

LOTTE CHEMICAL TITAN HOLDING BERHAD  
199101012045 (222357-P)

**Unaudited condensed consolidated  
interim financial statements**

For the quarter and year-to-date ended 31 March 2022

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

<b>Contents</b>	<b>Page</b>
Unaudited condensed consolidated statement of comprehensive income	1 - 2
Unaudited condensed consolidated statement of financial position	3 - 4
Unaudited condensed consolidated statement of changes in equity	5
Unaudited condensed consolidated statement of cash flows	6 - 7
Explanatory notes pursuant to MFRS 134	8 - 18
Other explanatory notes	19 - 29

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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

The Board of Directors of Lotte Chemical Titan Holding Berhad ("LCT" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements of LCT and its subsidiaries ("the Group") for the quarter ended 31 March 2022, which should be read in conjunction with the accompanying explanatory notes on page 8 to 29.

**Unaudited condensed consolidated statement of comprehensive income**

	Note	Quarter ended 31.03.2022 RM'000	Quarter ended 31.03.2021 RM'000	Changes	
				RM'000	%
<b>Revenue</b>	A8	2,759,480	2,367,093	392,387	17%
Cost of goods sold		(2,669,046)	(1,823,733)	(845,313)	-46%
<b>Gross profit</b>		90,434	543,360	(452,926)	-83%
Other income		4,933	5,317	(384)	-7%
Distribution expenses		(37,054)	(33,656)	(3,398)	-10%
Administrative expenses		(26,872)	(24,370)	(2,502)	-10%
Foreign exchange differences		1,130	21,718	(20,588)	-95%
Fair value changes on derivatives		380	-	380	100%
Other expenses		(3,078)	(3,665)	587	16%
<b>Profit from operations</b>		29,873	508,704	(478,831)	-94%
Finance income		11,216	11,573	(357)	-3%
Finance costs	B6	(3,427)	(3,282)	(145)	-4%
<b>Net finance income</b>		7,789	8,291	(502)	-6%
Share of results of associates		68,142	50,113	18,029	36%
<b>Profit before tax</b>	B5	105,804	567,108	(461,304)	-81%
Income tax	B7	(2,884)	(125,832)	122,948	98%
<b>Net profit for the period</b>		102,920	441,276	(338,356)	-77%

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

	Note	Quarter ended 31.03.2022 RM'000	Quarter ended 31.03.2021 RM'000
<b>Other comprehensive income, net of tax</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		80,765	317,423
Cash flow hedge		1,335	-
		<u>82,100</u>	<u>317,423</u>
<b>Total comprehensive income for the period</b>		<u><u>185,020</u></u>	<u><u>758,699</u></u>
<b>Net profit for the period attributable to:</b>			
Owner of the Company		103,997	440,003
Non-controlling interests		(1,077)	1,273
		<u>102,920</u>	<u>441,276</u>
<b>Total comprehensive income for the period attributable to:</b>			
Owner of the Company		177,957	741,703
Non-controlling interests		7,063	16,996
		<u>185,020</u>	<u>758,699</u>
<b>Basic and diluted earnings per ordinary share (sen)</b>	B19	<u><u>4.57</u></u>	<u><u>19.36</u></u>

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

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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

**Unaudited condensed consolidated statement of financial position**

	Note	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,720,890	5,254,255
Right-of-use assets		528,203	531,731
Prepayment for construction of plant		966,223	-
Investments in associates		2,447,507	2,362,905
Non-current tax assets		15,308	15,202
Derivative financial instruments		2,618	-
		<u>9,680,749</u>	<u>8,164,093</u>
<b>Current assets</b>			
Inventories		1,662,109	1,674,270
Trade and other receivables	B13	1,024,047	975,283
Current tax assets		62,786	33,064
Prepayments		25,705	29,924
Other investments	B14	1,763,443	2,756,116
Cash and bank balances	B15	2,486,620	1,842,009
		<u>7,024,710</u>	<u>7,310,666</u>
<b>Total assets</b>		<u>16,705,459</u>	<u>15,474,759</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		5,827,149	5,827,149
Other reserves		1,459,055	1,385,095
Retained earnings		5,345,305	5,719,595
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		12,405,257	12,705,587
Non-controlling interests		<u>1,482,216</u>	<u>622,608</u>
<b>Total equity</b>		<u>13,887,473</u>	<u>13,328,195</u>

