,930)
Segment results	56,453	281,168	(1,578)	336,043

Reconciliation of profit

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Segment profit of:		
- Olefins and derivative products	78,948	56,453
- Polyolefin products	262,975	281,168
Total segment profit	341,923	337,621
Fair value changes in derivatives	38,853	(964)
Inter-segment sales (elimination)	-	(1,453)
Unallocated results	5,591	839
Profit before tax	386,367	336,043

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A9. Valuation of property, plant and equipment

There were no revaluations of property, plant and equipment for the quarter under review. As at 31 March 2017, all property, plant and equipment were stated at cost less accumulated depreciation.

A10. Material event subsequent event

There was no material event after the current financial quarter under review that has not been reflected in the financial statements for the period.

A11. Contingencies

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2016.

A12. Changes in composition of the Group

There was no material change in the composition of the Group during the period.

A13. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at	As at
	31.3.2017	31.12.2016
	RM'000	RM'000
Contracted but not provided for	766,847	672,414
Approved but not contracted for	644,757	1,101,938

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A14. Fair value information

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

- (i) Trade and other receivables
- (ii) Loans and borrowings
- (iii) Trade and other payables

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to insignificant impact of discounting.

The fair values of loan and borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Derivatives

The fair value of the total return equity swap is calculated by reference to the quoted share price of the underlying asset.

Fair values of forward currency contracts are calculated by reference to forward rates quoted at the reporting date for contracts with similar maturity profiles.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A14. Fair value information (cont'd)

Financial guarantees

The Company provides a financial guarantee to a bank for credit facilities granted to an associate. The fair value of the guarantee is not expected to be material due to the following reasons:

- The likelihood is remote that the guaranteed party will default within the guaranteed period; and
- The estimated loss exposure to the Company arising from the outstanding credit facility that is not recovered if the guaranteed party were to default is not expected to be significant as the guaranteed party has net assets in excess of the outstanding amount of credit facilities.

Fair value hierarchy

The following table is the fair value measurement hierarchy of the Group's assets and liabilities.

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
At 31 March 2017				
Financial assets				
Derivatives				
- Total return equity swap	50,835	-	50,835	-
- Forward currency contracts	12	-	12	-
	<u>50,847</u>	<u>-</u>	<u>50,847</u>	<u>-</u>
Financial liabilities				
Derivatives				
- Forward currency contracts	599	-	599	-
	<u>599</u>	<u>-</u>	<u>599</u>	<u>-</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A14. Fair value information (cont'd)

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Financial assets				
Derivatives				
- Total return equity swap	11,369	-	11,369	-
- Forward currency contracts	1,169	-	1,169	-
	<u>12,538</u>	<u>-</u>	<u>12,538</u>	<u>-</u>

There were no transfers between the various levels in the fair value hierarchy during the period.

A15. Related parties

For the purposes of these interim financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The significant related party transactions of the Group are as follows:

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.03.2016 RM'000
Ultimate holding company		
Sales of goods	13,706	15,106
Management and consulting fees incurred	2,039	1,943
Purchase of materials	-	360
Commission expense	102	147
Royalty expense	5	201
Commission income	129	49
Capital expenditure incurred	2,241	1,520
IT support services fee paid/payable	<u>13</u>	<u>15</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part A - Explanatory notes pursuant to MFRS 134 (cont'd)

A15. Related parties (cont'd)

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.03.2016 RM'000
Related companies		
Sales of goods	24,079	20,380
Capital expenditure incurred	226,236	157,138
IT support services fee paid/payable	155	187
Commission expense	489	843
Warehouse and logistics services incurred	408	53
Associate company		
Sales of goods	55,867	8,686
Sales of utilities	2,692	1,526
Income from shared services	203	238
Financial guarantee income	30	30
Lease rental income	536	487

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes

B1. Performance of the current quarter against the corresponding quarter

	31.3.2017		31.3.2016		31.3.2017		31.3.2016	
	Group		Olefins and derivative products		Polyolefin products			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,914,525	1,985,435	432,462	406,151	1,482,063	1,579,284		
Profit before tax	386,367	336,043	78,948	56,453	262,975	281,168		
EBITDA*	490,714	447,117	127,658	111,794	312,046	329,732		

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation and is computed based on profit from operations plus depreciation of property, plant and equipment and amortisation of prepaid lease payments.

Group revenue decreased by 3.6% from RM1,985.4 million in corresponding quarter to RM1,914.5 million in current quarter. This was primarily a result of the decrease in the sales volume due to the decrease in production volume attributable to routine turnaround carried out in February and March 2017. Partially offsetting the effects of the decrease in sales volume on Group revenue was a 27.8% increase in average selling price.

The current quarter profit before tax increased to RM386.4 million from RM 336.0 million in the first quarter ("Q1") of 2016. The increase was due to the improved gross profit margin as the 5.9% drop in cost of goods sold in Q1 2017 exceeded the 3.6% drop in sales revenue for the same period.

The increase in the current quarter's profit before tax is also due to the recognition of fair value gain on derivatives amounting to RM38.9 million in Q1 2017. In contrast, a fair value loss on derivatives amounting to RM 1.0 million was recognised in Q1 2016.

The fair value changes on derivatives relate mainly to the equity swap arrangement entered into between our subsidiary, Lotte Chemical Titan International Sdn Bhd, with Maybank Investment Bank Berhad in relation to the shares held in PT Lotte Chemical Titan Tbk ("Underlying Shares"), our indirect subsidiary listed on the Indonesia Stock Exchange, to gain economic exposure to the performance of the Underlying Shares ("Total Return Equity Swap").

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B1. Performance of the current quarter against the corresponding quarter (cont'd)

For the three months ended 31 March 2017, a fair value gain of RM40.6 million of the Total Return Equity Swap was recorded as a result of the increase in the prices of the Underlying Shares.

EBITDA was higher than the corresponding quarter by RM43.6 million mainly due to improved gross profit margins and the fair value gain recognised on the Total Return Equity Swap.

Olefins and derivative products

The segment recorded an increase in revenue of RM26.3 million from RM406.2 million in Q1 2016 to RM432.5 million in Q1 2017. This was primarily a result of the increase in the average selling price of olefins and derivative products. The increase was due to the tight supply in the market due to turnaround activity in the region and stronger US Dollar. The effect of the increase in average selling price on revenue was partially offset by the decrease in sales volume of 32% in Q1 2017 as compared to the corresponding quarter.

EBITDA improved by RM15.9 million from RM111.8 million in Q1 2016 to RM127.7 million in Q1 2017 and profit before tax improved by RM22.4 million from RM56.5 million in Q1 2016 to RM78.9 million in Q1 2017 respectively due to improved product margins as a result of higher selling price.

Polyolefin products

The segment recorded a decrease in revenue of RM97.2 million from RM1,579.3 million in Q1 2016 to RM1,482.1 million in Q1 2017. This was primarily a result of the decrease in the segment's sales volume by 21% compared to corresponding quarter due to turnaround activities carried out on the polyolefin plants in Malaysia.

EBITDA decreased by RM17.7 million from RM329.7 million in Q1 2016 to RM312.0 million in Q1 2017 and profit before tax decreased by RM18.2 million from RM281.2 million in Q1 2016 to RM263.0 million in Q1 2017 respectively mainly as a result of the decreased sales activity.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

B2. Variation of results against the preceding quarter

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.12.2016 RM'000
Revenue	1,914,525	2,146,378
Profit before tax	386,367	423,235
EBITDA	<u>490,714</u>	<u>522,091</u>

Revenue in current quarter decreased by RM231.9 million from RM2,146.4 million in Q4 2016 to RM1,914.5 million in Q1 2017 as sales volume dropped by 21.6% due to the plant shutdown in Malaysia for turnaround. The effect of the decreased sales volume on revenue is offset by the increase of average selling price from RM4,357/MT in the preceding quarter to RM4,958/MT in the current quarter.

EBITDA decreased by RM31.4 million from RM522.1 million in Q4 2016 to RM490.7 million in Q1 2017 and profit before tax decreased by RM36.8 million from RM423.2 million to RM 386.4 million respectively as result of the decreased sales volume.

B3. Commentary on prospects

The results of our operations for the financial year ending 31 December 2017 are expected to be primarily influenced by the following factors:

- (a) The demand and supply balance of petrochemical products in the market;
- (b) Our ability to maximise production outputs; and
- (c) Feedstock prices which is correlated to crude oil prices.

We anticipate that the petrochemicals market will be bullish in the near term with demand growth for petrochemicals to outpace the rate of new supply additions in the region.

