

LOTTE CHEMICAL TITAN HOLDING BERHAD
199101012045 (222357-P)

**Unaudited condensed consolidated
interim financial statements**

For the quarter and year-to-date ended 30 June 2022

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

Contents	Page
Unaudited condensed consolidated statement of comprehensive income	1 - 2
Unaudited condensed consolidated statement of financial position	3 - 4
Unaudited condensed consolidated statement of changes in equity	5
Unaudited condensed consolidated statement of cash flows	6 - 7
Explanatory notes pursuant to MFRS 134	8 - 18
Other explanatory notes	19 - 31

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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 and year-to-date ended 30 June 2022, which should be read in conjunction with the accompanying explanatory notes on page 8 to 31.

Unaudited condensed consolidated statement of comprehensive income

	Note	Individual	Individual	Changes		Cumulative	Cumulative	Changes	
		Quarter ended 30.06.2022 RM'000	Quarter ended 30.06.2021 RM'000	RM'000	%	Quarters ended 30.06.2022 RM'000	Quarters ended 30.06.2021 RM'000	RM'000	%
Revenue	A8	2,816,869	2,542,557	274,312	11%	5,576,349	4,909,650	666,699	14%
Cost of goods sold		(2,962,044)	(2,044,872)	(917,172)	-45%	(5,631,090)	(3,868,605)	(1,762,485)	-46%
Gross (loss)/profit		(145,175)	497,685	(642,860)	-129%	(54,741)	1,041,045	(1,095,786)	-105%
Other income		7,783	4,763	3,020	63%	12,716	10,080	2,636	26%
Distribution expenses		(33,797)	(31,497)	(2,300)	-7%	(70,851)	(65,153)	(5,698)	-9%
Administrative expenses		(33,505)	(24,808)	(8,697)	-35%	(60,377)	(49,178)	(11,199)	-23%
Foreign exchange differences		4,795	1,304	3,491	268%	5,925	23,022	(17,097)	-74%
Fair value changes on derivatives		167	-	167	100%	547	-	547	0%
Other expenses		(830)	(2,898)	2,068	71%	(3,908)	(6,563)	2,655	40%
(Loss)/Profit from operations		(200,562)	444,549	(645,111)	-145%	(170,689)	953,253	(1,123,942)	-118%
Finance income		10,418	13,259	(2,841)	-21%	21,634	24,832	(3,198)	-13%
Finance costs	B6	(4,213)	(3,465)	(748)	-22%	(7,640)	(6,747)	(893)	-13%
Net finance income		6,205	9,794	(3,589)	-37%	13,994	18,085	(4,091)	-23%
Share of results of associates		1,092	34,227	(33,135)	-97%	69,234	84,340	(15,106)	-18%
(Loss)/Profit before tax	B5	(193,265)	488,570	(681,835)	-140%	(87,461)	1,055,678	(1,143,139)	-108%
Income tax	B7	43,893	(105,059)	148,952	142%	41,009	(230,891)	271,900	118%
Net (loss)/profit for the period		(149,372)	383,511	(532,883)	-139%	(46,452)	824,787	(871,239)	-106%

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022

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

	Individual Quarter ended 30.06.2022 RM'000	Individual Quarter ended 30.06.2021 RM'000	Cumulative Quarters ended 30.06.2022 RM'000	Cumulative Quarters ended 30.06.2021 RM'000
Other comprehensive income, net of tax				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	563,359	(3,085)	644,124	314,338
Cash flow hedge	(34,026)	-	(32,691)	-
	<u>529,333</u>	<u>(3,085)</u>	<u>611,433</u>	<u>314,338</u>
Total comprehensive income for the period	<u>379,961</u>	<u>380,426</u>	<u>564,981</u>	<u>1,139,125</u>
Net (loss) profit for the period attributable to:				
Owner of the Company	(145,923)	382,292	(41,926)	822,295
Non-controlling interests	(3,449)	1,219	(4,526)	2,492
	<u>(149,372)</u>	<u>383,511</u>	<u>(46,452)</u>	<u>824,787</u>
Total comprehensive income for the period attributable to:				
Owner of the Company	335,143	379,050	513,100	1,120,753
Non-controlling interests	44,818	1,376	51,881	18,372
	<u>379,961</u>	<u>380,426</u>	<u>564,981</u>	<u>1,139,125</u>
Basic and diluted earnings per ordinary share (sen)	B21 (6.41)	16.81	(1.84)	36.17