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

	Note	As at 31.03.2022 RM'000	As at 31.12.2021 RM'000
<b>Non-current liabilities</b>			
Provision		404,078	407,492
Deferred tax liabilities		696,729	703,035
Defined benefit obligation		22,136	21,317
Lease liabilities		26,852	29,390
		<u>1,149,795</u>	<u>1,161,234</u>
<b>Current liabilities</b>			
Trade and other payables		1,178,002	974,704
Current tax liabilities		1,641	-
Lease liabilities		10,261	10,249
Dividend payable		478,287	-
Derivative financial instruments		-	377
		<u>1,668,191</u>	<u>985,330</u>
<b>Total liabilities</b>		<u>2,817,986</u>	<u>2,146,564</u>
<b>Total equity and liabilities</b>		<u>16,705,459</u>	<u>15,474,759</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.45</u>	<u>5.58</u>

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

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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

**Unaudited condensed consolidated statement of changes in equity**

Note	Attributable to owners of the Company							Total equity attributable to owners of the Company	Non-controlling interest	Total
	Share capital	Treasury Shares	Equity transaction reserves	Foreign currency translation reserve	Hedging reserve	Retained earnings	Distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2021</b>	5,816,813	(226,252)	26,539	1,018,031	-	5,164,217	11,799,348	468,793	12,268,141	
Net profit for the year	-	-	-	-	-	440,003	440,003	1,273	441,276	
Other comprehensive income	-	-	-	301,700	-	-	301,700	15,723	317,423	
Total comprehensive income for the period	-	-	-	301,700	-	440,003	741,703	16,996	758,699	
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	-	19,845	19,845	
Dividends	-	-	-	-	-	(74,327)	(74,327)	-	(74,327)	
<b>At 31 March 2021</b>	5,816,813	(226,252)	26,539	1,319,731	-	5,529,893	12,466,724	505,634	12,972,358	
<b>At 1 January 2022</b>	5,827,149	(226,252)	26,539	1,358,556	-	5,719,595	12,705,587	622,608	13,328,195	
Net profit for the year	-	-	-	-	-	103,997	103,997	(1,077)	102,920	
Other comprehensive income	-	-	-	72,625	1,335	-	73,960	8,140	82,100	
Total comprehensive income for the period	-	-	-	72,625	1,335	103,997	177,957	7,063	185,020	
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	-	852,545	852,545	
Dividends	-	-	-	-	-	(478,287)	(478,287)	-	(478,287)	
<b>At 31 March 2022</b>	5,827,149	(226,252)	26,539	1,431,181	1,335	5,345,305	12,405,257	1,482,216	13,887,473	

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.

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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

**Unaudited condensed consolidated statement of cash flows**

	<b>Quarter ended 31.03.2022 RM'000</b>	<b>Quarter ended 31.03.2021 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	105,804	567,108
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	136,009	138,644
Finance costs	3,427	3,282
Property, plant and equipment written off	43	221
Reversal of write-down of inventories to net realisable value	(17,347)	-
Expenses recognised in respect of defined benefit plan	1,591	1,662
Inventories written off	11	-
Share of results of associates	(68,142)	(50,113)
Gain on disposal of property, plant and equipment	(1)	-
Finance income	(11,216)	(11,573)
Fair value changes in derivatives	(380)	-
Net effect on winding up of subsidiaries	(1)	-
Unrealised loss/(gain) on foreign exchange	5,750	(16,186)
Operating profit before working capital changes	155,548	633,045
Change in inventories	38,986	(85,725)
Change in trade and other receivables	(28,228)	(61,764)
Change in trade and other payables	199,654	79,648
Cash generated from operations	365,960	565,204
Payments under defined benefit plan	(801)	(870)
Finance costs paid	(1,473)	(1,767)
Income tax paid	(41,864)	(4,518)
Net cash generated from operating activities	321,822	558,049



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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

