LOTTE CHEMICAL TITAN HOLDING BERHAD
(222357-P)

Unaudited condensed consolidated interim financial statements

For the quarter and year-to-date ended 30 September 2019

222357-P

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(Incorporated in Malaysia)

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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 2019, which should be read in conjunction with the accompanying explanatory notes on page 8 to 37.

Unaudited condensed consolidated statement of comprehensive income

	Note	Individual Quarter ended 30.09.2019 RM'000	Individual Quarter ended 30.09.2018 RM'000	Changes RM'000	Changes %	Cumulative Quarter ended 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000	Changes RM'000	Changes %
Revenue	A8	2,166,989	2,417,941	(250,952)	-10%	6,464,146	6,907,737	(443,591)	-6%
Cost of goods sold		(2,033,328)	(2,196,426)	163,098	-7%	(6,037,873)	(6,087,067)	49,194	-1%
Gross profit		133,661	221,515	(87,854)	-40%	426,273	820,670	(394,397)	-48%
Other income		5,835	5,456	379	7%	62,623	47,449	15,174	32%
Distribution expenses		(32,371)	(20,382)	(11,989)	59%	(98,300)	(52,982)	(45,318)	86%
Administrative expenses		(28,555)	(26,894)	(1,661)	6%	(85,238)	(74,153)	(11,085)	15%
Foreign exchange differences		11,631	18,676	(7,045)	-38%	6,768	61,182	(54,414)	-89%
Fair value changes on derivatives		898	3,506	(2,608)	-74%	1,178	2,383	(1,205)	-51%
Other expenses		(4,516)	(7,237)	2,721	-38%	(12,420)	(14,581)	2,161	-15%
Profit from operations		86,583	194,640	(108,057)	-56%	300,884	789,968	(489,084)	-62%
Finance income		24,221	24,642	(421)	-2%	76,819	74,705	2,114	3%
Finance costs	B6	(3,767)	(3,662)	(105)	3%	(11,845)	(11,369)	(476)	4%
Net finance income		20,454	20,980	(526)	-3%	64,974	63,336	1,638	3%
Share of results of associates		26,618	1,584	25,034	1580%	(4,880)	22,552	(27,432)	-122%
Profit before tax	B5	133,655	217,204	(83,549)	-38%	360,978	875,856	(514,878)	-59%
Income tax	B7	(42,302)	(110)	(42,192)	38356%	(108,778)	(98,841)	(9,937)	10%
Net profit for the period		91,353	217,094	(125,741)	-58%	252,200	777,015	(524,815)	-68%

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

	Note	Individual Quarter ended 30.09.2019 RM'000	Individual Quarter ended 30.09.2018 RM'000	Cumulative Quarter ended 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		101,946	218,541	95,483	185,237
		101,946	218,541	95,483	185,237
Total comprehensive income for the period		193,299	435,635	347,683	962,252
Net profit for the period attributable to:					
Owner of the Company		91,298	216,886	251,977	776,108
Non-controlling interests		55	208	223	907
		91,353	217,094	252,200	777,015
Total comprehensive income for the period attributable to:					
Owner of the Company		192,871	434,672	347,823	960,651
Non-controlling interests		428	963	(140)	1,601
		193,299	435,635	347,683	962,252
Basic and diluted earnings per ordinary share (sen)	B18	4.02	9.54	11.09	34.14

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 30.09.2019 RM'000	As at 31.12.2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment		4,983,094	5,360,287
Prepaid lease payments		-	62,467
Right-of-use assets		566,591	-
Prepayment for acquisition of land		19,994	19,789
Investments in associates		2,117,824	2,101,300
Deferred tax assets		-	33
		7,687,503	7,543,876
Current assets			
Inventories		1,294,016	1,507,657
Trade and other receivables		918,942	1,007,726
Tax recoverable		18,091	25,332
Prepayments		44,099	24,348
Derivative financial instruments		394	-
Other investment	B13	1,222,825	1,149,813
Cash and bank balances	B14	2,126,553	2,262,300
		5,624,920	5,977,176
Total assets		13,312,423	13,521,052
Equity and liabilities			
Capital and reserves			
Share capital		5,816,813	5,816,813
Other reserves		1,367,485	1,271,639
Retained earnings		4,984,319	5,118,749
Treasury shares, at cost		(226,252)	(226,252)
Total equity attributable to owner of the Company		11,942,365	11,980,949
Non-controlling interests		22,845	22,985
		11,965,210	12,003,934