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 and year-to-date ended 30 June 2022

Unaudited condensed consolidated statement of financial position

	Note	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Assets			
Non-current assets			
Property, plant and equipment		6,763,118	5,254,255
Right-of-use assets		574,981	531,731
Prepayment for construction of plant	B13	947,073	-
Investments in associates		2,565,213	2,362,905
Non-current tax assets		7,679	15,202
		<u>10,858,064</u>	<u>8,164,093</u>
Current assets			
Inventories		2,101,059	1,674,270
Trade and other receivables	B14	1,125,329	975,283
Current tax assets		112,776	33,064
Prepayments		53,364	29,924
Derivative financial instruments		168	-
Other investments	B15	932,351	2,756,116
Cash and bank balances	B16	2,316,220	1,842,009
		<u>6,641,267</u>	<u>7,310,666</u>
Total assets		<u>17,499,331</u>	<u>15,474,759</u>
Equity and liabilities			
Capital and reserves			
Share capital		5,827,149	5,827,149
Other reserves		1,940,121	1,385,095
Retained earnings		5,199,382	5,719,595
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		12,740,400	12,705,587
Non-controlling interests		<u>1,883,400</u>	<u>622,608</u>
Total equity		<u>14,623,800</u>	<u>13,328,195</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

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

	Note	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Non-current liabilities			
Provision		457,312	407,492
Trade and other payables	B17	26,669	-
Deferred tax liabilities		679,692	703,035
Defined benefit obligation		23,223	21,317
Lease liabilities		24,328	29,390
Derivative financial instruments		64,101	-
		<u>1,275,325</u>	<u>1,161,234</u>
Current liabilities			
Trade and other payables		1,573,255	974,704
Current tax liabilities		1,681	-
Lease liabilities		25,270	10,249
Derivative financial instruments		-	377
		<u>1,600,206</u>	<u>985,330</u>
Total liabilities		<u>2,875,531</u>	<u>2,146,564</u>
Total equity and liabilities		<u>17,499,331</u>	<u>15,474,759</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.59</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 and year-to-date ended 30 June 2022

Unaudited condensed consolidated statement of changes in equity

Note	Attributable to owners of the Company							Total equity attributable to owners of the Company RM'000	Non-controlling interest RM'000	Total RM'000
	Share capital RM'000	Treasury Shares RM'000	Equity transaction reserves RM'000	Foreign currency translation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Distributable			
At 1 January 2021	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 period	-	-	-	-	-	822,295		822,295	2,492	824,787
Other comprehensive income	-	-	-	298,458	-	-		298,458	15,880	314,338
Total comprehensive income for the period	-	-	-	298,458	-	822,295		1,120,753	18,372	1,139,125
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-		-	19,845	19,845
Share issued pursuant to Dividend Reinvestment Scheme	A6, A7 10,336	-	-	-	-	-		10,336	-	10,336
Dividends	A7, B20 -	-	-	-	-	(74,327)		(74,327)	-	(74,327)
At 30 June 2021	5,827,149	(226,252)	26,539	1,316,489	-	5,912,185		12,856,110	507,010	13,363,120
At 1 January 2022	5,827,149	(226,252)	26,539	1,358,556	-	5,719,595		12,705,587	622,608	13,328,195
Net loss for the period	-	-	-	-	-	(41,926)		(41,926)	(4,526)	(46,452)
Other comprehensive income/(loss)	-	-	-	587,717	(32,691)	-		555,026	56,407	611,433
Total comprehensive income/(loss) for the period	-	-	-	587,717	(32,691)	(41,926)		513,100	51,881	564,981
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-		-	1,208,911	1,208,911
Dividends	A7, B20 -	-	-	-	-	(478,287)		(478,287)	-	(478,287)
At 30 June 2022	5,827,149	(226,252)	26,539	1,946,273	(32,691)	5,199,382		12,740,400	1,883,400	14,623,800

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 and year-to-date ended 30 June 2022