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

	<b>Quarter ended 31.03.2022 RM'000</b>	<b>Quarter ended 31.03.2021 RM'000</b>
<b>Cash flows from investing activities</b>		
Finance income received	11,216	11,573
Proceeds from disposal of property, plant and equipment	16	-
Prepayment for construction of plant *	(966,223)	-
Acquisition of property, plant and equipment	(573,144)	(93,407)
Payment for right-of-use asset	-	(22,798)
Fund withdrawal from other investment	992,673	(250,857)
Net cash used in investing activities	<u>(535,462)</u>	<u>(355,489)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	852,545	19,845
Payment of lease liabilities	<u>(2,768)</u>	<u>(3,177)</u>
Net cash generated from financing activities	<u>849,777</u>	<u>16,668</u>
<b>Net increase in cash and cash equivalents</b>	636,137	219,228
<b>Effect of exchange rate changes on the balance of cash held in foreign currencies</b>	8,474	70,570
<b>Cash and cash equivalents at beginning of period</b>	<u>1,842,009</u>	<u>1,268,313</u>
<b>Cash and cash equivalents at end of period (Note B15)</b>	<u><u>2,486,620</u></u>	<u><u>1,558,111</u></u>

\* The prepayment is made after receipt of advance payment bonds and performance bond.

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.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**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 2021 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 28 April 2022.

**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 2021, except for the adoption of the following amendments to MFRSs during the financial period:

Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards  
(Annual Improvements to MFRS Standards 2018–2020)

Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework

Amendments to MFRS 9, Financial Instruments

(Annual Improvements to MFRS Standards 2018–2020)

Amendments to Illustrative Examples accompanying MFRS 16, Leases

(Annual Improvements to MFRS Standards 2018–2020)

Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets

– Onerous Contracts – Cost of Fulfilling a Contract

Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

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

**A3. Seasonality or cyclicity of operations**

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

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

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

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.

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.

**A4. Exceptional items**

On 24 February 2022, there is a fire took place at Lotte UBE Synthetic rubber Sdn Bhd's ("LUSR") plant in Tanjung Langsat, Johor. However, the Company has divested its 10% shareholding in LUSR in December 2021 and is no longer a shareholder in LUSR. Other than that, there was no other 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 Q1 2022, based on an analysis performed by the management, the Group has revised the discount rate from 1.91% to 2.47% and the inflation rate from 1.5% to 2.0%. This change has resulted in a net decrease by approximately RM8,198,000 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**

No dividend was paid during the quarter under review.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**A8. Revenue**

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

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Total RM'000</b>	<b>Percentage %</b>
<b>For the financial period ended 31 March 2022</b>				
<b>Geographical markets</b>				
Malaysia	114,359	783,333	897,692	33
Indonesia	101,141	824,364	925,505	34
China (including Hong Kong)	61,669	169,431	231,100	8
Southeast Asia	177,576	275,777	453,353	16
Northeast Asia	70,583	46,310	116,893	4
Indian Sub-Continent	46,958	64,784	111,742	4
Others	-	23,195	23,195	1
	<u>572,286</u>	<u>2,187,194</u>	<u>2,759,480</u>	<u>100</u>
<b>For the financial period ended 31 March 2021</b>				
<b>Geographical markets</b>				
Malaysia	83,180	733,390	816,570	34
Indonesia	76,000	646,882	722,882	31
China (including Hong Kong)	49,344	156,676	206,020	9
Southeast Asia	92,825	227,521	320,346	14
Northeast Asia	70,351	48,234	118,585	5
Indian Sub-Continent	54,287	94,038	148,325	6
Others	-	34,365	34,365	1
	<u>425,987</u>	<u>1,941,106</u>	<u>2,367,093</u>	<u>100</u>

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**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:

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Eliminations and unallocated results RM'000</b>	<b>Total RM'000</b>
<b>For the financial period ended 31 March 2022</b>				
<b>Revenue</b>				
External customers	572,286	2,187,194	-	2,759,480
Inter-segment	1,371,775	-	(1,371,775)	-
Total revenue	<u>1,944,061</u>	<u>2,187,194</u>	<u>(1,371,775)</u>	<u>2,759,480</u>
<b>Expenses</b>				
Depreciation of property, plant and equipment and right-of-use assets	90,795	44,895	319	136,009
Property, plant and equipment written off	-	41	2	43
Reversal of write-down of inventories to net realisable value	(8,666)	(8,681)	-	(17,347)
<b>Segment results</b>	<u>18,230</u>	<u>12,946</u>	<u>74,628</u>	<u>105,804</u>

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**A9. Operating segments (cont'd)**