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

	Note	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Non-current liabilities			
Provision		357,895	263,743
Deferred tax liabilities		478,520	396,557
Defined benefit obligation		20,144	17,236
Lease liabilities		43,234	-
		899,793	677,536
Current liabilities			
Trade and other payables		428,637	838,664
Provision for taxation		4,627	-
Other financial liabilities		73	91
Lease liabilities		14,057	-
Derivative financial instruments		26	827
		447,420	839,582
Total liabilities		1,347,213	1,517,118
Total equity and liabilities		13,312,423	13,521,052
Net assets per share attributable to ordinary equity holders of the parent (RM)		5.25	5.27

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	Treasury Shares 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 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		-	-	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(a)	-	-	-	-	-	(4,690)	(4,690)
Bargain purchase on acquisition of non-controlling interests	A13(a)	-	-	-	15	15	-	15
Dividends	A7, B17	-	-	-	(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
At 1 January 2019		5,816,813	(226,252)	1,271,639	5,118,749	11,980,949	22,985	12,003,934
Net profit for the period		-	-	-	251,977	251,977	223	252,200
Other comprehensive income		-	-	95,846	-	95,846	(363)	95,483
Total comprehensive income for the period		-	-	95,846	251,977	347,823	(140)	347,683
Dividends	A7, B17	-	-	-	(386,407)	(386,407)	-	(386,407)
At 30 September 2019		5,816,813	(226,252)	1,367,485	4,984,319	11,942,365	22,845	11,965,210

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 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000
Cash flows from operating activities		
Profit before tax	360,978	875,856
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	469,587	362,201
Amortisation of prepaid land lease payments	-	2,130
Finance costs	11,845	11,369
Property, plant and equipment written off	802	473
Reversal of write-down of inventories to net realisable value	(41,558)	(106)
Expenses recognised in respect of defined benefit plan	2,464	2,833
Inventories written off	125	116
Impairment loss on trade receivables	596	33
Reversal of impairment loss on other receivables	-	(1)
Share of results of associates	4,880	(22,552)
Bad debts recovered	(17)	-
Loss on disposal of property, plant and equipment	33	197
Finance income	(76,819)	(74,705)
Fair value changes in derivatives	(1,178)	(2,383)
Loss on partial settlement of derivative financial instruments	-	4,033
Unrealised loss/(gain) on foreign exchange	731	(45,174)
Operating profit before working capital changes	732,469	1,114,320
Change in inventories	241,788	(447,120)
Change in trade and other receivables	79,960	(160,902)
Change in trade and other payables	(384,616)	92,261
Cash generated from operations	669,601	598,559
Payments under defined benefit plan	(142)	(630)
Finance costs paid	(3,351)	(2,928)
Income tax paid	(9,795)	(16,835)
Net cash generated from operating activities	656,313	578,166

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

	Cumulative Quarter ended 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000
Cash flows from investing activities		
Finance income received	76,819	74,705
Acquisition of financial instruments	-	(5,725)
Proceeds from disposal of property, plant and equipment	1	175
Acquisition of property, plant and equipment	(393,540)	(504,740)
Payment for right-of-use asset	(7,812)	-
Prepaid lease payments	-	(5,840)
Prepayment for acquisition of land	-	(19,068)
(Placement)/Withdrawal of fund placements with licensed financial institutions	(73,012)	342,603
Proceeds from disposal of financial instruments	-	12,405
Investment in subsidiary	-	(4,675)
Net cash used in investing activities	(397,544)	(110,160)
Cash flows from financing activities		
Dividend paid	(386,407)	(522,786)
Share issuance costs and listing expenses paid	-	(179)
Payment of lease liabilities	(15,971)	-
Net cash used in financing activities	(402,378)	(522,965)
Net decrease in cash and cash equivalents	(143,609)	(54,959)
Effect of exchange rate changes on the balance of cash held in foreign currencies	7,862	114,114
Cash and cash equivalents at beginning of year	2,262,300	2,374,176
Cash and cash equivalents at end of year (Note B14)	2,126,553	2,433,331

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 2018 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 2019.

