LOTTE CHEMICAL TITAN HOLDING BERHAD
(222357-P)

Unaudited condensed consolidated interim financial statements

For the quarter and year-to-date ended 30 September 2018

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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 and year-to-date ended 30 September 2018, which should be read in conjunction with the accompanying explanatory notes on page 8 to 32.

Unaudited condensed consolidated statement of comprehensive income

	Note	Individual Quarter ended 30.9.2018 RM'000	Individual Quarter ended 30.9.2017 RM'000	Changes RM'000	Changes %	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000	Changes RM'000	Changes %
Revenue	A8	2,417,941	2,016,169	401,772	20%	6,907,737	5,706,974	1,200,763	21%
Cost of goods sold**		(2,196,426)	(1,711,925)	(484,501)	28%	(6,087,067)	(4,791,945)	(1,295,122)	27%
Gross profit		221,515	304,244	(82,729)	-27%	820,670	915,029	(94,359)	-10%
Other income		5,456	6,267	(811)	-13%	47,449	17,967	29,482	164%
Distribution expenses**		(20,382)	(25,647)	5,265	-21%	(52,982)	(65,267)	12,285	-19%
Administrative expenses		(26,894)	(22,087)	(4,807)	22%	(74,153)	(67,298)	(6,855)	10%
Foreign exchange differences		18,676	11,213	7,463	67%	61,182	27,664	33,518	121%
Fair value changes on derivatives		3,506	(8,300)	11,806	-142%	2,383	8,620	(6,237)	-72%
Other expenses		(7,237)	(25,718)	18,481	-72%	(14,581)	(61,436)	46,855	-76%
Profit from operations		194,640	239,972	(45,332)	-19%	789,968	775,279	14,689	2%
Finance income		24,642	27,475	(2,833)	-10%	74,705	32,324	42,381	131%
Finance costs	B6	(3,662)	(4,008)	346	-9%	(11,369)	(11,893)	524	-4%
Net finance costs		20,980	23,467	(2,487)	-11%	63,336	20,431	42,905	210%
Share of results of associates		1,584	(18,553)	20,137	-109%	22,552	(37,059)	59,611	-161%
Profit before tax	B5	217,204	244,886	(27,682)	-11%	875,856	758,651	117,205	15%
Income tax	B7	(110)	(14,750)	14,640	-99%	(98,841)	(71,913)	(26,928)	37%
Net profit for the period		217,094	230,136	(13,042)	-6%	777,015	686,738	90,277	13%

****** The Group's costs relating to the fulfilment of the delivery services were classified as distribution expenses in 2017. However, upon adoption of MFRS 15 using the modified retrospective method, these costs of RM6,864,000 and RM18,480,000 for the quarter and year-to-date ended 30 September 2018, have been reclassified as costs of goods sold effective January 2018.

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(cont'd)

	Note	Individual Quarter ended 30.9.2018 RM'000	Individual Quarter ended 30.9.2017 RM'000	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000
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		218,541	(133,498)	185,237	(482,342)
		218,541	(133,498)	185,237	(482,359)
Total comprehensive income for the period		435,635	96,638	962,252	204,379
Net profit for the period attributable to:					
Owner of the Company		216,886	230,312	776,108	686,082
Non-controlling interests		208	(176)	907	656
		217,094	230,136	777,015	686,738
Total comprehensive income for the period attributable to:					
Owner of the Company		434,672	97,339	960,651	198,872
Non-controlling interests		963	(701)	1,601	5,507
		435,635	96,638	962,252	204,379
Basic and diluted earnings per ordinary share (sen)	B17	9.54	10.42	34.14	36.29

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.

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Unaudited condensed consolidated statement of financial position

	Note	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000
Assets			
Non-current assets			
Property, plant and equipment		5,476,462	5,339,448
Prepaid lease payments		57,512	52,454
Prepayment for acquisition of land		19,789	-
Investments in associates		2,120,090	2,054,139
Deferred tax assets		39	-
		7,673,892	7,446,041
Current assets			
Inventories		1,641,334	1,153,472
Trade and other receivables		1,104,172	927,743
Tax recoverable		17,897	14,347
Prepayments		36,760	21,758
Derivative financial instruments		327	9,231
Cash and bank balances	B13	3,342,026	3,625,474
		6,142,516	5,752,025
Total assets		13,816,408	13,198,066
Equity and liabilities			
Capital and reserves			
Share capital		5,816,813	5,816,813
Other reserves		1,271,311	1,086,768
Retained earnings		5,109,421	4,856,084
Treasury shares, at cost		(226,252)	(226,252)
Total equity attributable to owner of the Company		11,971,293	11,533,413
Non-controlling interests		21,881	24,970
		11,993,174	11,558,383