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Eliminations and unallocated results RM'000</b>	<b>Total RM'000</b>
<b>For the financial period ended 31 March 2021</b>				
<b>Revenue</b>				
External customers	425,987	1,941,106	-	2,367,093
Inter-segment	899,314	-	(899,314)	-
Total revenue	<u>1,325,301</u>	<u>1,941,106</u>	<u>(899,314)</u>	<u>2,367,093</u>
<b>Expenses</b>				
Depreciation of property, plant and equipment and right-of-use assets	93,983	44,356	305	138,644
Property, plant and equipment written off	181	40	-	221
<b>Segment results</b>	<u>43,348</u>	<u>418,118</u>	<u>105,642</u>	<u>567,108</u>

**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 RM5.2 million for the financial period ended 31 March 2022 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 RM7.5 million for the financial period ended 31 March 2022 which are managed on a group basis.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**A9. Operating segments (cont'd)**

**Reconciliation of profit**

	<b>Quarter ended 31.03.2022 RM'000</b>	<b>Quarter ended 31.03.2021 RM'000</b>
Segment profit/(loss) of:		
- Olefins and derivative products	18,230	43,348
- Polyolefin products	12,946	418,118
Total segment profit	<u>31,176</u>	<u>461,466</u>
Inter-segment sales (elimination)	(1,632)	-
Share of results of associates	68,142	50,113
Finance income derived from IPO proceeds	5,201	7,030
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	7,508	44,183
Other unallocated cost/income	(4,591)	4,316
Eliminations and unallocated results	74,628	105,642
<b>Profit before tax</b>	<u><u>105,804</u></u>	<u><u>567,108</u></u>

**A10. Valuation of property, plant and equipment**

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2022, 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 2021.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**A13. Changes in composition of the Group**

There were no material changes in the composition of the Group during the period except for the followings:

- (a) On 11 February 2022, the associate of the Group, Lotte Chemical USA Corporation (“LC USA”) had entered into a securities purchase agreement with Eagle US 2 LLC (“Eagle US”) to transfer a further 3.23% equity interest in LACC LLC (“LACC”) to Eagle US (“Transfer”). The Transfer is arising from Eagle US exercising its call option which allows Eagle US to increase its equity interest in LACC to 50%.

The Transfer was closed on 15 March 2022 for a purchase price of USD89,129,517 (further to adjustments based on the date of Closing). 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”). Upon completion of the Transfer, Eagle US’ shareholding in LACC is now increased to 50% with LC USA holding the remaining shareholding of 50%. As such, LC USA is expected to generate a one-off gain on disposal after tax of approximately USD 27 million from the Transfer. The Group’s 40% share of this gain is approximately USD 11 million for the financial year ending 31 December 2022. 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.

- (b) With effective from 20 March 2022, the following subsidiaries of the Company have been dissolved under Members’ Voluntary Winding-Up (“winding-up”) in accordance with Section 439(1)(b) of the Companies Act, 2016 in Malaysia.

No.	Company
1	Lotte Chemical Titan Capital (L) Limited
2	Titan (L) Limited
3	Titan Chemicals International (L) Limited

**A14. Capital commitments**

Capital expenditure as at the reporting date is as follows:

	<b>As at 31.03.2022 RM’000</b>	<b>As at 31.12.2021 RM’000</b>
Contracted but not provided for	<u>9,266,656</u>	<u>546,192</u>



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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**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
- (iii) Cash and bank balances
- (iv) Short term deposits with licensed financial institutions with maturity more than 3 months

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.

The Group has entered into a number of forward foreign exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 March 2022, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	<b>Contract Amount RM'000</b>	<b>Fair Value Assets RM'000</b>
2 - 5 years	<u>1,446,405</u>	<u>2,618</u>

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**A15. Fair value information (cont'd)**

Fund placement with licensed financial institutions

The fair value of the fund placements with licensed financial institutions is calculated by reference to the quoted net asset values of the fund.

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
<b>As at 31 March 2022</b>				
<b>Financial assets</b>				
Fund placements with licensed financial institutions	1,097,415	-	1,097,415	-
Derivatives				
- Forward foreign exchange contracts	2,618	-	2,618	-
<b>As at 31 December 2021</b>				
<b>Financial assets</b>				
Fund placements with licensed financial institutions	1,523,342	-	1,523,342	-
<b>Financial liabilities</b>				
Derivatives				
- Forward currency contracts	(377)	-	(377)	-