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 2018, except for the adoption of the following amendments to MFRSs during the financial period:

Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and 108	Definition of Material
MFRS 17	Insurance Contracts
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to references to the Conceptual Framework in MFRS Standards
Annual Improvements to MFRS Standards 2015–2017 Cycle

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

A2. Significant accounting policies (cont'd)

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

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The Group also elected to recognise a right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	RM'000
Assets	
Right-of-use assets	575,273
Property, plant and equipment	(441,309)
Prepaid land lease	(62,467)
Prepayment	(1,189)
Total assets	70,308
Liabilities	
Lease liabilities, representing total liabilities	70,308

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(a) Nature of the effect of adoption of MFRS 16

The Group has lease contracts for various items of land and building, vehicles and others. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were 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 were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments, Prepaid lease payments and Trade and other payables, respectively.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

<u>Leases previously classified as finance leases</u>

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 was applied to these leases from 1 January 2019.

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(a) Nature of the effect of adoption of MFRS 16 (con'd)

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(a) Nature of the effect of adoption of MFRS 16 (con'd)

Leases previously classified as operating leases (cont'd)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	RM'000
Operating lease commitments as at 31 December 2018	92,000
Less:	
Commitments relating to short-term leases	(9,611)
Commitments relating to low-value assets	(278)
	82,111
Weighted average incremental borrowing rate as at 1 January 2019	5.39%
Lease liabilities as at 1 January 2019	70,308

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of MFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(b) Summary of new accounting policies (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(b) Summary of new accounting policies (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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

A2. Significant accounting policies (cont'd)

MFRS 16 Leases (cont'd)

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Land and buildings RM'000	**Vehicles RM'000**	**Others RM'000**	**Total RM'000**	**Lease Liabilities RM'000**
As at 1 January 2019	514,831	11,627	48,815	575,273	70,308
Additions	7,812	449	-	8,261	449
Depreciation expense	(14,182)	(3,602)	(4,924)	(22,708)	-
Interest expense	-	-	-	-	2,528
Unrealised foreign exchange	-	-	-	-	(525)
Disposal	-	(42)	-	(42)	(42)
Foreign currency translation reserve	5,285	80	442	5,807	544
Payments	-	-	-	-	(15,971)
As at 30 September 2019	513,746	8,512	44,333	566,591	57,291

The Group recognised rent expense from short-term leases and low-value assets of RM7,917,000 for the nine months ended 30 September 2019.

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

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.

A4. Exceptional items

There was no exceptional item during the period under review.

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

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 2019, based on an analysis performed by the management, the Group has revised the discount rate from 3.05% to 2.10%. This change has resulted in an increase by approximately RM84,655,000 in the provision for dismantling cost.

The Group reviews the estimated useful lives of its turnaround costs on an ongoing basis. This review has indicated that the actual useful lives of certain turnaround costs will be shorter than the estimated useful lives of 60 months, which was used for depreciation purposes in the Group's previous annual financial statements. As a result, effective 1 January 2019, the estimated useful lives of certain turnaround costs that was previously 60 months on average, were expanded to a range from 36 months to 60 months. If the estimated useful lives were not revised, the year-to-date depreciation expenses for 9 months period ended 30 September 2019 would have been lower by approximately RM 74,410,000 and profit before tax would have increased by the same amount.

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 9 months financial period ended 30 September 2019, the Company paid a final single tier dividend in respect of the financial year ended 31 December 2018, of 17.0 sen per share on 2,272,983,500 ordinary shares, amounting to a dividend of RM 386,407,195.

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.