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

	Note	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000
Non-current liabilities			
Provision		357,667	392,856
Deferred tax liabilities		440,110	367,581
Defined benefit obligation		18,825	17,989
		816,602	778,426
Current liabilities			
Trade and other payables		990,021	859,864
Provision for taxation		16,460	732
Other financial liabilities		110	154
Derivative financial instruments		41	507
		1,006,632	861,257
Total liabilities		1,823,234	1,639,683
Total equity and liabilities		13,816,408	13,198,066
Net assets per share attributable to ordinary equity holders of the parent (RM)		5.27	5.07

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.

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Unaudited condensed consolidated statement of changes in equity

		<------------------------ Attributable to owners of the Company ---------------------->								
			<----------- Non-distributable reserves ------------>				Distributable			
	Note	**Share capital RM'000**	**Share premium RM'000**	**Treasury Shares RM'000**	**Capital redemption reserves RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total equity attributable to owners of the Company RM'000**	**Non-controlling interest RM'000**	**Total RM'000**
At 1 January 2017		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		-	-	-	-	-	686,082	686,082	656	686,738
Other comprehensive (loss)/income		-	-	-	-	(487,193)	(17)	(487,210)	4,851	(482,359)
Total comprehensive income for the period		-	-	-	-	(487,193)	686,065	198,872	5,507	204,379
Issuance of ordinary shares		3,770,000	-	-	-	-	-	3,770,000	-	3,770,000
Share issue expenses		-	-	-	-	-	(68,684)	(68,684)	-	(68,684)
Dividends		-	-	-	-	-	(120,000)	(120,000)	-	(120,000)
Purchase of treasury shares		-	-	(226,252)	-	-	-	(226,252)	-	(226,252)
Transition to no par value regime*		319,021	(294,113)	-	(24,908)	-	-	-	-	-
At 30 September 2017		5,816,813	-	(226,252)	-	1,431,649	4,479,124	11,501,334	27,529	11,528,863
At 1 January 2018		5,816,813	-	(226,252)	-	1,086,768	4,856,084	11,533,413	24,970	11,558,383
Net profit for the period		-	-	-	-	-	776,108	776,108	907	777,015
Other comprehensive income/(loss)		-	-	-	-	184,543	-	184,543	694	185,237
Total comprehensive income for the period		-	-	-	-	184,543	776,108	960,651	1,601	962,252
Acquisition of non-controlling interests	A13	-	-	-	-	-	-	-	(4,690)	(4,690)
Bargain purchase on acquisition of non-controlling interests	A13	-	-	-	-	-	15	15	-	15
Dividends	A7, B16	-	-	-	-	-	(522,786)	(522,786)	-	(522,786)
At 30 September 2018		5,816,813	-	(226,252)	-	1,271,311	5,109,421	11,971,293	21,881	11,993,174

* Effective from 31 January 2017, the 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.

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Unaudited condensed consolidated statement of cash flows

	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000
Cash flows from operating activities		
Profit before tax	875,856	758,651
Adjustments for:-		
Depreciation of property, plant and equipment	362,201	322,842
Amortisation of prepaid land lease payments	2,130	2,079
Finance costs	11,369	11,893
Property, plant and equipment written off	473	38,665
Reversal of write-down of inventories to net realisable value	(106)	-
Expenses recognised in respect of defined benefit plan	2,833	2,956
Inventories written off	116	302
Impairment loss/ (Reversal of impairment loss) on		
- Trade Receivables	33	-
- Other Receivables	(1)	(27)
Share of results of associates	(22,552)	37,059
Bad debts recovered	-	(2)
Loss/(Gain) on disposal of property, plant and equipment	197	(56)
Finance income	(74,705)	(32,324)
Fair value changes in derivatives	(2,383)	(8,620)
Loss/(Gain) on partial settlement of derivative financial instruments	4,033	(2,927)
Listing expenses recognised as other expenses	-	14,190
Unrealised gain on foreign exchange	(45,174)	(14,653)
Operating profit before working capital changes	1,114,320	1,130,028
Change in inventories	(447,120)	14,020
Change in trade and other receivables	(160,902)	58,706
Change in trade and other payables	92,261	121,014
Cash generated from operations	598,559	1,323,768
Payments under defined benefit plan	(630)	(853)
Finance costs paid	(2,928)	(3,513)
Income tax paid	(16,835)	(6,502)
Net cash generated from operating activities	578,166	1,312,900