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

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

**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.

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

	<b>Quarter ended 31.03.2022 RM'000</b>	<b>Quarter ended 31.03.2021 RM'000</b>
<b>Ultimate holding company</b>		
Sales of goods	2,842	18,683
Reimbursement of payroll for secondment of expatriates	5,538	2,830
Purchase of materials	1,001	-
Commission expense	370	339
Royalty expense	10,979	9,765
Commission income	7	7
Capital expenditure incurred	8,246	7,281
IT support services fee paid/payable	118	157
<b>Related companies</b>		
Sales of goods	48,026	30,767
Capital expenditure incurred	247,075	50,191
IT support services fee paid/payable	958	858
Commission expense	330	329
Warehouse and logistics services incurred	7,147	5,786
Other administrative expenses	2,836	2
Office Space Sublease	38	-
Lease rental income	753	-
Income from shared services	22	-

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

**Unaudited condensed consolidated interim financial statements**  
**For the quarter ended 31 March 2022**

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

**A16. Related parties (cont'd)**

	<b>Quarter ended 31.03.2022 RM'000</b>	<b>Quarter ended 31.03.2021 RM'000</b>
<b>Associate company</b>		
Sales of goods	-	40,728
Sales of utilities	-	3,341
Income from shared services	-	11
Financial guarantee income	-	1
Interest income	-	32
Lease rental income	-	719

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes**

**B1. Review of group performance**

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

	Individual quarter ended 31 March					
	2022	2021	2022	2021	2022	2021
	Group RM'000	RM'000	Olefins and derivative products RM'000	RM'000	Polyolefin products RM'000	RM'000
Revenue	2,759,480	2,367,093	572,287	425,987	2,187,193	1,941,106
Profit/(Loss) before tax	105,804	567,108	18,230	43,348	12,946	418,118
EBITDA*	<u>165,882</u>	<u>647,348</u>	<u>109,191</u>	<u>137,307</u>	<u>56,132</u>	<u>461,885</u>

\* 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.

The Group's revenue has increased by 17% (or RM 392.4 million) from RM 2,367.1 million to RM 2,759.5 million mainly due to the increase in average product selling price.

Average plant utilisation rate recorded at 85% comparing to 88% in the corresponding quarter.

Profit before tax reduced to RM 105.8 million from RM 567.1 million mainly due to the drop in gross profit margin resulting from 64% increase in feedstock costs and the lower foreign exchange differences of RM 1.1 million from RM 21.7 million.

The decrease in profit before tax was partially offsetted by share of profit from associated company, Lotte Chemical USA Corp. ("LC USA") of RM 68.1 million of which RM45.7 million was a one-off gain on disposal of investment after tax.

As a result of the above, the Group recorded a lower net profit of RM 102.9 million as compared to RM 441.3 million in the corresponding quarter.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**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)**

**Olefins and derivative products**

The segment recorded an increase in revenue from RM 426.0 million in Q1 2021 to RM 572.3 million in Q1 2022. This was due to the increase in average product selling price and sales volume in Q1 2022 as compared to the corresponding quarter.

Profit before tax decreased by 58% from RM 43.3 million to RM 18.2 million mainly due to lower margin resulting from higher feedstock costs.

**Polyolefin products**

The segment recorded an increase in revenue from RM 1,941.1 million in Q1 2021 to RM 2,187.2 million in Q1 2022. This was due to the increase in average product selling price and sales volume.

Profit before tax decreased from RM 418.1 million to RM 12.9 million mainly due to increase in feedstock costs.

**B2. Variation of results against the preceding quarter**

	<b>Individual Quarter ended 31 March 2022 RM'000</b>	<b>Individual Quarter ended 31 December 2021 RM'000</b>
Revenue	2,759,480	2,684,589
Profit before tax	105,804	129,041
EBITDA	<u>165,882</u>	<u>175,190</u>

The Group's revenue increased by 3% to RM 2,759.5 million from RM 2,684.6 million in the preceding quarter mainly due to higher average product selling price.

The plant utilisation rate was 85% in Q1 2022 as compared to 88% in the preceding quarter.

Profit before tax decreased by 18% to RM 105.8 million from RM 129.0 million in Q4 2021 mainly due to firmer feedstock costs. The decrease was mitigated by the share of one-off gain on disposal of investment after tax at LC USA of RM 45.7 million (one-off gain on disposal of investment after tax in Q4 2021: RM 78.9 million).

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B3. Commentary on prospects**

The results of our operations for the financial period ending 31 December 2022 are expected to be primarily influenced by the following factors:

- a) The Russia-Ukraine conflict has caused high volatility in crude oil prices. Prices of feedstock are highly correlated with crude oil prices;
- b) The progress of the relaxation of Covid-19 policies in Malaysia and the SEA region;
- c) The demand and supply balance of petrochemical products in the market; and
- d) Our ability to optimize production outputs and economic efficiencies.