Unaudited condensed consolidated statement of cash flows

	Cumulative Quarters ended 30.06.2022 RM'000	Cumulative Quarters ended 30.06.2021 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(87,461)	1,055,678
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	279,430	279,090
Finance costs	7,640	6,747
Property, plant and equipment written off	346	238
Write-down of inventories to net realisable value	79,129	776
Expenses recognised in respect of defined benefit plan	2,567	3,218
Inventories written off	163	1
Share of results of associates	(69,234)	(84,340)
(Gain)/Loss on disposal of property, plant and equipment	(1)	80
Finance income	(21,634)	(24,832)
Fair value changes in derivatives	(547)	-
Unrealised loss/(gain) on foreign exchange	25,134	(694)
Operating profit before working capital changes	215,532	1,235,962
Change in inventories	(411,143)	(191,788)
Change in trade and other receivables	(93,750)	(131,820)
Change in trade and other payables	599,314	122,665
Cash generated from operations	309,953	1,035,019
Payments under defined benefit plan	(963)	(1,634)
Finance costs paid	(3,109)	(3,437)
Income tax paid	(92,237)	(9,247)
Net cash generated from operating activities	213,644	1,020,701

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

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

	Cumulative Quarters ended 30.06.2022 RM'000	Cumulative Quarters ended 30.06.2021 RM'000
Cash flows from investing activities		
Finance income received	21,634	24,832
Proceeds from disposal of property, plant and equipment	16	18
Prepayment for construction of plant	(947,073)	-
Acquisition of property, plant and equipment	(1,421,251)	(179,164)
Payment for right-of-use asset	(15,217)	(22,798)
Fund redemption from/(placement in) other investment	1,823,766	(420,050)
Net cash used in investing activities	<u>(538,125)</u>	<u>(597,162)</u>
Cash flows from financing activities		
Interest paid on short-term borrowings	(19)	-
Dividend paid	(478,287)	(63,991)
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	1,208,911	19,845
Payment of lease liabilities	(5,572)	(6,298)
Net cash generated from/(used in) financing activities	<u>725,033</u>	<u>(50,444)</u>
Net increase in cash and cash equivalents	400,552	373,095
Effect of exchange rate changes on the balance of cash held in foreign currencies	73,659	52,921
Cash and cash equivalents at beginning of period	<u>1,842,009</u>	<u>1,268,313</u>
Cash and cash equivalents at end of period (Note B16)	<u><u>2,316,220</u></u>	<u><u>1,694,329</u></u>

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

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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 July 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 and year-to-date ended 30 June 2022**

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

A3. Seasonality or cyclical nature 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

There was no exceptional item during the period under review.

A5. Material changes in estimates

The Group regularly reviews the significant assumptions used in measuring its provision for dismantling cost to ensure that the assumptions are in line with economic measurements. In Q2 2022, based on an analysis performed by the management, the Group has revised the discount rate from 2.47% to 3.19% and the inflation rate from 2.0% to 3.0%. This change has resulted in a net increase by approximately RM31,404,000 in the provision for dismantling cost.

A6. Debt and equity securities

During the 6 months financial period ended 30 June 2021, 4,573,040 new ordinary shares of LCT were issued in relation to the Dividend Reinvestment Scheme exercise undertaken by the Company. The said shares were listed and quoted on the Main Market of Bursa Malaysia Securities Bhd on 2 June 2021. There were no other material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review.

A7. Dividend paid

During the 6 months financial period ended 30 June 2022, the Company paid a final single tier dividend in respect of the financial year ended 31 December 2021, of 21.00 sen per share on 2,277,556,540 ordinary shares, amounting to a dividend of RM 478,286,873.

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

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

A7. Dividend paid (cont'd)

During the 6 months financial period ended 30 June 2021, the Company paid a final single tier dividend in respect of the financial year ended 31 December 2020, of 3.27 sen per share on 2,272,983,500 ordinary shares, amounting to a dividend of RM 74,326,559. Out of the total cash distribution, a total of RM 10.34 mil was converted into 4,573,040 new ordinary shares of the Company at the conversion price of RM2.26 per ordinary share under the Dividend Reinvestment Scheme.