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

	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000
Cash flows from investing activities		
Finance income received	74,705	32,324
Acquisition of long term financial instruments	(5,725)	-
Proceeds from disposal of property, plant and equipment	175	24
Acquisition of property, plant and equipment	(504,740)	(1,244,320)
Prepaid lease payments made	(5,840)	(21,834)
Prepayment for acquisition of land	(19,068)	-
Withdrawal/(Placement) of fund placements with licensed financial institutions	342,603	(600,000)
Proceeds from partial settlement of derivative financial instruments	12,405	8,259
Investment in associate	-	(747,046)
Investment in subsidiary	(4,675)	-
Net cash used in investing activities	(110,160)	(2,572,593)
Cash flows from financing activities		
Interest paid on long-term borrowings	-	(893)
Repayments of long-term borrowings	-	(73,335)
Net proceeds from share issue	-	3,770,000
Purchase of treasury shares	-	(226,252)
Dividend paid	(522,786)	(120,000)
Share issuance costs and listing expenses paid	(179)	(79,250)
Net cash (used in)/generated from financing activities	(522,965)	3,270,270
Net (decrease)/increase in cash and cash equivalents	(54,959)	2,010,577
Effect of exchange rate changes on the balance of cash held in foreign currencies	114,114	(41,456)
Cash and cash equivalents at beginning of period	2,374,176	1,040,344
Cash and cash equivalents at end of period (Note B13)	2,433,331	3,009,465

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.

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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 2017 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 31 October 2018.

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 2017, except for the adoption of the following amendments to MFRSs during the financial period:

Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 140	Transfers of Investment Property
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (Annual Improvements 2014 - 2016 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Annual Improvements 2014 - 2016 Cycle)
IC Interpretation 22	Foreign Currency Transactions and Advance

The adoption of the above amendments had no significant impact to the financial statements of the Group other than the following:

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.

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

A2. Significant accounting policies (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The core principle of MFRS 15 is that an entity should recognise revenue which depicts 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.

The Group adopted MFRS 15 using the modified retrospective method of adoption. The effect of adopting MFRS 15 is, as follow:

(i) Sale of goods

The Group contracts with its customers for sales of petrochemical products and polyolefin resins. The Group has concluded that revenue for sales of petrochemical products and polyolefin resins should be recognised at the point on time when the control of the asset is transferred to the customer, generally when risk and reward of the goods is transferred. Therefore, the adoption of MFRS 15 did not have any impact on the timing of revenue recognition for the sales of goods.

(ii) Rendering of services

The Group provides delivery services. These services are bundled together with the sale of goods to a customer. Previously, the Group accounts for the bundled sales as one deliverable and recognises revenue at a point in time. Upon the adoption of MFRS 15, the sale of goods and the rendering of delivery services are treated as separate deliverables of bundled sales. The considerations received or receivable are allocated between these deliverables based on relative stand-alone selling prices of each deliverable. The delivery services will be recognised over time and its stage of completion is measured using the actual time incurred to date compared to the estimated time needed to complete the delivery services.

As a result, costs relating to the fulfilment of the delivery services that were classified as distribution expenses in the comparative period has been reclassified as costs of goods sold under MFRS 15 in the current financial period. However, the identification of delivery services as a separate deliverables of bundled sales did not have any material impact on the amount and timing of revenue recognised and hence, there were no restatements made to the Group's opening retained earnings.

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

A2. Significant accounting policies (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

(iii) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relation between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note A8 for the disclosure on disaggregated revenue.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

The effect of adopting MFRS 9 is, as follows:

(i) Classification and measurement

Under MFRS 9, the Group's debt financial instruments are measured at amortised cost. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion"). The Group's debt financial instruments are classified as amortised costs as they are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category comprises solely of the Group's *Trade and other receivables.*

The other financial assets of the Group comprise solely of the Group's investment in Total Return Equity Swap which is measured at fair value through profit and loss ("FVTPL") as this financial instrument fails the SPPI criterion.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on financial assets comprised solely of payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

A2. Significant accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement (cont'd)

As the classification and measurement of the Group's financial assets under MFRS 9 is similar to the Group's previous classification and measurement under MFRS 139, there is no impact to the Group's statement of financial position and statement of other comprehensive income upon the adoption of MFRS 9.