The business environment is expected to be challenging in the immediate term. Globally, the volatility of crude oil prices escalates because of the Russia-Ukraine crisis. On a positive note, the business environment sees the relaxation of the Covid-19 policies by some countries. Effective 1 April 2022, in transitioning to the endemic phase of Covid-19, Malaysia's national borders have been reopened to international travelers. In Indonesia, the government has recently removed its quarantine requirement for fully vaccinated visitors from overseas. The relaxation is expected to improve the economic activities in both countries.

Crude oil prices retreat from their recent high but remain at relatively high levels which translate into high naphtha feedstock costs for our operations. In addition, the supply of domestic petrochemical products is expected to increase in view of new capacity coming on stream this year, which will potentially have downward pressure on product prices. On the other hand, demand is expected to improve given the relaxation of Covid-19 policies in Malaysia, Indonesia as well as the SEA region. As the petrochemical industry moves in line with economic growth, demand for petrochemical products is likely to be supported by the global economic recovery as the World Bank has projected the global economy to grow by 4.1% in 2022.

Amidst current market uncertainties, the company will continue to monitor closely the developments of the global economic growth as well as aggregate consumption pattern which correspond to the prospect of the petrochemical market. The outlook of the petrochemical industry remains volatile and the company will continue to maintain its strong financial resilience and optimize its operations to ride through the volatile business environment.

**B4. Profit forecast or profit guarantee**

Not applicable as there was no profit forecast or profit guarantee issued.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B5. Profit before tax**

Profit before tax is arrived at after charging/(crediting):

	<b>Individual quarter ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment and right-of-use assets	136,009	138,664
(Gain)/loss on foreign exchange:		
- Realised	(6,880)	(5,532)
- Unrealised	5,750	(16,186)
Inventories written off	11	-
Property, plant and equipment written off	43	221
Gain on disposal of property, plant and equipment	(1)	-
Net effect on winding up of subsidiaries	(1)	-
Reversal of write-down of inventories to net realisable value	(17,347)	-
Fair value changes in derivatives	(380)	-
	<u>136,009</u>	<u>138,664</u>

**B6. Finance costs**

	<b>Individual quarter ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest expenses on lease liabilities	603	670
Bank charges	572	783
Letter of credit charges	298	314
Unwinding of discount on provision	1,954	1,515
	<u>3,427</u>	<u>3,282</u>



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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B7. Income tax**

	<b>Individual quarter ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax</b>		
Current year	<u>14,182</u>	<u>11,025</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(11,298)</u>	<u>114,807</u>
<b>Total income tax recognised in profit or loss</b>	<u>2,884</u>	<u>125,832</u>

By excluding the share of results of associates, the Group effective tax rate for the year ended 31 March 2022 is significantly lower than statutory tax rate of 24% as the Group has recorded a deferred tax income due to losses suffered by one of the subsidiaries.

**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.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**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	Intended timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation as at 31 March 2022 RM'000	Percentage utilised %
Funding of following projects:				
(i) LINE Project (Note 1)	By 2023	2,634,213	1,402,721	53%
(ii) TE3 Project	Fully utilised	220,000	220,000	100%
(iii) PP3 Project (Note 2)	Fully utilised	606,805	606,805	100%
Listing expenses (Note 3)	Fully utilised	82,730	82,730	100%
		3,543,748	2,312,256	65%

**Note 1:** The funding for LINE Project 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 LINE Project.

**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 LINE Project.

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 31 March 2022, RM 116.0 million of the unutilised funds are reserved in Indonesia for subsequent payment to suppliers of LINE Project .

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B10. Status of corporate proposals (cont'd)**

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) LINE Project  
We commenced the construction of the Lotte Chemical Indonesia New Ethylene (LINE) project in Indonesia in January 2022 and the project is expected to complete in 2025.
- (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.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B13. Trade and other receivables**

	<b>As at 31 March 2022 RM'000</b>	<b>As at 31 December 2021 RM'000</b>
<b>Trade receivables</b>		
Third parties	823,455	730,733
Amount due from ultimate holding company	-	9,548
Amounts due from related companies	50,554	134,550
<b>Other receivables</b>	<u>150,639</u>	<u>101,048</u>
	1,024,648	975,879
Less: Allowance for impairment	<u>(601)</u>	<u>(596)</u>
	<u><u>1,024,047</u></u>	<u><u>975,283</u></u>

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

Neither past due nor impaired	751,248	809,269
1 to 30 days past due not impaired	72,718	50,533
31 to 90 days due not impaired	49,442	14,433
	<u>873,408</u>	<u>874,235</u>
Credit impaired	601	596
	<u><u>874,009</u></u>	<u><u>874,831</u></u>

With respect to the Group's trade receivables, there are no indications as of the reporting date that the trade receivable will not meet their payment obligations except for the following.