We expect our production output to fall in 2017 due to the ongoing plant turnaround project. However, we anticipate that the fall in production output due to our turnaround project will be partially offset by the increased output from the completion of TE3 project in the second half of 2017.

The TE3 project involves the construction of facilities attached to our existing plant to create a larger output of ethylene and propylene as well as by-products, such as C4.

Barring any unforeseen circumstances, our Board expects our performance for the financial year ending 31 December 2017 to be positive.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Depreciation of property, plant and equipment	100,543	106,498
Loss/(gain) on foreign exchange:		
- Realised	1,112	(7,883)
- Unrealised	(5,287)	(14,887)
Amortisation of prepaid lease payments	705	555
Inventories written off	74	-
Property, plant and equipment written off	134	756
Gain on disposal of property, plant and equipment	(12)	-
Gain on partial settlement of derivative financial instrument	(884)	-
Reversal of impairment loss on:		
- Trade receivables	-	(112)
- Other receivables	(10)	-
Write-down/(Reversal of write-down) of inventories to net realisable value	664	(3,930)
Bad debts recovered	-	(23)
Fair value changes in derivatives	<u>(38,853)</u>	<u>964</u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B6. Finance costs

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Interest expense on:		
- Term loan	420	675
- Short term borrowings	307	21
	<u>727</u>	<u>696</u>
Bank charges	526	559
Letter of credit charges	361	492
Unwinding of discount on provision	2,542	2,150
Other finance costs	60	20
	<u>4,216</u>	<u>3,917</u>

B7. Income tax

	Quarter ended 31.3.2017 RM'000	Quarter ended 31.3.2016 RM'000
Current tax expense		
Current year	<u>9,035</u>	<u>1,914</u>
Deferred tax expenses		
Origination and reversal of temporary differences	28,705	59,813
Underprovision in prior year	5,763	2,067
	<u>34,468</u>	<u>61,880</u>
Total income tax recognised in profit or loss	<u>43,503</u>	<u>63,794</u>

The Group's effective tax rate of 11% for the period ended 31 March 2017 was significantly lower than the statutory tax rate of 24%. This was primarily due to the utilisation of estimated reinvestment allowances claimed in respect of capital expenditures incurred on a qualifying project.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B8. Sales of unquoted investments/properties

There were no material disposals of unquoted investments or properties by the Group for the quarter under review.

B9. Quoted securities

There were no material dealings in quoted securities during the period under review.

B10. Status of corporate proposals

LCT is currently undertaking a proposed initial public offering ("IPO") and the listing of and quotation for the entire share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The IPO and Listing will involve the following:

- (a) The public issue of 740,483,000 new ordinary shares in the Company representing approximately 30.00% of the enlarged issued share capital.
- (b) Listing of and quotation for the enlarged issued share capital of the Company, comprising 2,468,274,500 shares, on the Main Market of Bursa Malaysia Securities Berhad.

Save as disclosed above, there is no corporate proposal which is announced but not completed as of the date of this report.

B11. Borrowings

	As at	As at
	31.3.2017	31.12.2016
	RM'000	RM'000
Current		
Secured:		
Term loan	37,621	75,365
Bankers' acceptance	60,000	-
Total loans and borrowings	<u>97,621</u>	<u>75,365</u>

The term loan is denominated in USD, whereas the bankers' acceptance is denominated in MYR.

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B12. Derivative financial instruments

The Group's derivative financial instruments are as disclosed in Note A14.

B13. Fair value changes of financial liabilities

Other than derivatives which are measured at fair value and are classified as liabilities only when they are at a loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after initial recognition.

B14. Supplementary financial information on the breakdown of realised and unrealised profits or losses

This information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

The balance of the Group's realised and unrealised retained earnings is as follows:

	As at	As at
	31.3.2017	31.12.2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
Realised	5,110,184	4,951,341
Unrealised	(344,077)	(382,321)
	<u>4,766,107</u>	<u>4,569,020</u>
Total share of retained losses from associates		
Realised	<u>(13,288)</u>	<u>(10,806)</u>
Total realised and unrealised	4,752,819	4,558,214
Less: Consolidation adjustments	<u>(548,939)</u>	<u>(576,471)</u>
Total retained earnings of the Group	<u><u>4,203,880</u></u>	<u><u>3,981,743</u></u>

ANNEXURE C(1): OUR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017
(Cont'd)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the three-month period ended 31 March 2017

Part B - Other explanatory notes (cont'd)

B15. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the quarter ended 31 March 2017.

B16. Material litigation

As at the latest practicable date, there was no material litigation taken or threatened against the Company and its subsidiaries.

B17. Dividends

Other than disclosed in Note A7, no dividend has been paid or declared by the Company for the quarter ended 31 March 2016 and 31 March 2017.

B18. Earnings per share ("EPS")

Basic and diluted EPS are calculated by dividing net profit for the period attributable to the owner of the Company by the weighted average number of ordinary shares outstanding during the period. The Company did not issue any instruments that will give effect to dilutive potential ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	Quarter ended 31.3.2017	Quarter ended 31.3.2016
Net profit attributable to the owner of the Company (RM'000)	<u>342,154</u>	<u>272,172</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>1,727,792</u>	<u>1,727,792</u>
Basic and diluted EPS (sen)	<u>19.80</u>	<u>15.75</u>

B19. Audit report of preceding annual financial statements

The auditors have expressed an unqualified opinion on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2016.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS

C(2) MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS

The following discussion should be read in conjunction with our unaudited condensed consolidated interim financial statements and related notes for the three months ended 31 March 2017 included in Annexure C(1) of this Prospectus.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Risk Factors" and "Forward-Looking Statements" of this Prospectus.

In the context of our operations, references to "domestic market" refer to the Malaysian market for products produced by our Malaysian plants, and the Indonesian market for products produced by our Indonesian plants.

C(2).1 Significant factors affecting our financial condition and results of operations

A number of factors affect our financial condition and results of operations, including the significant factors set out in Section 12.2.2 of this Prospectus. The following factors have affected our results during the months under review, which we expect, together with the other factors set out in Section 12.2.2 of this Prospectus, will continue to affect our results in the future:

(i) Prices of feedstock

Feedstock cost is the largest component of our cost of goods sold, accounting for about 75.6% and 78.5% of our cost of goods sold for the three months ended 31 March 2016 and 2017, respectively.

Crude oil prices generally increased since the first quarter of 2016 through the end of the first quarter of 2017, supported by OPEC and non-OPEC decisions to cut production towards the end of 2016. As a result, crude oil prices per barrel were higher for the first quarter of 2017, as compared to crude oil prices per barrel for the first quarter of 2016. Crude oil prices have subsequently fallen since the first quarter of 2017.

Primarily as a result of higher crude oil prices in the first quarter of 2017, our average purchase prices for naphtha and ethylene increased in the three months ended 31 March 2017 as compared with the same period of the previous year.

The following table sets out our average purchase price of naphtha and ethylene for the periods indicated.

	Three months ended 31 March		
	2016	2017	% change
	(RM per MT, except percentages)		
Naphtha	1,530	2,157	41.0%
Ethylene	4,141	4,763	15.0%

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Please refer to Section 12.2.2(iii) of this Prospectus for a description of:

- (a) how feedstock prices reflect trends in market prices for crude oil, our use and production of feedstock; and
- (b) the impact these have on our financial conditions and results of operation.

(ii) Prices of our products

The following table sets out a breakdown of our average sales prices by product type for the periods indicated. Polyethylene Malaysia prices and polyethylene Indonesia prices reflect prices of polyethylene produced at our plants in Malaysia and Indonesia, respectively.

	Three months ended 31 March		
	2016	2017	% change
	(RM per MT, except percentages)		
Polyolefin Products			
Polypropylene ⁽¹⁾	4,154	5,405	30.1%
Polyethylene Malaysia	4,859	5,726	17.8%
Polyethylene Indonesia	5,089	5,567	9.4%
Olefins and Derivative Products⁽¹⁾			
Ethylene	4,084	4,618	13.1%
Propylene	-	3,641	-
Benzene	2,365	4,317	82.5%
Toluene	2,578	3,379	31.1%
Butadiene	3,456	9,525	175.6%
TBA	1,880	2,500	33.0%
By-products ⁽²⁾	1,543	2,523	63.5%

Notes:

- (1) Produced from our plants in Malaysia.
- (2) Our by-products comprise primarily pygas, fuel oil, light cycle oil, C4 Raffinate-2, mixed aromatics and C5 Non Aromatics.