A8. Revenue

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	Percentage %
For the financial period ended 30 June 2022				
Geographical markets				
Malaysia	136,608	1,546,496	1,683,104	31
Indonesia	199,111	1,584,937	1,784,048	32
China (including Hong Kong)	91,502	336,616	428,118	8
Southeast Asia	450,612	519,163	969,775	17
Northeast Asia	243,683	111,643	355,326	6
Indian Sub-Continent	121,228	179,716	300,944	5
Others	-	55,034	55,034	1
Total revenue from contracts with customers	1,242,744	4,333,605	5,576,349	100
For the financial period ended 30 June 2021				
Geographical markets				
Malaysia	188,959	1,464,725	1,653,684	33
Indonesia	176,108	1,288,713	1,464,821	30
China (including Hong Kong)	128,505	261,520	390,025	8
Southeast Asia	220,378	493,036	713,414	15
Northeast Asia	145,576	114,738	260,314	5
Indian Sub-Continent	87,329	188,332	275,661	6
Others	-	151,731	151,731	3
Total revenue from contracts with customers	946,855	3,962,795	4,909,650	100

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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:

	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 June 2022				
Revenue				
External customers	1,242,744	4,333,605	-	5,576,349
Inter-segment	2,973,368	-	(2,973,368)	-
Total revenue	4,216,112	4,333,605	(2,973,368)	5,576,349
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	186,380	92,390	660	279,430
Property, plant and equipment written off	169	176	2	346
Write-down of inventories to net realisable value	48,516	30,613	-	79,129
Segment results	(78,252)	(117,497)	108,288	(87,461)

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022

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 June 2021				
Revenue				
External customers	946,855	3,962,795	-	4,909,650
Inter-segment	2,050,478	-	(2,050,478)	-
Total revenue	2,997,333	3,962,795	(2,050,478)	4,909,650
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	187,143	91,331	616	279,090
Property, plant and equipment written off	198	40	-	238
Write-down of inventories to net realisable value	-	776	-	776
Segment results	106,891	802,855	145,932	1,055,678

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 RM10.4 million for the financial period ended 30 June 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 RM29.3 million for the financial period ended 30 June 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 and year-to-date ended 30 June 2022**

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

A9. Operating segments (cont'd)

Reconciliation of profit

	Cumulative Quarters ended 30.06.2022 RM'000	Cumulative Quarters ended 30.06.2021 RM'000
Segment profit/(loss) of:		
- Olefins and derivative products	(78,252)	106,891
- Polyolefin products	(117,497)	802,855
Total segment (loss)/profit	<u>(195,749)</u>	<u>909,746</u>
Fair value changes in derivatives	547	-
Inter-segment sales (elimination)	431	-
Share of results of associates	69,234	84,340
Finance income derived from IPO proceeds	10,455	13,953
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	29,309	44,511
Other unallocated cost/income	(1,688)	3,128
Eliminations and unallocated results	108,288	145,932
(Loss)/Profit before tax	<u><u>(87,461)</u></u>	<u><u>1,055,678</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 30 June 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 and year-to-date ended 30 June 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 has generated 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 has reduced LC USA’s interest in LACC’s future financial performance and consequently, the Group’s share of profit and loss in LC USA.

- (b) In 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 and Section 137 to 140 of the Insolvency Act 2009 in Mauritius.

No.	Company	Date of dissolved
1	Lotte Chemical Titan Capital (L) Limited	20 March 2022
2	Titan (L) Limited	20 March 2022
3	Titan Chemicals International (L) Limited	20 March 2022
4	Chemical Brothers Limited	24 June 2022

A14. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at 30.06.2022 RM’000	As at 31.12.2021 RM’000
Contracted but not provided for	<u>9,857,446</u>	<u>546,192</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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 30 June 2022, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract Amount RM'000	Fair Value Liabilities RM'000
2 - 5 years	<u>3,033,956</u>	<u>64,101</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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
As at 30 June 2022				
Financial assets				
Fund placements with licensed financial institutions	636,293	-	636,293	-
Derivatives				
- Forward currency contracts	168	-	168	-
Financial liabilities				
Derivatives				
- Forward foreign exchange contracts	(64,101)	-	(64,101)	-
As at 31 December 2021				
Financial assets				
Fund placements with licensed financial institutions	1,523,342	-	1,523,342	-
Financial liabilities				
Derivatives				
- Forward currency contracts	(377)	-	(377)	-

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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:

	Cumulative Quarters ended 30.06.2022 RM'000	Cumulative Quarters ended 30.06.2021 RM'000
Ultimate holding company		
Sales of goods	2,842	43,796
Management and consulting fees incurred	909	-
Reimbursement of payroll for secondment of expatriates	8,694	5,263
Purchase of materials	2,566	-
Commission expense	678	790
Royalty expense	22,677	20,517
Commission income	14	12
Capital expenditure incurred	16,692	7,281
IT support services fee paid/payable	219	277
Related companies		
Sales of goods	78,583	58,654
Sales of utilities	2,916	-
Capital expenditure incurred	748,904	66,383
IT support services fee paid/payable	1,838	1,671
Commission expense	471	499
Warehouse and logistics services incurred	12,275	11,584
Other administrative expenses	104	9
Office Space Sublease	78	20
Interest income	476	-
Lease rental income	988	-
Income from shared services	70	-

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

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

A16. Related parties (cont'd)

	Quarters ended 30.06.2022 RM'000	Quarters ended 30.06.2021 RM'000
Associate company		
Sales of goods	-	107,491
Sales of utilities	-	6,045
Income from shared services	-	40
Financial guarantee income	-	45
Interest income	-	70
Lease rental income	-	1,439
	<u> </u>	<u> </u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

Part B - Other explanatory notes

B1. Review of group performance

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

	Individual quarter ended 30 June					
	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	2,816,869	2,542,557	670,457	520,868	2,146,412	2,021,689
(Loss)/Profit before tax	(193,265)	488,570	(96,482)	63,543	(130,443)	384,737
EBITDA*	(57,141)	584,995	(830)	156,697	(82,083)	429,757

* 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 RM 274.3 million at 11% from RM 2,542.6 million to RM 2,816.9 million mainly due to the increase in average product selling price by 16%.

The Group recorded average plant utilisation rate at 81% comparing to 86% in the corresponding quarter due to business optimisation. Factors taken into consideration include higher feedstock cost and lower demand resulting from labour shortage in downstream fabrication industry and China lockdown.

The Group recorded a loss before tax of RM 193.3 million compared to profit before tax of RM 488.6 million in the corresponding quarter, mainly due to margin squeeze resulting from 64% increase in feedstock cost, write down of inventories to net realisable value of RM 96.5 million and decline in results of associated company, Lotte Chemical USA Corp. ("LC USA").

As a result of the above, the Group recorded a net loss of RM 149.4 million as compared to net profit of RM 383.5 million in the corresponding quarter.

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

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)

Olefins and derivative products

Revenue increased from RM 520.9 million in Q2 2021 to RM 670.5 million in Q2 2022. This was due to the increase in average product selling price in Q2 2022 as compared to the corresponding quarter.

The segment recorded a loss before tax of RM 96.5 million from profit before tax of RM 63.5 million to mainly due to margin squeeze resulting from higher feedstock cost driven up by increased crude oil price following the Russian-Ukraine War.

Polyolefin products

Revenue increased from RM 2,021.7 million in Q2 2021 to RM 2,146.4 million in Q2 2022. This was due to the increase in average product selling price.

The segment recorded a loss before tax at RM 130.4 million compared to profit before tax of RM 384.7 million in corresponding quarter mainly due to margin squeeze and lower demand resulting from insufficient manpower across downstream fabrication industry and China lockdown.

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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

	Cumulative quarters ended 30 June					
	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	5,576,349	4,909,650	1,242,744	946,855	4,333,605	3,962,795
(Loss)/Profit before tax	(87,461)	1,055,678	(78,252)	106,891	(117,497)	802,855
EBITDA*	108,741	1,232,343	108,361	294,004	(25,951)	891,642

* 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 increased by 14% (or RM 666.7 million) from RM 4,909.7 million to RM 5,576.3 million mainly due to the increase in average product selling price by 16% supported by higher feedstock cost.

Overall plant utilization recorded at 83% comparing to 87% in the corresponding year in tandem with business optimisation as feedstock cost went higher and lower demand from downstream fabrication industry due to labour shortage issue and China lockdown.

The Group recorded loss before tax of RM 87.5 million in 2022 comparing to profit before tax of RM 1,055.7 million in the corresponding period. The decrease was mainly due to margin squeeze resulting from 64% increase in feedstock cost, write down of inventories to net realisable value and a decline in share of profit from Lotte Chemical USA Corp. amounting to RM 69.2 million compared to RM 84.3 million in the corresponding period.