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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 financial period ended 30 September 2019			
Geographical markets			
Malaysia	328,834	1,961,419	2,290,253
Indonesia	114,874	1,631,867	1,746,741
China (including Hong Kong)	394,188	575,503	969,691
Southeast Asia	225,295	565,491	790,786
Northeast Asia	239,321	143,805	383,126
Indian Sub-Continent	78,194	152,660	230,854
Others	-	52,695	52,695
Total revenue from contracts with customers	1,380,706	5,083,440	6,464,146
For the financial 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	1,843,771	5,063,966	6,907,737

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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 financial period ended 30 September 2019				
Revenue				
External customers	1,380,706	5,083,440	-	6,464,146
Inter-segment	3,144,817	-	(3,144,817)	-
Total revenue	4,525,523	5,083,440	(3,144,817)	6,464,146
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	305,696	158,386	5,505	469,587
Property, plant and equipment written off	68	734	-	802
Reversal of write-down of inventories to net realisable value	(31,811)	(9,747)	-	(41,558)
Segment results	36,481	269,723	54,774	360,978

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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 financial 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
Property, plant and equipment written off	-	471	2	473
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

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 RM61.2 million for the financial period ended 30 September 2019 which are managed on a group basis.

Foreign exchange gain/loss are allocated to individual segments other than foreign exchange gain arising from the conversion of the unutilised proceeds of the Company's initial public offering to USD amounting to approximately RM15.6 million for the financial period ended 30 September 2019 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 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000
Segment profit of:		
- Olefins and derivative products	36,481	204,939
- Polyolefin products	269,723	518,234
Total segment profit	306,204	723,173
Fair value changes in derivatives	1,178	2,383
Inter-segment sales (elimination)	(299)	(2,308)
Share of results of associates	(4,880)	22,552
Finance income derived from IPO proceeds	61,169	64,622
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	15,649	78,755
Other unallocated cost	(18,043)	(13,321)
Profit before tax	360,978	875,856

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 2019, 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 2018.

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

A13. Changes in composition of the Group

(a) On 20 September 2018, the Group acquired an additional 2.1% equity interest in PT Lotte Chemical Titan Tbk 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.

(b) On 2 October 2019, the Group obtained approval from its shareholders to divest 59,584,000 ordinary shares, representing 49% of the issued share capital in PT Lotte Chemical Indonesia (“LCI”) by Lotte Chemical Titan Holding Berhad to Lotte Chemical Corporation for a cash consideration of approximately USD 65,397,000 (equivalent to RM 273,490,000 based on the exchange rate USD1.00:RM4.182) (“The Divestment”).

Upon completion of the Divestment, LCI will remain as a subsidiary of the Group. The financial effects for the Divestment will be recognized directly in the equity of the Group instead of as a gain in the statement of comprehensive income of the Group in accordance with MFRS 10. Based on the unaudited net assets of LCI as at 31 May 2019, the Divestment would have a pro forma effect of increasing net assets of the Group by RM 15,031,000.

Although the Group would still consolidate LCI’s future result, the 49% of LCI future result will be attributable to the Group’s non-controlling interest and not to the owners of the Group.

Barring any unforeseen circumstances and subject to all relevant approvals required, the Divestment is expected to be implemented by first quarter of 2020.

(c) On 29 October 2019, the Group’s associate company, Lotte Chemical USA Corporation (“LC USA”), has entered into a securities purchase agreement with Eagle US 2 LLC (“Eagle US”) to transfer at least 34.79% of its equity interest in LACC LLC (“LACC”) to Eagle US for a purchase price of USD816,466,954 (“Transfer”). Any additional equity interest Eagle US may receive is subject to finalisation of an audit and further negotiations between the parties concerning the purchase price. The Transfer is arising from Eagle US exercising its call option which allows Eagle US to increase its equity interest in LACC to 50% (“Call Option”). Further details of the US Shale Gas Project and the Call Option are as disclosed in Section 7.6.8 of the Company’s Initial Public Offering Prospectus dated 16 June 2017.

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

A13. Changes in composition of the Group (cont'd)

LACC is a joint venture between LC USA and Eagle US for the development of the US Ethane Cracker Plant in which LC USA owns 88% equity interest and Eagle US, an entity within Westlake Chemical Corporation, owns the remaining 12% equity interest. Upon completion of the Transfer, Eagle US' shareholding in LACC will be increased to 46.77% with LC USA holding the remaining shareholding of 53.23% and their ethylene offtake volume from LACC will be adjusted in line with their shareholding.