Our average sales prices of butadiene and benzene increased largely because of the sharp increase in the international market prices of these products as a result of tighter supply due to maintenance shutdown of crackers and butadiene plants in the Asia region:

- (a) in the case of butadiene, our increase in average sales prices was also driven by strong demand in China of synthetic rubber and tyres, which are products made by butadiene; and
- (b) in the case of benzene, from higher demand from styrene monomer plants in Asia (particularly in China) which use benzene as feedstock to produce polystyrene.

Please refer to Section 12.2.2(iv) of this Prospectus for more information on:

- (a) the impact of prices of our products on our revenue, gross margin and profit; and

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(b) key factors which determine the prices of our products.

(iii) Plant capacity and utilisation

We shut down our plants periodically for scheduled maintenance, and for longer periods of maintenance and turnaround every three to six years, depending on overall business conditions and the type of plant.

We carried out a routine turnaround on our NC2 Plant from February to March 2017 which resulted in this plant shut down for a period of 53 days. As our NC2 Plant supplies ethylene and propylene to many of our other plants, we also shut down most of our other plants in Malaysia for turnaround, other than our NC1 Plant, which is only scheduled for turnaround in July 2017, for periods ranging from 13 days to 56 days around the same period when our NC2 Plant was shut down. These shutdowns resulted in a significant decline in the average utilisation rates of our Malaysian plants, from 92.7% for the three months ended 31 March 2016 to 54.5% in the three months ended 31 March 2017. For a description of our scheduled plant maintenance and turnarounds, please refer to Section 7.6.6 of this Prospectus.

The following table sets out our plant utilisation rates for the periods indicated.

Plant	Three months ended 31 March		Shut down period - Three months ended 31 March 2017
	2016	2017	No. of Days
Malaysia			
NC1 Plant	101.2%	94.2%	0
NC2 Plant	100.1%	37.5%	53
BTX Plant	80.1%	26.2%	56
BD Plant	86.6%	40.9%	37
OCU Plant ⁽¹⁾	0.0%	0.0%	52
TBA Plant	73.9%	30.7%	52
PP1 Plant ⁽²⁾	97.0%	57.0%	17
PP2 Plant ⁽²⁾	104.4%	69.0%	13
PE1 Plant	100.7%	44.2%	24
PE2 Plant	93.1%	72.7%	26
PE3 Plant	106.9%	74.3%	14
Average utilisation rates	92.7%	54.5%	
Indonesia			
PE1 Plant	83.7%	78.9%	0
PE2 Plant	80.8%	112.8%	0
PE3 Plant	70.3%	61.6%	0
Average utilisation rates	77.0%	80.6%	

Notes:

- (1) We commissioned our OCU Plant in 2008 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.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

- (2) Contributing to the aggregate lower capacity utilisation of our polypropylene plants in the three months ended 31 March 2017 compared to the three months ended 31 March 2016 was also due to the increase in our aggregate polypropylene plant capacity, from 390 KTA to 440 KTA (which was the result of debottlenecking works carried out in 2016), as capacity utilisation is calculated by dividing production volume during a particular year by the average nameplate capacity during the particular year.

Utilisation rates of our Indonesian plants were not affected by the turnaround of our Malaysian plants as we were able to source supplies of ethylene from third parties to use as feedstock for our Indonesian plants. The utilisation rate for our PE1 Plant (Indonesia) reduced from 83.7% for the three months ended 31 March 2016 to 78.9% for the three months ended 31 March 2017 due to planned shutdown for a trial run of a new PE product with different specification. During that period of time, production meant for PE1 Plant (Indonesia) was temporarily transferred to PE2 Plant (Indonesia) which resulted in the increased utilisation rate for our PE2 Plant (Indonesia) whilst the reduction of utilisation rate for our PE3 Plant (Indonesia) from 70.3% for the three months ended 31 March 2016 to 61.6% for the three months ended 31 March 2017 was due to plant shutdown for the cleaning of residue accumulated in the plants.

Please refer to Section 12.2.2(v) of this Prospectus for more information on:

- (a) the production capacity of our plants;
- (b) our recent debottlenecking projects;
- (c) our projects under construction and how we account for these in our financial statements; and
- (d) turnaround and how each of these impact our financial conditions and results of operation.

(iv) Foreign exchange fluctuations

The RM generally appreciated against the USD in the first three months ended 31 March 2017, which had a net positive impact on our results of operations during the same period. The slight appreciation of the RM against the USD in the three months ended 31 March 2017 contributed to a foreign exchange gain of RM4.2 million, mainly arising from the translation of our bank balances and account receivables that are denominated in RM to our functional currency of USD.

The following table sets out the RM-to-USD exchange rates that we used to prepare our financial statements for the periods indicated below.

	Three months ended 31 March	
	2016	2017
Statement of comprehensive income	4.2	4.4
Statement of financial position	3.9	4.4

Please refer to Section 12.2.2(vi) of this Prospectus for more information on:

- (a) our reporting and functional currencies;
- (b) exposure of our business and operations to fluctuations of the RM and IDR against the USD; and

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

- (c) differences in foreign exchange that we recognise in our financial statements, and how each of these impact our financial conditions and results of operation.

(v) Fair value changes on derivatives

Our fair value changes on derivatives primarily include the Total Return Equity Swap, which is re-measured to fair value at the reporting date. The change in fair value on the derivative is recognised in profit or loss. Our fair value changes on derivatives contributed significantly to the increase in our profits for the three months ended 31 March 2017, due to a gain in valuation of RM40.6 million of the Total Return Equity Swap, measured based on the market prices of the Underlying Shares, which increased significantly from IDR129 per share as at 31 December 2016 to IDR605 per share as at 31 March 2017. As at the LPD, the market price of the Underlying Shares was IDR274 per share.

Partially offsetting the significant gain in valuation of the Total Return Equity Swap was a RM1.7 million loss on valuation of our forward currency contracts.

(vi) Tax incentives and credits

Currently, we enjoy tax incentives in Malaysia such as the PHI and do not enjoy any tax incentives in Indonesia. In addition, following the expected completion of our TE3 Project in the second half of 2017, our wholly-owned subsidiary, LCTM, is planning to make its first Reinvestment Allowance ("**RA**") claim in 2017 on the qualifying capital expenditure ("**QCE**") incurred on our TE3 Project.

Please refer to Section 12.2.2(vii) of this Prospectus for more information on the PHI.

RA

RA is a form of tax incentive granted to a company resident in Malaysia which fulfills the following criteria:

- (a) being in operation for not less than 36 months; and
- (b) incurring QCE on factory, plant and machinery used in Malaysia for qualifying projects under Paragraph 8(a) of the Schedule 7A of the Income Tax Act, 1967, including but not limited to expansions, automation, modernisation and diversification, for their existing business.

A qualifying project should result in the following:

- (a) an increase in the production capacity or performance in the form of saving in the use of time, material or labour; or
- (b) better quality products or any other improvement as compared to before undertaking the qualifying projects.

RA is available for a consecutive period of 15 years from the year of assessment in which a claim for RA was first made. The RA given is equivalent to 60% of QCE incurred in the year of assessment in relation to a qualifying project, which is deducted against up to 70% of the company's statutory income. Any unabsorbed RA can be carried forward until it is fully absorbed.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

C(2).2 Results of operations

Three months ended 31 March 2016 compared to three months ended 31 March 2017

The following table presents selected data from our statement of comprehensive income, the percentage such amounts represent of total revenue and their percentage change for the periods indicated.

	Three months ended 31 March				% change
	2016		2017		
	(RM million)	% of revenue	(RM million)	% of revenue	
Revenue	1,985.4	100.0	1,914.5	100.0	(3.6)
Cost of goods sold	(1,622.3)	(81.7)	(1,527.2)	(79.8)	(5.9)
Gross profit	363.1	18.3	387.3	20.2	6.7
Other income	2.9	0.1	6.4	0.3	120.7
Distribution expenses	(26.9)	(1.4)	(19.1)	(1.0)	(29.0)
Administrative expenses	(18.8)	(0.9)	(25.2)	(1.3)	34.0
Foreign exchange differences	22.8	1.1	4.2	0.2	(81.6)
Fair value changes on derivatives	(1.0)	(0.1)	38.9	2.0	(3,990.0)
Other expenses	(2.0)	(0.1)	(3.0)	(0.2)	50.0
Profit from operations	340.1	17.1	389.5	20.3	14.5
Finance income	1.8	0.1	3.6	0.2	100.0
Finance costs	(3.9)	(0.2)	(4.2)	(0.2)	7.7
Net finance costs	(2.1)	(0.1)	(0.6)	0.0	(71.4)
Share of results of associates	(2.0)	(0.1)	(2.5)	(0.1)	25.0
Profit before tax	336.0	16.9	386.4	20.2	15.0
Income tax	(63.8)	(3.2)	(43.5)	(2.3)	(31.8)
Net profit for the year	272.2	13.7	342.9	17.9	26.0

(i) Revenue

We derive revenue from sales of polyolefin products and olefins and derivative products. We also recognise revenue from the sale of ethylene pursuant to the Third Party Ethylene Arrangement. For further information on our products and the Third Party Ethylene Arrangement, please refer to Section 12.2.4(ii) of this Prospectus.