(ii) Impairment

The adoption of MFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Group to record an allowance for ECLs for all financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For *Trade and other receivables,* the Group applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when contractual payment are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external indicates that the Group is unlikely to receive outstanding contractual amounts in full amount before taking into account any credit enhancements held by the Group.

Due to the strong creditworthiness of the Group's debtors, the adoption of the ECL requirements of MFRS 9 did not result in any increase in impairment allowance of the Group's financial assets.

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

A2. Significant accounting policies (cont'd)

MFRS 9 Financial Instruments (cont'd)

(iii) Hedge accounting

The Group does not apply hedge accounting and as such the hedging requirements of MFRS 9 did not have an impact on the Group's consolidated financial statements.

A3. Seasonality or cyclicality 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.

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.

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

A4. Exceptional items

There was no exceptional item during the period under review.

A5. Material changes in estimates

The Group regularly reviews the significant assumptions used in measuring its provision for dismantling cost to ensure that the assumptions are in line with economic measurements. In Q3 2018, based on an analysis performed by the management, the Group has revised the discount rate from 2.92% to 3.29%. This change has resulted in a decrease by approximately RM51,425,000 in the provision for dismantling cost.

A6. Debt and equity securities

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

A7. Dividend paid

During the 9 months financial period ended 30 September 2018, the Company paid a final single tier dividend in respect of the financial year ended 31 December 2017, of 23.0 sen per share on 2,272,983,500 ordinary shares, amounting to a dividend of RM 522,786,205.

During the 9 months financial period ended 30 September 2017, 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.

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

A8. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Total RM'000
For the period ended 30 September 2018			
Geographical markets			
Malaysia	423,658	2,214,655	2,638,313
Indonesia	245,044	1,687,245	1,932,289
China (including Hong Kong)	560,604	317,484	878,088
Southeast Asia	192,287	438,230	630,517
Northeast Asia	252,169	133,330	385,499
Indian Sub-Continent	112,630	149,314	261,944
Others	57,379	123,708	181,087
Total revenue from contracts with customers	1,843,772	5,063,966	6,907,737
For the period ended 30 September 2017			
Geographical markets			
Malaysia	431,633	2,047,835	2,479,468
Indonesia	94,852	1,643,566	1,738,418
China (including Hong Kong)	130,830	324,706	455,536
Southeast Asia	230,840	339,319	570,159
Northeast Asia	137,202	122,161	259,363
Indian Sub-Continent	-	154,992	154,992
Others	-	49,038	49,038
Total revenue from contracts with customers	1,025,357	4,681,617	5,706,974

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

A9. 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 and unallocated results RM'000	Total RM'000
For the period ended 30 September 2018				
Revenue				
External customers	1,843,771	5,063,966	-	6,907,737
Inter-segment	3,010,190	-	(3,010,190)	-
Total revenue	4,853,961	5,063,966	(3,010,190)	6,907,737
Expenses				
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	239,753	121,986	2,592	364,331
Write down / (Reversal of) write-down of inventories to net realisable value	376	(482)	-	(106)
Segment results	204,939	518,234	152,683	875,856

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

A9. Operating segments (cont'd)

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations and unallocated results RM'000	Total RM'000
For the period ended 30 September 2017				
Revenue				
External customers	1,025,357	4,681,617	-	5,706,974
Inter-segment	1,883,232	-	(1,883,232)	-
Total revenue	2,908,589	4,681,617	(1,883,232)	5,706,974
Expenses/(income)				
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	180,186	142,828	1,907	324,921
Property, plant and equipment written off	30,062	8,603	-	38,665
Segment results	132,362	630,943	(4,654)	758,651

Adjustments and eliminations

Finance income are allocated to individual segments other than finance income derived from the Company's proceeds from its initial public offering amounting to approximately RM64.6 million for the financial period ended 30 September 2018 which are managed on a group basis.

Foreign exchange gain/loss are allocated to individual segments other than foreign exchange gain/loss arising from the conversion of the unutilised proceeds of the Company's initial public offering to USD amounting to approximately RM78.8 million for the financial period ended 30 September 2018 which are managed on a group basis.