As a result of the above, the Group recorded a loss after tax of RM 46.5 million compared to profit after tax RM 824.8 million in the corresponding year.

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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

Revenue increased by 31% from RM 946.9 million in 2021 to RM 1,242.7 million in 2022. This was due to the increase in average product selling price 2022 as compared to the corresponding period.

The segment recorded loss before tax of RM 78.3 million compared to profit before tax of RM 106.9 million in corresponding period mainly due to margin squeeze resulting from higher feedstock cost that was driven by higher crude oil price.

Polyolefin products

Revenue increased by RM 370.8 million from RM 3,962.8 million in 2021 to RM 4,333.6 million in 2022 due to the increase in average product selling price.

The segment recorded loss before tax of RM 117.5 million compared to profit before tax of RM 802.9 million in the corresponding period mainly due to margin squeeze and lower demand resulting from labour shortage affecting downstream fabrication industry.

B2. Variation of results against the preceding quarter

	Individual Quarter ended 30 June 2022 RM'000	Individual Quarter ended 31 March 2022 RM'000
Revenue	2,816,869	2,759,480
(Loss)/Profit before tax	(193,265)	105,804
EBITDA	<u>(57,141)</u>	<u>165,882</u>

The Group's revenue increased by 2% to RM 2,816.9 million from RM 2,759.5 million in the preceding quarter mainly due to higher average product selling price.

The plant utilisation rate was 81% in Q2 2022 as compared to 85% in the preceding quarter considering business optimisation factors that include feedstock cost and demand.

The Group recorded a loss before tax of RM 193.3 million compared to profit before tax of RM 105.8 million in the preceding quarter mainly due to margin squeeze resulting from higher feedstock cost, write down of inventories to net realisable value of RM 96.5 million and a decline in results of associated company.

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 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) Prices of our feedstocks that are highly correlated with crude oil prices;
- b) The demand and supply balance of petrochemical products in the region; and
- c) Our ability to optimize production outputs and economic efficiencies.

The business environment is expected to remain challenging in the near future. A protracted Russia-Ukraine crisis has caused high volatility in crude oil prices, leading to volatile naphtha costs for our operations. Besides, the lingering fear of a new lockdown in China and the risk of global recession have hampered buying sentiment for petrochemical products. On a brighter note, the reopening of international borders in Southeast Asia may accelerate economic activities, translating to better demand for petrochemical products. Resilient economic growth of 5.1% in 2022 as forecasted by IMF for Southeast Asian countries, may underpin the demand recovery for petrochemical products in the near term.

Amidst current market uncertainties, the company will continue to monitor closely the global economic conditions, and the aggregate supply and consumption patterns that correspond to the prospect of the petrochemical market. All things considered, the outlook of the petrochemical industry is expected to remain volatile. To ride through the challenging business environment, the company will stay the course to optimize its operations and maintain the disciplined management of its costs and financial liquidity.

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 and year-to-date ended 30 June 2022**

Part B - Other explanatory notes (cont'd)

B5. (Loss)/Profit before tax

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

	Individual quarter ended 30 June		Cumulative quarters ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation of property, plant and equipment and right-of-use assets	143,421	140,446	279,430	279,090
(Gain)/loss on foreign exchange:				
- Realised	(24,178)	(16,796)	(31,059)	(22,328)
- Unrealised	19,384	15,492	25,134	(694)
Inventories written off	152	1	163	1
Property, plant and equipment written off	303	17	346	238
Loss/(Gain) on disposal of property, plant and equipment	-	80	(1)	80
Net effect on winding up of subsidiaries	1	-	-	-
Write down of inventories to net realisable value	96,476	776	79,129	776
Bad debts recovered	(23)	-	(23)	-
Fair value changes in derivatives	(167)	-	(547)	-
	<u>4,213</u>	<u>3,465</u>	<u>7,640</u>	<u>6,747</u>

B6. Finance costs

	Individual quarter ended 30 June		Cumulative quarters ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expenses on short term borrowings	19	-	19	-
Interest expenses on lease liabilities	492	635	1,095	1,305
Bank charges	875	784	1,447	1,567
Letter of credit charges	269	251	567	565
Unwinding of discount on provision	2,558	1,795	4,512	3,310
	<u>4,213</u>	<u>3,465</u>	<u>7,640</u>	<u>6,747</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

Part B - Other explanatory notes (cont'd)

B7. Income tax

	Individual quarter ended 30 June		Cumulative quarters ended 30 June	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax				
Current year	5,036	14,017	19,218	25,042
Deferred tax				
Origination and reversal of temporary differences	(48,929)	91,042	(60,227)	205,849
Total income tax recognised in profit or loss	(43,893)	105,059	(41,009)	230,891

By excluding the share of results of associates, the Group effective tax rate for the year ended 30 June 2022 is slightly higher than statutory tax rate of 24%.