Revenue by product type

The following table sets out a breakdown of our revenue by product type and the percentage these revenues represent as a proportion of total revenue for the periods indicated. Polyethylene Malaysia revenues and polyethylene Indonesia revenues reflect revenues from the sale of polyethylene produced from our plants in Malaysia and Indonesia, respectively.

	Three months ended 31 March			
	2016		2017	
	(RM million)	(%)	(RM million)	(%)
(RM million, except percentages)				
Polyolefin Products				
Polypropylene ⁽¹⁾	442.8	22.3%	440.5	23.0%
Polyethylene Malaysia	685.1	34.5%	522.8	27.3%
Polyethylene Indonesia	451.4	22.7%	518.8	27.1%
Total polyolefins	1,579.3	79.5%	1,482.1	77.4%

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Olefins and Derivative Products⁽¹⁾				
Ethylene ⁽²⁾	91.9	4.6%	76.2	4.0%
Propylene	-(3)	0.0%	14.2	0.7%
Benzene	49.2	2.5%	35.4	1.8%
Toluene	28.1	1.4%	19.6	1.0%
Butadiene	78.1	3.9%	96.2	5.0%
TBA	34.4	1.7%	22.5	1.2%
By-products ⁽⁴⁾	124.4	6.4%	168.3	8.9%
Total Olefins and Derivative Products	406.1	20.5%	432.4	22.6%
Total revenue	1,985.4	100.0%	1,914.5	100.0%

Notes:

- (1) Produced from our plants in Malaysia.
- (2) Includes revenue from ethylene that we sold through the Third Party Ethylene Arrangement.
- (3) We did not have any revenue from propylene sales in 2016, as it was more profitable for us to use the propylene which we produced as feedstock for our internal operations.
- (4) Our by-products primarily comprise of pygas, fuel oil, light cycle oil, C4 Raffinate-2, mixed aromatics and C5 Non Aromatics.

Revenue by geographical market

The following table sets out a breakdown of our revenue by geographical market based on the location of delivery, and the percentage these revenues represent as a proportion of total revenue, for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Malaysia	754.8	38.0%	833.5	43.5%
Indonesia	606.0	30.5%	622.0	32.5%
China (including Hong Kong)	223.5	11.3%	169.2	8.8%
Southeast Asia ⁽¹⁾	170.1	8.6%	171.7	9.0%
Others ⁽²⁾	231.0	11.6%	118.1	6.2%
Total revenue	1,985.4	100.0%	1,914.5	100.0%

Notes:

- (1) Excludes Malaysia and Indonesia.
- (2) "Others" includes the ISC, Northeast Asia, North America, Africa and Oceania.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Our revenue in Malaysia increased in the three months ended 31 March 2017 primarily due to an increase in the average selling prices of our products in Malaysia, which to a certain extent offset the decrease in our sales volume in the same period due to the routine turnaround resulting in the shutdown of our NC2 Plant and other plants in Malaysia from February to March 2017.

However, our revenue in China and other geographical markets decreased in the three months ended 31 March 2017 despite an increase in average selling prices of our products due to the decrease in sales volume as a result of the routine turnaround resulting in the shutdown of our NC2 Plant and other plants in Malaysia from February to March 2017.

(ii) Cost of goods sold

The following table sets out the key components of our cost of goods sold and the percentage they represent as a proportion of total cost of goods sold for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Feedstock and other materials	1,227.5	75.6%	1,199.2	78.5%
Utilities and supplies	148.8	9.2%	134.7	8.8%
Fixed manufacturing costs	68.3	4.2%	59.4	3.9%
Depreciation and amortisation	98.7	6.1%	92.7	6.1%
Net changes in inventories	79.0	4.9%	41.2	2.7%
Total cost of goods sold	1,622.3	100.0%	1,527.2	100.0%

The following table shows a breakdown of our costs for feedstock and other materials and the percentage they represent as a proportion of total feedstock and other materials costs for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Naphtha	836.1	68.1%	664.4	55.4%
Ethylene ⁽¹⁾	340.2	27.7%	437.4	36.5%
Propylene	18.1	1.5%	83.6	7.0%
Other materials ⁽²⁾⁽³⁾	33.1	2.7%	13.8	1.1%
Total	1,227.5	100.0%	1,199.2	100.0%

Notes:

- (1) Includes ethylene that we purchased through the Third Party Ethylene Arrangement.
- (2) "Other materials" includes butene, hexene, hydrogen, catalysts and other chemicals, and by-products such as methane and fuel gas for our co-generation plants.
- (3) We classify by-products which are used to generate utilities as a credit against "other material" costs. As a result, our costs for other materials are offset by by-product credits. By-product value is primarily determined with reference to our purchase price for feedstock and/or products.

For a description of the items in our cost of goods sold, please refer to Section 12.2.4(iii) of this Prospectus.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(iii) Other income

The following table sets out the key components of our other income and the percentage they represent as a proportion of total other income for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Utilities sales to Lotte Ube	1.5	51.7%	2.7	42.2%
Gain on partial settlement of derivative financial instrument ⁽¹⁾	0.0	0.0%	0.9	14.1%
Others ⁽²⁾	1.4	48.3%	2.8	43.7%
Total other income	2.9	100.0%	6.4	100.0%

Notes:

- (1) Relating to partial settlement of our Total Return Equity Swap.
- (2) "Others" includes rental income, sales of scrap (which includes the sale of damaged pallets, film, stretch hoods and other materials with residual value) and commission income.

For a description of the sources from which we derive other income, please refer to Section 12.2.4(iv) of this Prospectus.

(iv) Distribution expenses

The following table sets out the key components of our distribution expenses and the percentage they represent as a proportion of total distribution expenses for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Delivery cost – domestic ⁽¹⁾	10.5	39.0%	9.6	50.3%
Delivery cost – export	14.2	52.8%	7.8	40.8%
Sales commission (including Royalty)	2.1	7.8%	1.6	8.4%
Domestic and export insurance	0.1	0.4%	0.1	0.5%
Total distribution expenses	26.9	100.0%	19.1	100.0%

Note:

- (1) Domestic delivery costs are costs for the delivery of our products produced in Indonesia to the Indonesian markets, and our products produced in Malaysia to the Malaysian markets.

For a description of the sources from which we incur distribution expenses, please refer to Section 12.2.4(v) of this Prospectus.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(v) Administrative expenses

The following table sets out the key components of our administrative expenses and the percentage they represent as a proportion of total administrative expenses for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Direct labour cost	8.5	45.2%	9.7	38.5%
Retirement cost	1.0	5.3%	1.7	6.7%
Professional expenses	3.8	20.2%	8.2	32.5%
Fringe benefits	1.3	6.9%	1.4	5.6%
Depreciation and amortisation	0.9	4.8%	0.9	3.6%
Repairs and maintenance	0.3	1.6%	0.3	1.2%
Others ⁽¹⁾	3.0	16.0%	3.0	11.9%
Total administrative expenses	18.8	100.0%	25.2	100.0%

Note:

- (1) "Others" includes expenses relating to travel, rental (including the rental of cars and premises), training and leased circuits.

For a description of the sources from which we incur administrative expenses, please refer to Section 12.2.4(vi) of this Prospectus.

(vi) Foreign exchange differences

For a description of our sources of foreign exchange differences, please refer to Section 12.2.4(vii) of this Prospectus.

(vii) Fair value changes on derivatives

Fair value changes on derivatives include the Total Return Equity Swap described in Sections 12.2.4(viii) and 12.3.1(v) of this Prospectus. The Total Return Equity Swap is re-measured to fair value at the reporting date and the fair value change on the derivative is recognised in profit or loss.