Fair value changes in derivatives are not allocated to individual segments as the underlying instruments are also managed on a group basis.

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

A9. Operating segments (cont'd)

Reconciliation of profit

	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000
Segment profit of:		
- Olefins and derivative products	204,939	132,362
- Polyolefin products	518,234	630,943
Total segment profit	723,173	763,305
Fair value changes in derivatives	2,383	8,620
Inter-segment sales (elimination)	(2,308)	6,819
Share of results of associates	22,552	(37,059)
Finance income derived from IPO proceeds	64,622	26,518
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	78,755	-
Other unallocated cost	(13,321)	(9,552)
Profit before tax	875,856	758,651

A10. Valuation of property, plant and equipment

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 2018, all property, plant and equipment were stated at cost less accumulated depreciation.

A11. Material subsequent event

There were no material events subsequent to the end of the current period.

A12. Contingencies

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2017.

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

A13. Changes in composition of the Group

On 20 September 2018, the Group's subsdiary company, Lotte Chemical Titan International Sdn Bhd ("LCTIS"), acquired an additional 2.1% equity interest in PT Lotte Chemical Titan Tbk from its non-controlling interests for a cash consideration of approximately RM4,675,000. On the date of the acquisition, the carrying value of the additional interest acquired was approximately RM4,690,000. The difference between the consideration and the book value of the interest acquired of RM15,000 is reflected in equity.

A14. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000
Contracted but not provided for	77,456	185,643
Approved but not contracted for	264,426	116,945

A15. 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) 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.

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.

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

A15. 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 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 30 September 2018				
Financial assets				
Derivatives				
- Forward currency contracts	327	-	327	-
Financial liabilities				
Derivatives				
- Forward currency contracts	41	-	41	-

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

A15. Fair value information (cont'd)

	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 2017				
Financial assets				
Derivatives				
- Total return equity swap	9,225	-	9,225	-
- Forward currency contracts	6	-	6	-
	9,231	-	9,231	-
Financial liabilities				
Derivatives				
- Forward currency contracts	507	-	507	-

A16. 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.

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

A16. Related parties (cont'd)

The significant related party transactions of the Group are as follows:

	Cumulative Quarter ended 30.9.2018 RM'000	Cumulative Quarter ended 30.9.2017 RM'000
Ultimate holding company		
Sales of goods	36,890	42,707
Catalyst trial fee received/receivable	2,549	5,989
Management and consulting fees incurred	9,031	9,947
Purchase of materials	5,852	426
Commission expense	902	496
Royalty expense	264	252
Commission income	233	259
Capital expenditure incurred	15,928	7,440
IT support services fee paid/payable	500	105
Expenses paid on behalf	379	435
Related companies		
Sales of goods	45,392	38,636
Capital expenditure incurred	192,857	622,535
IT support services fee paid/payable	1,801	1,905
Commission expense	1,329	1,472
Warehouse and logistics services incurred	281	551
Advertising expenses	183	193
Other admin expenses	38	84
Associate company		
Sales of goods	198,574	171,306
Sales of utilities	9,266	7,952
Income from shared services	154	309
Financial guarantee income	50	27
Lease rental income	1,891	1,609

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Part B - Other explanatory notes

B1. Review of group performance

(a) Performance of the current quarter against the corresponding quarter

	Individual quarter ended 30 September					
	2018	2017	2018	2017	2018	2017
	Group		Olefins and derivative products		Polyolefin products	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,417,941	2,016,169	596,717	311,374	1,821,224	1,704,795
Profit before tax	217,204	244,886	31,255	45,860	125,278	202,801
EBITDA*	320,893	350,477	114,004	109,522	169,449	253,200

* 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 increased by 19.9% (or RM401.7 million) from RM2,016.2 million to RM2,417.9 million contributed by the increase in sales volume which was driven by improvement in production quantity as compared to Q3 2017 and increase in average product selling price.

Average plant utilisation rate improved from 77% to 87% in Q3 2018. The plants were operating at a sufficient level to maintain profit maximization taking into consideration the need for general plant maintenance. Lower operating rate in Q3 2017 was mainly due to statutory routine turnaround for Cracker 1 in Malaysia.

Profit before tax decreased by RM27.7 million from RM 244.9 million to RM 217.2 million mainly attributed to margin squeeze in Q3 2018 resulting from significant increase in feedstock price compared to 2017 and other factors explained below.