LC USA will use 25% of the purchase price to pay off the syndicated term loan facility obtained to fund the US Shale Gas Project and the remainder will be used for new business plans in the USA such as the expansion of plants and downstream business.

The Transfer is expected to generate a one off gain on disposal that would have a material impact on the Group's financial statements. The computation of the gain on disposal is subject to the finalization of the financial audit on LACC to determine the final purchase price, the final percentage of dilution and any tax liability arising thereon. The Transfer will reduce LC USA's interest in LACC's future financial performance and consequently, the Group's share of profit and loss in LC USA.

There were no other material changes in the composition of the Group during the period.

A14. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Contracted but not provided for	650,560	185,464
Approved but not contracted for	589,298	195,581

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

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

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 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.

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

A15. Fair value information (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 30 September 2019				
Financial assets				
Fund placements with licensed financial institutions	1,222,825	-	1,222,825	-
Derivatives				
- Forward currency contracts	394	-	394	-
	1,223,219	-	1,223,219	-
Financial liabilities				
Derivatives				
- Forward currency contracts	(26)	-	(26)	-
At 31 December 2018				
Financial assets				
Fund placements with licensed financial institutions	1,149,813	-	1,149,813	-
Financial liabilities				
Derivatives				
- Forward currency contracts	(827)	-	(827)	-

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 30.09.2019 RM'000	Cumulative Quarter ended 30.09.2018 RM'000
Ultimate holding company		
Sales of goods	57,683	36,890
Catalyst trial fee received/receivable	4,664	2,549
Management and consulting fees incurred*	527	9,031
Reimbursement of payroll for secondment of expatriates*	11,046	-
Purchase of materials	6,096	5,852
Commission expense	1,163	902
Royalty expense	27,363	264
Commission income	141	233
Capital expenditure incurred	5,551	15,928
IT support services fee paid/payable	573	500
Other administrative expenses	27	-
Expenses paid on behalf	-	379
Related companies		
Sales of goods	78,194	45,392
Capital expenditure incurred	172,285	192,857
IT support services fee paid/payable	2,026	1,801
Commission expense	2,971	1,329
Warehouse and logistics services incurred	15,179	281
Advertising expenses	-	183
Other administrative expenses	248	38
Associate company		
Sales of goods	156,150	198,574
Sales of utilities	10,498	9,266
Income from shared services	204	154
Financial guarantee income	50	50
Lease rental income	1,974	1,891

* The Group's expatriates payroll of RM9,031,000 were previously presented as management and consulting fees incurred for the period ended 30 September 2018. Management considers it to be more relevant if it was presented as reimbursement of payroll cost for secondment of expatriates.

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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					
	2019	2018	2019	2018	2019	2018
	Group		Olefins and derivative products		Polyolefin products	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,166,989	2,417,941	457,824	596,717	1,709,165	1,821,224
Profit before tax	133,655	217,204	27,619	31,255	55,302	125,278
EBITDA*	244,367	320,893	131,543	114,004	106,541	169,449

* 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 right-of-use assets and amortisation of prepaid lease payments.

Group revenue decreased by 10.4% (or RM 251.0 million) from RM 2,417.9 million to RM 2,167.0 million due to decrease in average product selling price. This was partially offset by the increase in sales volume which was driven by improvement in production quantity as compared to Q3 2018.

Overall production quantity increased due to stable plant operation and commissioning of new PP3 Plant in 2018 while average plant utilisation rate improved from 87% in Q3 2018 to 91% in Q3 2019.

The main reason for the decrease in profit before tax from RM 217.2 million in Q3 2018 to RM 133.7 million in Q3 2019 is mainly due to continued margin squeeze resulting from the fall in product selling prices. The lower selling price is mainly due to diversion of cheaper polyolefin supply from USA into SEA region as a consequence of the US-China trade war as well as softening of global economic growth.