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 and year-to-date ended 30 June 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 30 June 2022 RM'000	Percentage utilised %
Funding of following projects:				
(i) LINE Project (Note 1)	By 2023	2,634,213	1,886,495	72%
(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%
		<u>3,543,748</u>	<u>2,796,030</u>	<u>79%</u>

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 30 June 2022, RM 126.0 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 and year-to-date ended 30 June 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 and year-to-date ended 30 June 2022**

Part B - Other explanatory notes (cont'd)

B13. Prepayment for construction of plant

As at 30 June 2022, RM656,319,886 prepayment was paid to related companies in accordance with the terms and conditions of the construction contracts. The prepayment is made after receipt of advance payment bonds and performance bond.

B14. Trade and other receivables

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
Trade receivables		
Third parties	887,161	730,733
Amount due from ultimate holding company	-	9,548
Amounts due from related companies	51,903	134,550
Other receivables	186,894	101,048
	<u>1,125,958</u>	<u>975,879</u>
Less: Allowance for impairment	(629)	(596)
	<u><u>1,125,329</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	782,066	809,269
1 to 30 days past due not impaired	104,407	50,533
31 to 90 days past due not impaired	51,962	14,433
	<u>938,435</u>	<u>874,235</u>
Credit impaired	629	596
	<u><u>939,064</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 and year-to-date ended 30 June 2022

Part B - Other explanatory notes (cont'd)

B15. Other investments

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
<u>Fund placements with licensed financial institutions</u>		
Unutilised proceeds from initial public offering	546,294	972,166
Proceeds from internally generated funds	89,999	551,176
	<u>636,293</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	-	952,926
Proceeds from internally generated funds	296,058	279,848
	<u>296,058</u>	<u>1,232,774</u>
Total other investments	<u>932,351</u>	<u>2,756,116</u>

B16. Cash and bank balances

	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
<u>Unutilised proceeds from initial public offering</u>		
Cash at banks	75,714	11,274
Short term deposits with licensed financial institutions	614,674	477,677
	690,388	488,951
<u>Others</u>		
Cash at banks and on hand	1,144,103	1,233,700
Short term deposits with licensed financial institutions	481,729	119,358
Cash and cash equivalents	<u>2,316,220</u>	<u>1,842,009</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

Part B - Other explanatory notes (cont'd)

B17. Trade and other payables

Included in trade and other payables are RM16,677,352 in relation to retention sum payable to related companies for the construction of plant.

B18. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 30 June 2022.

B19. 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, 6 September 2021, 18 November 2021, 21 December 2021, 17 March 2022 and 1 June 2022. On 1 June 2022, The Court fixed the hearing for the intervener (Inland Revenue Board) application on 5 September 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 30 June 2022.

B20. Dividends

Other than disclosed in Note A7, no dividend has been paid or declared by the Company and its subsidiaries for the period ended 30 June 2021 and 30 June 2022.

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

**Unaudited condensed consolidated interim financial statements
For the quarter and year-to-date ended 30 June 2022**

Part B - Other explanatory notes (cont'd)

B21. Earnings per share ("EPS")

Basic and diluted EPS are calculated by dividing net profit/(loss) 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 June		Cumulative quarters ended 30 June	
	2022	2021	2022	2021
Net (loss)/profit attributable to the owner of the Company (RM'000)	<u>(145,923)</u>	<u>382,292</u>	<u>(41,926)</u>	<u>822,295</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>2,277,557</u>	<u>2,274,441</u>	<u>2,277,557</u>	<u>2,273,716</u>
Basic and diluted earning per share (sen)	<u>(6.41)</u>	<u>16.81</u>	<u>(1.84)</u>	<u>36.17</u>

B22. 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.