The decrease in profit before tax was partially mitigated by improvement in other operating income which includes increase of foreign exchange gain by RM 7.5 million, gain on fair value changes in derivatives by RM11.8 million and lower property, plant and equipment written off by RM17.9 million as compared to Q3 2017.

The improvement in result of associates is mainly due to gain on fair value changes in interest rate swap entered by Lotte Chemical USA Corporation.

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Part B - Other explanatory notes (cont'd)

B1. Review of group performance (cont'd)

(a) Performance of the current quarter against the corresponding quarter (cont'd)

Foreign exchange gain of RM18.7 million in Q3 2018 includes foreign exchange gain of RM42.8 million arising from revaluation of the Group's US Dollars ("USD") IPO funds against the Ringgit Malaysia ("RM") held for Indonesia project capital injection as a result of the strengthening of USD. This foreign exchange gain was partially offset by foreign exchange loss of RM24.1 million from operation.

Profit after tax decreased by RM13.0 million from RM230.1 million to RM217.1 million and this was mitigated by lower income tax expense due to overprovision of deferred tax expenses in prior year.

Olefins and derivative products

The segment recorded an increase in revenue of RM285.3 million from RM311.4 million in Q3 2017 to RM596.7 million in Q3 2018. This was primarily due to an increase in sales volume in Q3 2018 as compared to the corresponding quarter due to new plant capacity and stable production operation.

However, profit before tax decreased by RM14.6 million from RM45.9 million in Q3 2017 to RM31.3 million in Q3 2018 mainly due to margin squeeze.

Polyolefin products

The segment recorded an increase in revenue of RM116.4 million from RM1,704.8 million in Q3 2017 to RM1,821.2 million in Q3 2018. This was attributed to the increase in the segment's product selling price compared to corresponding quarter.

Profit before tax decreased by RM77.5 million from RM202.8 million in Q3 2017 to RM125.3 million in Q3 2018 mainly due to margin squeeze.

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Part B - Other explanatory notes

B1. Review of group performance (cont'd)

(b) Performance of the current period against the corresponding period

	Cumulative quarter ended 30 September					
	2018	2017	2018	2017	2018	2017
	Group		Olefins and derivative products		Polyolefin products	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,907,737	5,706,974	1,843,771	1,025,357	5,063,966	4,681,617
Profit before tax	875,856	758,651	204,939	132,362	518,234	630,943
EBITDA*	1,154,299	1,100,200	444,319	313,004	642,616	783,129

* 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 increased by 21.0% (or RM1,200.7 million) from RM5,707.0 million to RM6,907.7 million contributed by the increase in sales volume as compared to corresponding period.

Average plant utilisation rate improved from 69% to 84% due to improved plant reliability and no routine turnaround. The plants were operating at a sufficient level to maintain profit maximization taking into consideration the need for plant general maintenance.

Profit before tax increased by RM117.2 million from RM758.7 million to RM 875.9 million despite the margin squeeze since the beginning of the year mitigated by higher sales volume. Factors contributing to the improved profit before tax include, increase in foreign exchange gain of RM 33.5 million, insurance proceed receivable of RM31.2 million for gas turbine claim, lower property, plant and equipment written off by RM38.2 million as compared to 2017 and other non-operating income as described below.

Part B - Other explanatory notes (cont'd)

B1. Review of group performance (cont'd)

(b) Performance of the current period against the corresponding period

Foreign exchange gain increased mainly due to unrealised foreign exchange gain arising from the revaluation of the Group's US Dollars ("USD") IPO funds against the Ringgit Malaysia ("RM") held for Indonesia project capital injection as a result of the strengthening of USD in 2018.

Increase in non-operating income includes RM38.5 million interest income from IPO proceeds and increase of RM59.6 million from share of result of associates. Higher profit from associates arise mainly from gain on fair value changes in interest rate swap entered by Lotte Chemical USA Corporation.

Profit after tax increased by RM90.3 million from RM686.7 million to RM777.0 million in tandem with increase in the Group's profit before tax and partially offset by higher tax expense due to lower reinvestment allowance claimable in 2018.

Olefins and derivative products

The segment recorded an increase in revenue of RM818.4 million from RM1,025.4 million in 2017 to RM1,843.8 million in 2018. This was mainly contributed by the increase in sales volume as compared to the corresponding period due to new plant capacity and stable production operation.