(viii) Other expenses

The following table sets out the key components of our other expenses and the percentage they represent of total other expenses for the periods indicated.

	Three months ended 31 March			
	2016		2017	
	(RM million, except percentages)			
Property, plant and equipment written off	0.8	40.0%	0.2	6.7%
Cost of utilities sales to Lotte Ube	1.2	60.0%	2.8	93.3%
Total other expenses	2.0	100.0%	3.0	100.0%

For a description of the sources from which we incur other expenses, please refer to Section 12.2.4(ix) of this Prospectus.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(ix) Finance income

For a description of the sources from which we derive finance income, please refer to Section 12.2.4(x) of this Prospectus.

(x) Finance costs

For a description of the sources from which we incur finance costs, please refer to Section 12.2.4(xi) of this Prospectus.

(xi) Share of results of associates

For a description of our share of results of associates, please refer to Section 12.2.4(xii) of this Prospectus.

(xii) Income tax

For a description of our tax expenses, please refer to Section 12.2.4(xiii) of this Prospectus. For the three months ended 31 March 2016 and 2017, we calculated Malaysian current income tax at the statutory tax rate of 24%.

C(2).3 Review of past performance

(i) Revenue

Revenue decreased by 3.6% from RM1,985.4 million in the three months ended 31 March 2016 to RM1,914.5 million in the three months ended 31 March 2017.

The decrease in our revenue was primarily a result of a decrease in the sales volume of our products, mainly due to the decrease in production volume of our products attributable to the shutdown of our NC2 Plant and other plants in Malaysia in February and March 2017 for a routine turnaround. The effect on the decrease in sales volume was partially offset by an increase in the average sales prices of our products, as follows.

	Three months ended 31 March					
	2016	2017	% change	2016	2017	% change
	Average sales price (USD per MT)			Average sales price (RM per MT)		
Polyolefin products	1,100	1,250	13.6%	4,696	5,572	18.7%
Olefins and derivatives products	541	807	49.2%	2,311	3,597	55.6%

The increase in average sales price of our products was mainly due to the increase in our feedstock prices which reflected the increase in crude oil prices, as we generally pass changes in feedstock prices directly on to our customers. In addition, average sales prices of some of our products, such as butadiene and benzene, increased largely because of the sharp increase in the international market prices of these products as a result of tighter supply due to maintenance shutdown of crackers and butadiene plants in the Asia region.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Polyolefin products

(a) Polypropylene and Polyethylene Malaysia

Our revenue from the sales of polypropylene and polyethylene Malaysia were lower in the three months ended 31 March 2017 than in the three months ended 31 March 2016, as indicated in the table below.

	Three months ended 31 March								
			%			%			%
	2016	2017	change from 2016 to 2017	2016	2017	change from 2016 to 2017	2016	2017	change from 2016 to 2017
Average sales price (RM per MT)			Sales volume (KT)			Revenue (RM million)			
Polypropylene	4,154	5,405	30.1%	106.6	81.5	(23.5%)	442.8	440.5	(0.5%)
Polyethylene Malaysia	4,859	5,726	17.8%	141.0	91.3	(35.2%)	685.1	522.8	(23.7%)

The decrease in our revenue was primarily a result of a decrease in the sales volume of polypropylene and polyethylene mainly due to the decrease in production volume of these products attributable to the shutdown of our polypropylene and polyethylene plants in Malaysia in February and March 2017 for a routine turnaround.

This was partially offset by an increase in average sales prices primarily due to increase in feedstock price and also tighter supply arising from maintenance shutdown of polypropylene plants in the Asia region.

(b) Polyethylene Indonesia

Revenue from polyethylene produced by our plants in Indonesia increased by 14.9% from RM451.4 million in the three months ended 31 March 2016 to RM518.8 million in the three months ended 31 March 2017.

This was primarily a result of:

- (aa) a 9.4% increase in average sales prices from RM5,089 per MT in the three months ended 31 March 2016 to RM5,567 per MT in the three months ended 31 March 2017, which was primarily a result of the increase in feedstock prices; and
- (bb) a 5.1% increase in sales volume from 88.7 KT in the three months ended 31 March 2016 to 93.2 KT in the three months ended 31 March 2017, which was primarily due to a slight improvement in plant utilisation rate of 80.6% in the three months ended 31 March 2017 compared to 77.0% in the three months ended 31 March 2016 that has resulted in increase in production volume to meet demand in polyethylene products during the period.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)
Olefins and derivative products
(c) Ethylene, benzene, toluene, TBA

As a result of a decrease in the sales volume of ethylene, benzene, toluene and TBA, which was partially offset by an increase in average sales prices of these products, our revenue from the sales of these products was lower in the three months ended 31 March 2017 compared to the three months ended 31 March 2016, as indicated in the table below:

	Three months ended 31 March								
	2016	2017	% change from 2016 to 2017	2016	2017	% change from 2016 to 2017	2016	2017	% change from 2016 to 2017
	Average sales price (RM per MT)			Sales volume (KT)			Revenue (RM million)		
Ethylene	4,084	4,618	13.1%	22.5	16.5	(26.7%)	91.9	76.2	(17.1%)
Benzene	2,365	4,317	82.5%	20.8	8.2	(60.6%)	49.2	35.4	(28.0%)
Toluene	2,578	3,379	31.1%	10.9	5.8	(46.8%)	28.1	19.6	(30.2%)
TBA	1,880	2,500	33.0%	18.3	9.0	(50.8%)	34.4	22.5	(34.6%)

The decrease in sales volume of these products was primarily due to the decrease in production volume of these products attributable to the shutdown of our NC2 Plant and other plants in Malaysia in February and March 2017 for a routine turnaround. This was partially offset by an increase in average sales prices primarily due to an increase in feedstock prices.

(d) Propylene

Revenue from our propylene sales increased from zero in the three months ended 31 March 2016 to RM14.2 million in the three months ended 31 March 2017. This was due to increase in sales volumes from zero in the three months ended 31 March 2016 to 3.9 KT in the three months ended 31 March 2017.

As we carried out a routine turnaround on our PP1 Plant and PP2 Plant in March 2017, resulting in a shutdown of 17 and 13 days, respectively, we sold a small portion of our excess propylene to external parties to maintain optimal inventory control during the turnaround period as we did not have sufficient spare capacity to store excess propylene produced by our plants. In contrast, we used our entire production of propylene as feedstock for our internal operations in the three months ended 31 March 2016.

(e) Butadiene

Revenue from our butadiene sales increased by 23.2% from RM78.1 million in the three months ended 31 March 2016 to RM96.2 million in the three months ended 31 March 2017. This was primarily a result of a 175.6% increase in average sales prices for butadiene, from RM3,456 per MT in the three months ended 31 March 2016 to RM9,525 per MT in the three months ended 31 March 2017, due to the sharp increase in the international market prices for butadiene. This was primarily driven by strong demand in China for synthetic rubber and tyres, which are products made from butadiene, combined with a tightened supply of butadiene due to maintenance shutdown of crackers and butadiene plants in the Asia region.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Partially offsetting the increase in average sales prices for butadiene was a 55.3% decrease in its sales volume, from 22.6 KT in the three months ended 31 March 2016 to 10.1 KT in the three months ended 31 March 2017, primarily due to the shutdown of our BD Plant in February and March 2017 for a routine turnaround.

(f) **By-products**

Revenue from by-products sales increased by 35.3% from RM124.4 million in the three months ended 31 March 2016 to RM168.3 million in the three months ended 31 March 2017. This was primarily a result of a 63.5% increase in average sales prices from RM1,543 per MT in the three months ended 31 March 2016 to RM2,523 per MT in the three months ended 31 March 2017, primarily due to an increase in feedstock prices.

Partially offsetting the increase in by-products average sales prices was a 17.2% decrease in sales volumes from 80.6 KT in the three months ended 31 March 2016 to 66.7 KT in the three months ended 31 March 2017, mainly due to a decrease in production volume of by-products attributable to the shutdown of our BD Plant, BTX Plant and TBA Plant in February and March 2017 for a routine turnaround, which resulted in a reduction in the production of these by-products.

(ii) **Cost of goods sold**

Cost of goods sold decreased by 5.9% from RM1,622.3 million in the three months ended 31 March 2016 to RM1,527.2 million in the three months ended 31 March 2017, primarily due to the shutdown of our plants in Malaysia in February and March 2017 for a routine turnaround, which resulted in a decrease in the volume of naphtha purchased as feedstock for our NC2 Plant.