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)

Other factors contributing to the lower profit before tax includes higher depreciation due to change of useful lives of turnaround costs by RM 25 million, higher distribution expenses and lower foreign exchange gain by RM 7.0 million. Higher distribution expenses arose from increase in sales volume, higher unit distribution cost and increase in royalty expenses to holding company of RM 8.9 million.

The lower profit before tax is partially offset by the increase in share of profit from associates amounting to RM 25.0 million in Q3 2019 mainly from commercial operation of Lotte Chemical USA Corporation.

Profit after tax decreased by RM 125.7 million from RM 217.1 million to RM 91.4 million due to higher tax expense from underprovision of prior year deferred tax and no further reinvestment allowance claimable.

Olefins and derivative products

The segment recorded a decrease in revenue of RM 138.9 million from RM 596.7 million in Q3 2018 to RM 457.8 million in Q3 2019. This was primarily due to the decrease in selling prices in Q3 2019 as compared to the corresponding quarter.

Profit before tax decreased by RM 3.7 million from RM 31.3 million in Q3 2018 to RM 27.6 million in Q3 2019 mainly due to margin squeeze.

Polyolefin products

The segment recorded a decrease in revenue of RM 112.0 million from RM 1,821.2 million in Q3 2018 to RM 1,709.2 million in Q3 2019. This was primarily due to the decrease in selling prices in Q3 2019 as compared to the corresponding quarter.

Profit before tax decreased by RM 70.0 million from RM 125.3 million in Q3 2018 to RM 55.3 million in Q3 2019 mainly due to margin squeeze.

Part B - Other explanatory notes (cont'd)

B1. Review of group performance (cont'd)

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

	Cumulative quarter ended 30 September					
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	Group		**Olefins and derivative products**		**Polyolefin products**	
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	6,464,146	6,907,737	1,380,706	1,843,771	5,083,440	5,063,966
Profit before tax	360,978	875,856	36,481	204,939	269,723	518,234
EBITDA*	770,471	1,154,299	340,757	444,319	428,128	642,616

* 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 right-of-use assets and amortisation of prepaid lease payments.

Group revenue decreased by 6.4% (or RM 443.6 million) from RM 6,907.7 million to RM 6,464.1 million due to decrease in average product selling price. This was partially offset by the increased in sales volume which was driven by improvement in production quantity as compared to corresponding period in 2018.

Overall production quantity increased due to stable plant operation while average plant utilisation rate improved from 84% to 89%.

The main reason for the decrease in profit before tax from RM 875.9 million to RM 361.0 million is due to margin squeeze resulting from the fall in product selling prices. The lower selling price is mainly due to diversion of cheaper polyolefin supply from USA into SEA region as a consequence of the US-China trade war as well as softening of global economic growth.

Other factors contributing to the lower profit before tax includes higher depreciation due to change of useful lives of turnaround costs by RM 74.4 million, higher distribution expenses, lower foreign exchange gain by RM 54.4 million and share of loss from associates. Higher distribution expenses arose from increase in sales volume, higher unit distribution cost and higher royalty expenses to holding company of RM 27.1 million. This is partially mitigated by higher insurance claim received/receivable of RM 14.5 million and reversal of write-down of inventories to net realisable value of RM 41.6 million as at September 2019.

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Part B - Other explanatory notes (cont'd)

B1. Review of group performance (cont'd)

(b) Performance of the current period against the corresponding period (cont'd)

Share of result from associates reduced by RM 27.4 million. This is mainly due to loss on fair value changes in interest rate swap entered by Lotte Chemical USA Corporation and borrowing costs incurred for project financing in 2019.

As a result of the above, profit after tax decreased by RM 524.8 million from RM 777.0 million to RM 252.2 million. Effective tax rate increase from 11% to 30% as a consequence of underprovision of deferred tax and no further reinvestment allowance claimable.

Olefins and derivative products

The segment recorded a decrease in revenue of RM 463.1 million from RM 1,843.8 million to RM 1,380.7 million. This was primarily due to the decrease in product selling prices and sales volume in 2019 as compared to the corresponding period.

Profit before tax decreased by RM 168.4 million from RM 204.9 million to RM 36.5 million mainly due to margin squeeze.