Profit before tax increased by RM72.5 million from RM132.4 million in 2017 to RM204.9 million in 2018 due to increase in sales volume.

Polyolefin products

The segment recorded an increase in revenue of RM382.4 million from RM4,681.6 million in 2017 to RM5,064.0 million in 2018. This was mainly attributed to the increase in the segment's sales volume compared to corresponding period as a result of stable production operation.

Profit before tax decreased by RM112.7 million from RM630.9 million in 2017 to RM518.2 million in 2018 mainly due to decrease in polyolefin product margin spread.

Part B - Other explanatory notes (cont'd)

B2. Variation of results against the preceding quarter

	Individual quarter ended 30 September 2018 RM'000	Individual quarter ended 30 June 2018 RM'000
Revenue	2,417,941	2,275,537
Profit before tax	217,204	358,825
EBITDA	320,893	454,207

Group revenue rose by RM142.4 million or 6.3% from RM 2,275.5 million to RM2,417.9 million due to increase in sales volume and average product selling price in Q3 2018 compared to the preceding quarter.

The average group utilisation rate increased from 82% to 87% due to improved plant reliability. The plants were operating at a sufficient level to maintain profit maximization taking into consideration the need for general plant maintenance.

Profit before tax decreased by RM141.6 million or 39.5% from RM 358.8 million to RM217.2 million mainly due to margin squeeze in Q3 2018 resulting from increase in feedstock price compared to Q2 2018 but was partially mitigated by an increase in sales volume. Decrease in profit before tax was also attributed by lower foreign exchange gain of RM 33.5 million in the current quarter and a one-off insurance proceed receivable of RM 31.2 million for gas turbine claim in Q2 2018.

B3. Commentary on prospects

The results of our operations for the financial year ending 31 December 2018 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 operational efficiency; and
(c) Feedstock prices which is correlated to crude oil prices.
Historically, Polyolefin prices will move in tandem with feedstock prices on a lagging basis provided demand and supply for Polyolefins are balanced.

Oil price is expected to increase with the Iran sanction and strong gasoline demand. However, the escalation of trade war between US and China will weaken the global demand and consequently dampen the growth in oil price. This uncertainty will result in the volatile fluctuation of crude oil and naphtha prices.

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Part B - Other explanatory notes (cont'd)

B3. Commentary on prospects (cont'd)

We expect market sentiment to remain cautious with the unresolved US and China trade war and uncertainty in crude oil price.

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):

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of property, plant and equipment	125,522	109,827	362,201	322,842
(Gain)/loss on foreign exchange:				
- Realised	(43,960)	(6,664)	(16,008)	(13,011)
- Unrealised	25,284	(4,549)	(45,174)	(14,653)
Amortisation of prepaid lease payments	731	678	2,130	2,079
Inventories written off	8	6	116	302
Property, plant and equipment written off	473	18,396	473	38,665
Loss/(gain) on disposal of property, plant and equipment	10	(44)	197	(56)
Loss/(gain) on partial settlement of derivative financial instruments	3,813	(1,387)	4,033	(2,927)
Impairment loss/ (Reversal of impairment loss) on				
- Trade Receivables	33	-	33	-
- Other Receivables	-	(9)	(1)	(27)
Reversal of write-down of inventories to net realisable value	(507)	(10,843)	(106)	-
Bad debts recovered	-	(2)	-	(2)
Fair value changes in derivatives	(3,506)	8,300	(2,383)	(8,620)

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Part B - Other explanatory notes (cont'd)

B6. Finance costs

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Term loan	-	244	-	893
- Short term borrowings	-	88	-	521
	-	332	-	1,414
Bank charges	464	844	1,861	1,839
Letter of credit charges	265	323	874	963
Unwinding of discount on provision	2,867	2,445	8,439	7,487
Other finance costs	66	64	195	190
	3,662	4,008	11,369	11,893

B7. Income tax

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current year	20,656	9,503	38,709	26,040
Under/(over)provision in prior year	42	(32)	42	(32)
	20,698	9,471	38,751	26,008
Deferred tax expenses				
Origination and reversal of temporary differences	4,439	2,351	82,432	37,214
(Over)/underprovision in prior year	(25,027)	2,928	(22,342)	8,691
	(20,588)	5,279	60,090	45,905
Total income tax recognised in profit or loss	110	14,750	98,841	71,913

The Group's effective tax rate of 11.3% for the period ended 30 September 2018 is 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 PP3 project and tax exempt income from a subsidiary that was granted Principal Hub Incentive.