(a) **Feedstock and other materials**

Cost of feedstock and other materials decreased by 2.3% from RM1,227.5 million in the three months ended 31 March 2016 to RM1,199.2 million in the three months ended 31 March 2017. In particular our costs for naphtha decreased by 20.5% from RM836.1 million in the three months ended 31 March 2016 to RM664.4 million in the three months ended 31 March 2017 primarily because the volume of naphtha consumed decreased by 39.3% from 512.2 KT in the three months ended 31 March 2016 to 310.7 KT in the same period of the following year. This decrease was largely due to the shutdown of our NC2 Plant in February and March 2017 for a routine turnaround.

Our naphtha costs decreased in the three months ended 31 March 2017 despite the increase in naphtha prices resulting from the rise in crude oil prices, because of our lower consumption due to the turnaround of our NC2 Plant in Malaysia in February and March 2017.

Partially offsetting the decrease in our costs for naphtha was a 28.6% and 361.9% increase in our costs for ethylene and propylene from RM340.2 million and RM18.1 million in the three months ended 31 March 2016 to RM437.4 million and RM83.6 million in the three months ended 31 March 2017, respectively. Our costs for ethylene and propylene were higher primarily because our purchases of ethylene and propylene increased to supplement the reduced internal supply of feedstock for our polypropylene and polyethylene plants during the shutdown of our NC2 Plant in February and March 2017 for a routine turnaround.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)**(b) Utilities and supplies**

Costs of utilities and supplies decreased by 9.5% from RM148.8 million in the three months ended 31 March 2016 to RM134.7 million in the three months ended 31 March 2017. This decrease was primarily due to the shutdown of our plants in Malaysia for a routine turnaround in February and March 2017, which resulted in a reduction in consumption of electricity, steam and water normally required for the operation of our plants.

(c) Fixed manufacturing costs

Fixed manufacturing costs decreased by 13.0% from RM68.3 million in the three months ended 31 March 2016 to RM59.4 million in the three months ended 31 March 2017. The decrease was primarily due to fixed manufacturing costs (other than repairs, maintenance, depreciation and amortisation) incurred during the turnaround period in February and March 2017 being capitalised as property, plant and equipment. These were costs required to bring the turnaround to completion and hence were accounted for as property, plant and equipment.

(d) Depreciation and amortisation

Depreciation and amortisation decreased by 6.1% from RM98.7 million in the three months ended 31 March 2016 to RM92.7 million in the three months ended 31 March 2017. The decrease was primarily due to turnaround costs that were capitalised in 2012 were fully amortised in 2016, thereby reducing amortisation in the three months ended 31 March 2017.

(e) Net changes in inventories

Net changes in inventories decreased by 47.8% from RM79.0 million in the three months ended 31 March 2016 to RM41.2 million in the three months ended 31 March 2017. The decrease was primarily due to the decrease in our finished goods inventory as our sales volumes exceeded our production volumes during the turnaround period in 2017, resulting in the need to tap into our inventories to fulfil customer orders. This decrease was partially offset by the increase in feedstock costs, which resulted in an increase in the value of our inventory of finished goods.

(iii) Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 6.7% from RM363.1 million in the three months ended 31 March 2016 to RM387.3 million in the three months ended 31 March 2017. Our gross profit margin increased from 18.3% in the three months ended 31 March 2016 to 20.2% in the three months ended 31 March 2017 as the 5.9% decrease in cost of goods sold in the three months ended 31 March 2017 exceeded the 3.6% decrease in revenue for the same period.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)
(iv) Other income

Other income increased by 120.7% from RM2.9 million in the three months ended 31 March 2016 to RM6.4 million in the three months ended 31 March 2017, primarily due to the following:

- (a) higher utilities sales to Lotte Ube following increased production volumes by Lotte Ube due to increased sales orders;
- (b) our realised gain on derivative transactions arising from partial settlements pursuant to our Total Return Equity Swap; and
- (c) higher sales of scrap.

(v) Distribution expenses

Distribution expenses decreased by 29.0% from RM26.9 million in the three months ended 31 March 2016 to RM19.1 million in the three months ended 31 March 2017, primarily due to the decrease in sales volumes of our products.

Our domestic delivery costs and export delivery costs decreased in the three months ended 31 March 2017 due to the decrease in production and correspondingly, sales volume as a result of the turnaround of our NC2 Plant and other plants in Malaysia in February and March 2017. The decrease in our export costs delivery was more significant as a result of our reduced volume of exports as we prioritise sales to our domestic market, leading to a correspondingly greater decrease in export volume during this time.

(vi) Administrative expenses

Administrative expenses increased by 34.0% from RM18.8 million in the three months ended 31 March 2016 to RM25.2 million in the three months ended 31 March 2017, primarily due to an increase in professional expenses and direct labour cost.

Professional fees increased significantly by 115.8% from RM3.8 million in the three months ended 31 March 2016 to RM8.2 million in the three months ended 31 March 2017 due to increased in living expenses for expatriate, and fees and expenses payable to LCC for secondees under a service level agreement for the provision of management and consulting services mainly as a result of higher salaries and bonus paid to the expatriates.

(vii) Foreign exchange differences

Foreign exchange differences, taking into account both realised and unrealised differences, decreased significantly from a gain of RM22.8 million in the three months ended 31 March 2016 to a gain of RM4.2 million in the three months ended 31 March 2017 due to a stronger RM against the USD in the three months ended 31 March 2016 than in the three months ended 31 March 2017, as shown in the table below:

	31 December 2015	31 March 2016	% change from 2015 to 2016	31 December 2016	31 March 2017	% change from 2016 to 2017
	(RM per USD, except percentages)					
Foreign exchange rate	4.3	3.9	9.3%	4.5	4.4	2.2%

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(viii) Fair value changes on derivatives

Fair value changes on derivatives reversed from a loss of RM1.0 million in the three months ended 31 March 2016 to a gain of RM38.9 million in the three months ended 31 March 2017 due to a gain in valuation of RM40.6 million of the Total Return Equity Swap as the market price of the Underlying Shares increased significantly from IDR129 per share as at 31 December 2016 to IDR605 per share as at 31 March 2017. As at the LPD, the market price of the Underlying Shares was IDR274 per share.

Partially offsetting the significant gain in valuation of the Total Return Equity Swap was a RM1.7 million loss on valuation of our forward currency contracts.

(ix) Other expenses

Other expenses increased by 50.0% from RM2.0 million in the three months ended 31 March 2016 to RM3.0 million in the three months ended 31 March 2017, primarily due to higher cost of utilities sales to Lotte Ube in 2017 as a result of increased production volumes of Lotte Ube due to increased sales orders.

(x) Profit from operations

As a result of the foregoing, profit from operations increased by 14.5% from RM340.1 million in the three months ended 31 March 2016 to RM389.5 million in the three months ended 31 March 2017. Profit from operations margin increased from 17.1% in the three months ended 31 March 2016 to 20.3% in the three months ended 31 March 2017 primarily due to the gain in valuation of our Total Return Equity Swap and an overall increase in gross profit margin.

(xi) Finance income

Finance income increased by 100.0% from RM1.8 million in the three months ended 31 March 2016 to RM3.6 million in the three months ended 31 March 2017, primarily due to our higher deposits in an interest-bearing Special Deposit Facility ("SDF") pursuant to new rules issued by BNM in December 2016. Under the new rules, 75% of export proceeds in a foreign currency must be converted into RM and deposited in the SDF account; and balances in the SDF account enjoy a daily interest rate of 3.25% per annum.

(xii) Finance costs

Finance costs increased by 7.7% from RM3.9 million in the three months ended 31 March 2016 to RM4.2 million in the three months ended 31 March 2017, primarily due to interest paid for our banker's acceptance which was drawn down during the three months ended 31 March 2017, and an increase in finance cost that arose from unwinding of discount on the provision of dismantling costs. The finance cost on unwinding of discount increased as a result of the increase in estimated dismantling costs in the three months ended 31 March 2017.

(xiii) Share of results of associates

Share of losses of associates increased by 25.0% from RM2.0 million in the three months ended 31 March 2016 to RM2.5 million in the three months ended 31 March 2017, primarily due to the share of losses of LC USA of RM1.0 million in the three months ended 31 March 2017 as we only acquired LC USA towards the end of April 2016 and as such, only began recording losses thereafter.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Partially offsetting the share of losses in LC USA was a 25.0% decrease in our share of loss of Lotte Ube, from RM2.0 million in the three months ended 31 March 2016 to RM1.5 million in the three month ended 31 March 2017. Lotte Ube's losses decreased in the three months ended 31 March 2017 primarily because of better product margin as a result of higher sales prices and increased utilisation rates of its plants.