Polyolefin products

The segment recorded an increase in revenue of RM 19.4 million from RM 5,064.0 million to RM 5,083.4 million. This was primarily due to an increase in sales volume as compared to the corresponding quarter due to commencement of PP3 in September 2018 and partially offset by the decrease in selling prices.

Profit before tax decreased by RM 248.5 million from RM 518.2 million to RM 269.7 million mainly due to margin squeeze.

B2. Variation of results against the preceding quarter

	Individual Quarter ended 30 September 2019 RM'000	Individual Quarter ended 30 June 2019 RM'000
Revenue	2,166,989	2,127,154
Profit before tax	133,655	138,193
EBITDA	244,367	289,171

Part B - Other explanatory notes (cont'd)

B2. Variation of results against the preceding quarter (cont'd)

Group revenue increased by RM 39.8 million or 1.9% from RM 2,127.2 million to RM 2,167.0 million due to increase in sales volume in Q3 2019 compared to the preceding quarter. This was partially offset by decrease in overall product selling prices.

The average group utilisation rate increased from 89% to 91% due to improved plant reliability.

Profit before tax decreased marginally by RM 4.5 million from RM 138.2 million in Q2 2019 to RM 133.7 million in Q3 2019. The increase in share of profit from associates in Q3 2019 of RM 44.7 million was offset by the insurance proceed received/receivable of RM 45.7 million for furnace damage claim in Q2 2019.

B3. Commentary on prospects

The results of our operations for the financial year ending 31 December 2019 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;
(c) Petrochemical product demand moves in tandem with overall global GDP growth, driven by consumption and population growth; and
(d) Feedstock prices which is correlated to crude oil prices.

As a consequence of continued geopolitical unrests in the Middle East and production cuts by OPEC and Russia, crude oil price has remained volatile since beginning of the year. The production cut is expected to extend until early 2020 and this will help to stabilize prices resulting from expected higher U.S shale production. Full U.S sanctions on both Venezuelan and Iranian crude oil export will further reduce global crude oil supply. These factors are expected to lend support towards crude oil price uptrend. However, softened macroeconomic outlook and increasing U.S output and exports beyond 2019 will offset potential increase in crude oil prices.

Domestically, new additional capacities coming on-stream by end 2019 or early 2020 are expected to create short to medium-term supply and demand imbalances. The additional supply is expected to be gradually absorbed by the high consumption growth in the Asian region.

The economic environment remains challenging with market uncertainties arising from the unresolved global trade tensions, pending the outcome of on-going U.S-China trade negotiations. Despite slowing of global economic activities, emerging markets and Asian region are expected to sustain their growth momentum for remaining of 2019.

Part B - Other explanatory notes (cont'd)

B3. Commentary on prospects (cont'd)

The LC USA shale gas project in Louisiana, USA, which we own 40% equity stake, has commenced commercial operations in August 2019, on an integrated basis. The project will use locally produced and cheaper shale gas feedstock to produce ethylene, thereby minimizing risk and stabilizing cost competitiveness, amidst the current volatility in global crude oil price.

For FY 2020, our plants in Malaysia are scheduled for a major statutory turnaround for all plants, with the exception of one cracker and one polypropylene plant, around second quarter of the year. The turnaround duration is expected to be about 45 days.

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	157,784	125,522	469,587	362,201
(Gain)/Loss on foreign exchange:				
- Realised	(13,249)	(43,960)	(7,499)	(16,008)
- Unrealised	1,618	25,284	731	(45,174)
Amortisation of prepaid lease payments	-	731	-	2,130
Inventories written off	116	8	125	116
Property, plant and equipment written off	90	473	802	473
Loss on disposal of property, plant and equipment	33	10	33	197
Loss on partial settlement of derivative financial instruments	-	3,813	-	4,033
Impairment loss on trade receivables	-	33	596	33
Reversal of impairment loss on other receivables	-	-	-	(1)
Reversal of write-down of inventories to net realisable value	(3,875)	(507)	(41,558)	(106)
Bad debts recovered	-	-	(17)	-
Fair value changes in derivatives	(898)	(3,506)	(1,178)	(2,383)