There is a fire incident occurred at the plant of the Group's related party, Lotte Ube Synthetic Rubber Sdn Bhd ("LUSR") at Tanjung Langsat on 24th February 2022. The management of LUSR has requested for deferment of payment for balance outstanding of RM 67 million by instalment with late payment interest. Based on preliminary impairment assessment, the management is confident on LUSR's debt recovery with the support from LUSR's shareholders. The impairment assessment is an on going process and any update to the outcome of the impairment assessment will be reflected in the financial statement in accordance to MFRS.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B14. Other investments**

	<b>As at 31 March 2022 RM'000</b>	<b>As at 31 December 2021 RM'000</b>
<u>Fund placements with licensed financial institutions</u>		
Unutilised proceeds from initial public offering	543,725	972,166
Proceeds from internally generated funds	553,690	551,176
	<u>1,097,415</u>	<u>1,523,342</u>
<u>Short term deposits with licensed financial institutions with maturity more than 3 months</u>		
Unutilised proceeds from initial public offering	383,899	952,926
Proceeds from internally generated funds	282,129	279,848
	<u>666,028</u>	<u>1,232,774</u>
Total other investments	<u>1,763,443</u>	<u>2,756,116</u>

**B15. Cash and bank balances**

	<b>As at 31 March 2022 RM'000</b>	<b>As at 31 December 2021 RM'000</b>
<u>Unutilised proceeds from initial public offering</u>		
Cash at banks	13,201	11,274
Short term deposits with licensed financial institutions	629,517	477,677
	<u>642,718</u>	<u>488,951</u>
<u>Others</u>		
Cash at banks and on hand	1,547,405	1,233,700
Short term deposits with licensed financial institutions	296,497	119,358
Cash and cash equivalents	<u>2,486,620</u>	<u>1,842,009</u>

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B16. Off balance sheet financial instruments**

There were no off balance sheet financial instruments for the period ended 31 March 2022.

**B17. Material litigation**

Lotte Chemical Titan International Limited (“LCTIL”), an indirect subsidiary of the Company, which is under liquidation process has filed a Judicial Review Application to the High Court, to appeal against Minister of Finance Malaysia’s decision on rejecting LCTIL’s application for a determination of the term “chargeable profit” for a Labuan entity carrying on a Labuan non-trading activity under the Labuan Business Activity Tax Act 1990 (“Decision”). The said Decision would give rise to a tax liability amounting to USD 8.5 million (equivalent to RM 35 million) to LCTIL. The hearing and case management took place on 21 June 2021 and 6 September 2021, 18 November 2021, 21 December 2021, 17 March 2022 and the next case management is scheduled on 1 June 2022.

Upon consulting its tax consultant and solicitors, LCTIL is of the view that there are reasonable grounds to contest the Decision and LCTIL intends to take all steps necessary to contest the Decision.

The additional tax liability is not expected to have a material impact on the net assets or gearing of the Group for the financial period ending 31 March 2022.

**B18. Dividends**

No dividend has been paid by the Company for the quarter ended 31 March 2022.

A final single tier dividend of 21.00 sen per share, amounting to RM478,286,873 for the financial year ended 31 December 2021 (3.27 sen per share for financial year ended 31 December 2020) had been declared on 3 March 2022.

The entitlement date and payment date for the final single tier dividend has been fixed on 22 March 2022 and 13 April 2022 respectively.

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

**Unaudited condensed consolidated interim financial statements  
For the quarter ended 31 March 2022**

**Part B - Other explanatory notes (cont'd)**

**B19. 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:

	<b>Individual quarter ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to the owner of the Company (RM'000)	<u>103,997</u>	<u>440,003</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>2,275,652</u>	<u>2,272,984</u>
Basic and diluted earning per share (sen)	<u>4.57</u>	<u>19.36</u>

**B20. 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 2021.