(xiv) Profit before tax

Due to the foregoing, profit before tax increased by 15.0% from RM336.0 million in the three months ended 31 March 2016 to RM386.4 million in the three months ended 31 March 2017. Profit before tax margin increased from 16.9% in the three months ended 31 March 2016 to 20.2% in the three months ended 31 March 2017.

(xv) Income tax

Based on the requirements of *MFRS 134 Interim Financial Reporting*, income tax expense for interim periods is based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

Income tax expense decreased by 31.8% from RM63.8 million in the three months ended 31 March 2016 to RM43.5 million in the three months ended 31 March 2017 as we estimate the weighted average annual income tax rate for year of assessment ("YA") 2017 to be lower than that of YA 2016.

This was primarily because of the anticipated utilisation of RA claimed in respect of capital expenditures incurred on our TE3 Project in YA 2017 as we anticipate that our TE3 Project will be completed by the second half of YA 2017.

(xvi) Net profit for the period

As a result of the foregoing, net profit for the period increased by 26.0% from RM272.2 million in the three months ended 31 March 2016 to RM342.9 million in the three months ended 31 March 2017.

C(2).4 Liquidity and capital resources**(i) Working capital**

As at 31 March 2017, we had cash and bank balances of RM424.8 million and multi-currency trade facilities comprising bankers' acceptances, letters of credit, revolving credit facilities and overdraft facilities with a combined limit of RM2,950.2 million, of which RM399.1 million was drawn and RM2,551.1 million was undrawn.

As at 31 March 2017, our working capital, calculated as current assets minus current liabilities, was a net current asset of RM1,533.7 million.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(ii) **Cash flows**

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated.

	Three months ended 31 March	
	2016	2017
	(RM million)	
Net cash flow		
Net cash generated from operating activities	583.0	731.3
Net cash used in investing activities	(224.5)	(1,240.6)
Net cash used in financing activities	(35.4)	(97.2)
Net increase/(decrease) in cash and cash equivalents	323.1	(606.5)
Cash and cash equivalents at beginning of period	1,511.0	1,040.3
Cash and cash equivalents at end of period	1,696.3	424.8

(a) **Net cash generated from operating activities**

Three months ended 31 March 2016

For the three months ended 31 March 2016, we generated operating profit before working capital changes of RM430.5 million. Our net cash generated from operating activities, after taking into account the following key items, was RM583.0 million:

- (aa) a RM193.7 million decrease in inventories, which was primarily due to the decrease in quantity of naphtha purchased towards the end of the three months ended 31 March 2016 as a result of a lower naphtha-in-transit component (i.e. naphtha that we had purchased which had not yet been delivered) and a decrease in the value of our products resulting from the decrease in the prices of feedstock;
- (bb) a RM63.2 million decrease in trade and other receivables, which was primarily due to a decrease in our average sales prices;
- (cc) a RM101.4 million decrease in trade and other payables, which was primarily due to a decrease in feedstock price and a decrease in quantity of naphtha purchased towards the end of the three months ended 31 March 2016 as a result of a lower naphtha-in-transit component; and
- (dd) the payment of RM1.9 million of income taxes and RM1.1 million on finance costs.

Three months ended 31 March 2017

For the three months ended 31 March 2017, we generated operating profit before working capital changes of RM447.9 million. Our net cash generated from operating activities after taking into account the following key items, was RM731.3 million:

- (aa) a RM238.3 million decrease in trade and other receivables, which was primarily due to a decrease in our sales towards the end of the three months ended 31 March 2017 as a result of the turnaround of our plants in Malaysia from February to March 2017 which led to reduced production volumes;

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

- (bb) a RM27.7 million decrease in inventories, which was primarily due to a decrease in our inventory towards the end of the three months ended 31 March 2017 as a result of the turnaround of our plants in Malaysia from February to March 2017 which led to reduced production volumes and correspondingly, sales volumes, necessitating a drawdown of our inventory to fulfil customer orders;
- (cc) a RM20.4 million increase in trade and other payables, which was primarily due to an increase in other payables relating to our purchase of assets in respect of our TE3 Project; and
- (dd) the payment of RM2.8 million on income taxes, RM1.3 million on finance costs, RM0.6 million under our defined benefit plan and proceeds of RM1.7 million from the partial settlement of our Total Return Equity Swap in February and March of 2017.

(b) *Net cash used in investing activities*

Three months ended 31 March 2016

Net cash used in investing activities was RM224.5 million in the three months ended 31 March 2016, which consisted primarily of RM226.3 million on acquisitions of property, plant and equipment.

For a description of amounts that we spent on property, plant and equipment in the three months ended 31 March 2016, please refer to Annexure C(2).4(v) of this Prospectus.

Three months ended 31 March 2017

Net cash used in investing activities was RM1,240.6 million in the three months ended 31 March 2017, which consisted primarily of:

- (aa) RM747.0 million for investments in our associate, LC USA (for more information, please refer to Section 7.6.8 of this Prospectus);
- (bb) RM481.1 million on acquisitions of property, plant and equipment, mainly in respect of our TE3 Project and the Integrated Petrochemical Facility; and
- (cc) RM16.1 million for lease payment pre-paid for the leasehold land in Pasir Gudang used for storage of feedstock and raw materials.

For a description of amounts that we spent on property, plant and equipment in the three months ended 31 March 2017, please refer to Annexure C(2).4(v) of this Prospectus.

(c) *Net cash used in financing activities*

Three months ended 31 March 2016

Net cash used in financing activities was RM35.4 million for the three months ended 31 March 2016, primarily for the partial repayment of long-term borrowings of RM34.7 million on our secured USD term loan.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Three months ended 31 March 2017

Net cash used in financing activities was RM97.2 million for the three months ended 31 March 2017, which consisted primarily of:

- (aa) payment of a dividend of RM120.0 million; and
- (bb) partial repayment of long-term borrowings of RM36.9 million on our secured USD term loan.

These were partially offset by proceeds from short term borrowings of RM60.0 million on bankers' acceptances used for payment purposes of our naphtha purchases.

(iii) Borrowings

As at 31 March 2017, we had total outstanding loans and borrowings of RM97.6 million, of which USD8.5 million (equivalent to RM37.6 million based on the exchange rate of USD1:RM4.4260 as at 31 March 2017) was outstanding under our secured USD term loan which is due in September 2017. This term loan bears interest at an annual rate of LIBOR (the London Interbank Offered Rate) plus 1.25% and is secured by a corporate guarantee from our Company and a negative pledge over the assets, revenues and business of our subsidiary, LCTM.

For the three months ended 31 March 2017, we paid an average effective annual interest rate of 2.0% on this facility. In addition, we had bankers' acceptances of RM60.0 million outstanding as at 31 March 2017 with an interest rate of 3.49%, which were secured by a corporate guarantee from our Company. For the three months ended 31 March 2017, we paid an average effective annual interest rate of 3.44% on our bankers' acceptances.

The table below sets out our loans and borrowings as at 31 March 2017.

	RM million
Non-current	
Secured:	
Term loan	-
Current	-
Secured:	
Term loan	37.6
Bankers' acceptances	60.0
Total loans and borrowings	97.6

The loans and borrowings as at 31 March 2017 of RM97.6 million are repayable within one year.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(iv) Key financial ratios

The following table sets out certain of our key financial ratios for the periods indicated:

	Twelve months ended 31 December 2016	Three months ended 31 March 2017
Average trade receivables turnover (days) ⁽¹⁾	35.5	32.9
Average trade payables turnover (days) ⁽²⁾	25.5	23.3
Average inventory turnover (days) ⁽³⁾	20.3	17.6
Current ratio (times) ⁽⁴⁾	5.0	3.0
Gearing ratio (times) ⁽⁵⁾	0.01	0.01

Notes:

- (1) Computed as an average of the opening and closing trade receivables for the period divided by revenue during the period, multiplied by the number of days in the period.
 - (2) Computed as an average of the opening and closing trade payables for the period divided by the sum of the change in inventory and cost of goods sold during the period, multiplied by the number of days in the period.
 - (3) Computed as an average of the opening and closing finished goods for the period divided by cost of goods sold during the period, multiplied by the number of days in the period.
 - (4) Computed as current assets over current liabilities.
 - (5) Computed as total borrowings over total equity.
- (a) *Trade receivables*

As at 31 March 2017, total trade receivables amounted to RM540.3 million. The credit period that we typically extend to our customers is between 30 to 45 days depending on the financial position and credit history of the customer and whether any guarantee or collateral is provided. Our average trade receivables turnover remained relatively steady from the year ended 31 December 2016 to the three months ended 31 March 2017.