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Part B - Other explanatory notes (cont'd)

B6. Finance costs

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unwinding of lease liabilities	789	-	2,529	-
Bank charges	646	464	2,301	1,861
Letter of credit charges	294	265	855	874
Unwinding of discount on provision	1,972	2,867	5,965	8,439
Other finance costs	66	66	195	195
	3,767	3,662	11,845	11,369

B7. Income tax

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax				
Current year	11,474	20,656	32,189	38,709
Under/(over)provision in prior year	10	42	(262)	42
	11,484	20,698	31,927	38,751
Deferred tax				
Origination and reversal of temporary differences	(4,938)	4,439	41,095	82,432
Under/(over)provision in prior year	35,756	(25,027)	35,756	(22,342)
	30,818	(20,588)	76,851	60,090
Total income tax recognised in profit or loss	42,302	110	108,778	98,841

The Group effective tax rate of 30.1% for the period ended 30 September 2019 is higher than the statutory tax rate of 24%. This is primarily due to the deferred tax underprovided in prior year arising from temporary differences on property, plant and equipment upon finalisation of YA 2018 tax computation in Q3 2019.

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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 RM 6.50 per share, gross proceeds of RM 3,770 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 2019 RM'000	Percentage utilised %
Funding of following projects:				
(i) Integrated Petrochemical Facility (Note 1)	Within 36 months	2,634,213	282,442	11%
(ii) TE3 Project	Within 12 months	220,000	220,000	100%
(iii) PP3 Project (Note 2)	Within 12 months	606,805	606,805	100%
Listing expenses (Note 3)	Within 6 months	82,730	82,730	100%
		3,543,748	1,191,977	34%

Note 1: The funding for Integrated Petrochemical Facility has been revised from RM 2,588,044,000 to RM 2,634,213,000 due to the excess fund from PP3 project and listing expenses.

Note 2: The PP3 project has been revised from RM 620,000,000 to RM 606,805,000. The excess fund of RM 13,195,000 from PP3 project would be invested in the Integrated Petrochemical Facility.

Note 3: The listing expenses has been revised from RM 115,704,000 to RM 82,730,000. The excess fund of RM 32,974,000 from listing expenses would be invested in the Integrated Petrochemical Facility.

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. As at 30 September 2019, RM 13 million of the unutilised funds are temporarily reserved in Indonesia for subsequent payment to suppliers of Integrated Petrochemical Facility.

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 ("IPF")
The overall project configuration has been finalized and announced, and work for land preparation in project site is currently underway. Project tendering and construction are scheduled to commence in 2020 and project completion expected by 2023.

(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. Other investment

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Unutilised proceeds from initial public offering	939,552	1,029,131
Proceeds from internally generated funds	283,273	120,682
	1,222,825	1,149,813

Other investment comprise solely of fund placements with licensed financial institutions.

B14. Cash and bank balances

	As at 30 September 2019 RM'000	As at December 2018 RM'000
<u>Unutilised proceeds from initial public offering</u>		
Cash at banks	13,783	34,913
Short term deposits with licensed financial institutions	1,651,513	1,777,204
	1,665,296	1,812,117
<u>Others</u>		
Cash at banks and on hand	452,066	450,183
Short term deposits with licensed financial institutions	9,191	-
	2,126,553	2,262,300

B15. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 30 September 2019.

B16. Material litigation

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

B17. Dividends

Other than disclosed in Note A7, no dividend has been paid or declared by the Company for the period ended 30 September 2018 and 30 September 2019.

Lotte Chemical Titan Holding Berhad
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Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 September 2019

Part B - Other explanatory notes (cont'd)

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:

	Individual quarter ended 30 Septmber		Cumulative quarter ended 30 September	
	2019	**2018**	**2019**	**2018**
Net profit attributable to the owner of the Company (RM'000)	91,298	216,886	251,977	776,108
Weighted average number of ordinary shares at the end of the period ('000)	2,272,984	2,272,984	2,272,984	2,272,984
Basic and diluted EPS (sen)	4.02	9.54	11.09	34.14

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 2018.