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 period under review.

B9. Quoted securities

There were no material dealings in quoted securities during the period under review.

B10. Status of corporate proposals

Based on the IPO price of RM6.50 per share, gross proceeds of RM3,770 million was raised from the Public Issue on 11 July 2017 in the Main Market of Bursa Malaysia Securities Berhad. RM 226.3 million of the proceeds were utilised for purchase of treasury shares. The status of utilisation of the remaining IPO proceeds are as follow:

Details of use of proceeds	Estimated timeframe for use from the date of Listing	Amount RM'000	Actual utilisation as at 30 September 2018 RM'000	Percentage utilised %
Funding of following projects:				
(i) Integrated Petrochemical Facility	Within 36 months	2,621,018	74,497	3%
(ii) TE3 Project	Within 12 months	220,000	220,000	100%
(iii) PP3 Project (Note 1)	Within 12 months	620,000	510,000	82%
Estimated listing expenses (Note 2)	Within 6 months	82,730	82,730	100%
		3,543,748	887,227	25%

Note 1: The PP3 project fund utilisation of RM510,000,000 excludes RM98,652,000 funded from our internally generated funds which will be reimbursed subsequently from the IPO proceeds. The percentage utilised would then increase to 98%.

Note 2: The listing expenses has been revised from RM115,704,000 to RM82,730,000. The excess fund of RM32,974,000 from listing expenses would be invested in the Integrated Petrochemical Facility. Therefore, the funding for Integrated Petrochemical Facility has been revised from RM2,588,044,000 to RM2,621,018,000.

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Part B - Other explanatory notes (cont'd)

B10. Status of corporate proposals (cont'd)

The utilisation of the proceeds as disclosed above should be read in conjunction with the prospectus of the Company dated 16 June 2017 ("Prospectus"). In accordance to the Prospectus, the balance of the unutilised funds are kept as deposits, short-term money-market instruments or money-market unit trust funds in Malaysia.

The Company has placed the unutilised IPO proceeds with licensed bank and financial institution in Malaysia and has met the Shariah compliance ratio requirement.

The status and progress of each of the projects as at the reporting date are as follows:

(i) Integrated Petrochemical Facility
The Environmental Impact Assessment (EIA) was completed in Q3 2018. The Front End Engineering Design (FEED) study expected to be completed by Q4 2018 and Final Investment Decision (FID) is expected to be finalised by end of 2018 or early 2019.

(ii) TE3 Project
The project has started commercial operation since 16th December 2017.

(iii) PP3 Project
The project has started commercial operation since 1st September 2018.

Please refer to Section 4.7.1 of the Prospectus for further details of the projects.

B11. Derivative financial instruments

The Group's derivative financial instruments are as disclosed in Note A15.

B12. 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.

Part B - Other explanatory notes (cont'd)

B13. Cash and bank balances

	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Unutilised proceeds from initial public offering		
Cash at banks	179	15
Short term deposits with licensed financial institutions	1,920,410	1,715,482
Fund placements with licensed financial institutions	908,695	1,251,298
	2,829,284	2,966,795
Others		
Cash at banks and on hand	482,451	658,679
Short term deposits with licensed financial institutions	30,291	-
	3,342,026	3,625,474

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	As at 30 September 2018 RM'000	As at 31 December 2017 RM'000
Cash at banks and on hand	482,630	658,694
Short term deposits with licensed financial institutions	1,950,701	1,715,482
Cash and cash equivalents	2,433,331	2,374,176

B14. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 30 September 2018.

B15. Material litigation

There was no material litigation taken or threatened against the Company and its subsidiaries as at the reporting date.

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Part B - Other explanatory notes (cont'd)

B16. Dividends

Other than disclosed in Note A7, no dividend has been paid or declared by the Company for the period ended 30 September 2017 and 30 September 2018

B17. 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:

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	**2017**	**2018**	**2017**
Net profit attributable to the owner of the Company (RM'000)	216,886	230,312	776,108	686,082
Weighted average number of ordinary shares at the end of the period ('000)	2,272,984	2,210,446	2,272,984	1,890,444
Basic and diluted EPS (sen)	9.54	10.42	34.14	36.29

B18. 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 2017.