The aging analysis for trade receivables as at 31 March 2017 is as follows:

	Past Due				Total	
	Current	1-30 days	31-60 days	61-90 days		More than 90 days
	(RM million, except percentages)					
As at 31 March 2017						
Trade receivables	462.0	77.3	1.0	-	-	540.3
Impairment	-	-	-	-	-	-
Trade receivables (net)	462.0	77.3	1.0	-	-	540.3
% of total trade receivables	85.5	14.3	0.2	-	-	100.0

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

Of the RM540.3 million trade receivables recorded as at 31 March 2017, we have received RM467.2 million, or 86.5% of that amount, as at the LPD. As at the LPD, of the remaining amount, RM40.5 million, or 7.5% of the trade receivables, were still within the credit period and RM32.6 million, or 6.0%, exceeded the credit period as a result of payment delays by customers. Our credit department monitors and controls our customers' credit limit utilisation to minimise such occurrences of delay.

(b) *Trade payables*

The normal credit period given by our trade creditors generally are 30 days for feedstock purchases and 30 to 60 days for other purchases. Our average trade payables turnover remained relatively steady the year ended 31 December 2016 to the three months ended 31 March 2017.

The aging analysis for trade payables as at 31 March 2017 is as follows:

	Past Due				Total
	Current	1-30 days	31-60 days	61-90 days	
	(RM million, except percentages)				
As at 31 March 2017					
Trade payables	208.8	140.2	6.7	0.5	1.2
% of our total trade payables	58.5	39.2	1.9	0.1	0.3

Of the RM357.4 million trade payables recorded as at 31 March 2017, we have paid RM356.9 million or 99.9% of that amount as at the LPD. The remaining amount of RM0.5 million, or 0.1% of the trade payables were still within the credit period as at the LPD.

(c) *Inventory*

Our average inventory turnover has decreased slightly from 20.3 days as at 31 December 2016 to 17.6 days as at 31 March 2017 as a result of drawdown of our inventory as our sales volumes exceeded our production volumes during the turnaround period in February and March 2017, resulting in the need to tap into our inventories of finished goods to fulfil customer orders. At the same time, we were unable to build up our inventory due to lower production volumes during the turnaround period.

(d) *Current ratio*

Our current ratio decreased from 5.0 times as at 31 December 2016 to 3.0 times as at 31 March 2017. Current assets decreased by RM1,053.2 million as at 31 March 2017 mainly due to a decrease in cash and bank balances by RM615.5 million, primarily for investments in LC USA and the acquisition of property, plant and equipment.

(e) *Gearing ratio*

Our gearing ratio remained steady at 0.01 times as at 31 March 2017 when compared to our gearing ratio as at 31 December 2016.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(v) Capital expenditures

The following table sets out our capital expenditures for each of the three months ended 31 March 2016 and 2017.

	Three months ended 31 March	
	2016	2017
	(RM million)	
TE3 Project	198.3	242.8
PP3 Project	-	14.0
Turnaround	-	159.6
Improvements and modifications	28.0	43.1
Integrated Petrochemical Facility	-	233.0
Total	<u>226.3</u>	<u>692.5</u>

In the three months ended 31 March 2016, our capital expenditures included primarily RM198.3 million on our TE3 Project and RM28.0 million on various improvements and modifications.

In the three months ended 31 March 2017, our capital expenditures included primarily RM242.8 million on our TE3 Project, RM14.0 million on our PP3 Project, RM159.6 million on routine turnaround of which cash payment of RM88.7 million were made, RM43.1 million on various improvements and modifications and RM233.0 million on land acquisition for our Integrated Petrochemical Facility in Indonesia, including RM140.5 million which was paid in 2016 as down-payment made for PT LC Indonesia's land use rights.

(vi) Capital commitments and contractual obligations

We had capital commitments of RM1,411.6 million as at 31 March 2017. These commitments consisted of the following.

	RM million
Contracted but not provided for	766.8
Approved but not contracted for	644.8
Total	<u>1,411.6</u>

Our capital commitments as at 31 March 2017 primarily related to the construction of our TE3 Project, our PP3 Project and scheduled turnarounds, which were RM166.3 million, RM594.5 million and RM157.5 million, respectively. For more information on these projects, please refer to Section 4.7.1 of this Prospectus.

We do not provide a maturity analysis of our capital commitments because there is uncertainty as to the timing when many of our capital commitments will become due. For example, our construction contracts for our upcoming projects often include milestone payments, whereby we are only obligated to pay our contractors upon construction reaching certain key milestones.

Except as disclosed above, as at the LPD, we were not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

We had the following contractual obligations as at 31 March 2017:

	Year ending 31 December					After 2021	Total
	2017 ⁽¹⁾	2018	2019	2020	2021		
	(RM million)						
Long-term debt	37.6	-	-	-	-	-	37.6
Operating lease	7.0	10.0	9.0	8.0	8.0	35.0	77.0
Unconditional purchase obligations ⁽²⁾	467.8	702.4	660.4	232.4	215.9	543.1	2,822.0
Total contractual obligations	512.4	712.4	669.4	240.4	223.9	578.1	2,936.6

Notes:

- (1) For the period from 1 April 2017 to 31 December 2017.
- (2) The actual amounts that we pay under our unconditional purchase obligations may differ from those set out in this table for a variety of reasons, in particular because the prices that we use to compute the unconditional purchase obligations are subject to change based on, among others, changes in the consumer price index, prevailing power tariffs, future government policies and market prices.

We are also a party to a power purchase agreement in Indonesia through which we purchase electricity to supply power to our Indonesian plants. Under the terms of this agreement, the agreement is automatically extended until we or our counterparty give notice to terminate. Because this agreement is perpetual until either party gives a termination notice, we have not included amounts from this contract in the above table. The amounts that we paid under this agreement in the three months ended 31 March 2016 and 2017 were RM17.1 million and RM19.3 million, respectively.

C(2).5 Financial risk management

We are exposed to markets risks arising from our operations and use of financial instruments. Our key market risk exposures are to fluctuations in commodity prices, interest rates and foreign currency exchange rates as described in Section 5.4.2 of this Prospectus.

(i) Commodity price risk

For a description of our exposure to commodity price risks, please refer to Section 12.2.7(i) of this Prospectus.

(ii) Interest rate risk

For a description of our exposure to interest rate risk, please refer to Section 12.2.7(ii) of this Prospectus.

A 100 basis point increase or decrease in interest rates would have increased or decreased our post-tax profit or loss by the amounts set out below, assuming that all other variables, in particular foreign currency rates, remain constant:

	Increase/(decrease)	
	Three months ended 31 March	
	2016	2017
	(RM million)	
Interest rates increase by 100 basis points	(0.8)	(0.3)
Interest rates decrease by 100 basis points	0.8	0.3

ANNEXURE C(2): MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 AND 2017 AND PROSPECTS (Cont'd)

(iii) Foreign currency risk

For a description of our exposure to foreign currency risk, please refer to Section 12.2.7(iii) of this Prospectus.

The following table demonstrates the sensitivity of our profit net of tax to a reasonably possible change in the RM/USD and IDR/USD exchange rates, with all other variables held constant.

	Increase/(decrease)	
	Three months ended 31 March	
	2016	2017
	(RM million)	
RM/USD		
Strengthening of RM by 10% (2017: 10%; 2016: 10%)	22.0	47.0
Weakening of RM by 10% (2017: 10%; 2016: 10%)	(22.0)	(47.0)
IDR/USD		
Strengthening of IDR by 10% (2017: 10%; 2016: 10%)	13.5	6.1
Weakening of IDR by 10% (2017: 10%; 2016: 10%)	(13.5)	(6.1)

(iv) Liquidity risk

For a description of our exposure to liquidity risk, please refer to Section 12.2.7(iv) of this Prospectus. As at 31 March 2017, we had RM734.5 million in undiscounted financial liabilities due on demand or within one year.

(v) Credit risk

For a description of our exposure to credit risk, please refer to Section 12.2.7(v) of this Prospectus.

C(2).6 Significant changes

No significant changes have occurred which may have a material effect on the financial position and results of our Group since the three months ended 31 March 2017. However, for information on a business interruption resulting from cessation of water supply that had occurred within such period, please refer to Section 7.6.18 of this Prospectus.