

LOTTE CHEMICAL TITAN HOLDING BERHAD
199101012045 (222357-P)

**Unaudited condensed consolidated
interim financial statements**

For the quarter and year-to-date ended 31 March 2023

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

Contents	Page
Unaudited condensed consolidated statement of comprehensive income	1 - 2
Unaudited condensed consolidated statement of financial position	3 - 4
Unaudited condensed consolidated statement of changes in equity	5
Unaudited condensed consolidated statement of cash flows	6 - 7
Explanatory notes pursuant to MFRS 134	8 - 16
Other explanatory notes	17 - 25

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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 2023, which should be read in conjunction with the accompanying explanatory notes on page 8 to 25.

Unaudited condensed consolidated statement of comprehensive income

	Note	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000	Changes	
				RM'000	%
Revenue	A8	1,971,298	2,759,480	(788,182)	-29%
Cost of goods sold		(2,153,564)	(2,669,046)	515,482	19%
Gross (loss)/profit		(182,266)	90,434	(272,700)	-302%
Other income		2,257	4,933	(2,676)	-54%
Distribution expenses		(28,599)	(37,054)	8,455	23%
Administrative expenses		(42,946)	(26,872)	(16,074)	-60%
Foreign exchange differences		557	1,130	(573)	-51%
Fair value changes on derivatives		6,538	380	6,158	1621%
Other expenses		(1,312)	(3,078)	1,766	57%
(Loss)/Profit from operations		(245,771)	29,873	(275,644)	-923%
Finance income		10,178	11,216	(1,038)	-9%
Finance costs	B6	(7,254)	(3,427)	(3,827)	-112%
Net finance income		2,924	7,789	(4,865)	-62%
Share of results of associates		(43,541)	68,142	(111,683)	-164%
(Loss)/Profit before tax	B5	(286,388)	105,804	(392,192)	-371%
Income tax	B7	54,832	(2,884)	57,716	2001%
Net (loss)/profit for the period		(231,556)	102,920	(334,476)	-325%

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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

	Note	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000
Other comprehensive income, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		-	-
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(10,570)	80,765
Cash flow hedge		88,422	1,335
		<u>77,852</u>	<u>82,100</u>
Total comprehensive (loss)/income for the period		<u>(153,704)</u>	<u>185,020</u>
Net (loss)/profit for the period attributable to:			
Owner of the Company		(224,757)	103,997
Non-controlling interests		(6,799)	(1,077)
		<u>(231,556)</u>	<u>102,920</u>
Total comprehensive (loss)/income for the period attributable to:			
Owner of the Company		(187,197)	177,957
Non-controlling interests		33,493	7,063
		<u>(153,704)</u>	<u>185,020</u>
Basic and diluted earnings per ordinary share (sen)	B22	<u>(9.87)</u>	<u>4.57</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 2023

Unaudited condensed consolidated statement of financial position

	Note	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Assets			
Non-current assets			
Property, plant and equipment	B13	10,482,179	9,598,844
Right-of-use assets		686,943	699,134
Investments in associates		2,469,165	2,514,119
Non-current tax assets		47,962	47,983
Non-current lease receivables		8,099	-
Deferred tax assets		-	14
		<u>13,694,348</u>	<u>12,860,094</u>
Current assets			
Inventories		1,474,433	1,461,912
Trade and other receivables	B14	1,089,022	919,586
Current tax assets		132,153	121,697
Prepayments		88,105	88,824
Other investments	B15	14,859	14,711
Cash and bank balances	B16	839,225	1,304,993
		<u>3,637,797</u>	<u>3,911,723</u>
Total assets		<u><u>17,332,145</u></u>	<u><u>16,771,817</u></u>
Equity and liabilities			
Capital and reserves			
Share capital		5,827,149	5,827,149
Other reserves		2,002,788	1,965,228
Retained earnings		3,967,017	4,191,774
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		11,570,702	11,757,899
Non-controlling interests		<u>3,395,407</u>	<u>2,765,746</u>
Total equity		<u><u>14,966,109</u></u>	<u><u>14,523,645</u></u>

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023

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

	Note	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Non-current liabilities			
Provision		393,167	362,431
Trade and other payables	B17	100,282	73,906
Deferred tax liabilities		403,976	464,742
Defined benefit obligation		20,113	18,314
Lease liabilities		22,211	24,595
Derivative financial instruments		25,790	114,212
		<u>965,539</u>	<u>1,058,200</u>
Current liabilities			
Borrowings	B18	158,122	-
Trade and other payables		1,226,613	1,165,961
Current tax liabilities		5,102	6,374
Lease liabilities		10,660	11,031
Derivative financial instruments		-	6,606
		<u>1,400,497</u>	<u>1,189,972</u>
Total liabilities		<u>2,366,036</u>	<u>2,248,172</u>
Total equity and liabilities		<u>17,332,145</u>	<u>16,771,817</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.08</u>	<u>5.16</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 2023

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 RM'000			
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 profit for the period	-	-	-	-	-	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)	
At 31 March 2022	5,827,149	(226,252)	26,539	1,431,181	1,335	5,345,305	12,405,257	1,482,216	13,887,473	
At 1 January 2023	5,827,149	(226,252)	26,539	1,996,937	(58,248)	4,191,774	11,757,899	2,765,746	14,523,645	
Net loss for the period	-	-	-	-	-	(224,757)	(224,757)	(6,799)	(231,556)	
Other comprehensive income/(loss)	-	-	-	(7,535)	45,095	-	37,560	40,292	77,852	
Total comprehensive income/(loss) for the period	-	-	-	(7,535)	45,095	(224,757)	(187,197)	33,493	(153,704)	
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	-	596,168	596,168	
Dividends	-	-	-	-	-	-	-	-	-	
At 31 March 2023	5,827,149	(226,252)	26,539	1,989,402	(13,153)	3,967,017	11,570,702	3,395,407	14,966,109	

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 2023

Unaudited condensed consolidated statement of cash flows

	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(286,388)	105,804
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	136,132	136,009
Finance costs	7,254	3,427
Property, plant and equipment written off	622	43
Reversal of write-down of inventories to net realisable value	(50,532)	(17,347)
Expenses recognised in respect of defined benefit plan	1,205	1,591
Inventories written off	4	11
Allowance on trade receivables	2,049	-
Share of results of associates	43,541	(68,142)
Gain on disposal of property, plant and equipment	-	(1)
Finance income	(10,178)	(11,216)
Fair value changes in derivatives	(6,538)	(380)
Net effect on winding up of subsidiaries	-	(1)
Unrealised (gain) / loss on foreign exchange	(7,797)	5,750
Operating (loss)/profit before working capital changes	(170,626)	155,548
Change in inventories	37,460	38,986
Change in trade and other receivables	(172,044)	(28,228)
Change in trade and other payables	193,617	199,654
Cash (used in)/generated from operations	(111,593)	365,960
Payments under defined benefit plan	(279)	(801)
Finance costs paid	(3,653)	(1,473)
Income tax paid	(8,090)	(41,864)
Net cash (used in)/generated from operating activities	(123,615)	321,822

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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

	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000
Cash flows from investing activities		
Finance income received	10,178	11,216
Proceeds from disposal of property, plant and equipment	-	16
Acquisition of property, plant and equipment	(1,107,758)	(1,539,367)
Fund (placement in) / withdrawal from other investment	(148)	992,673
Net cash used in investing activities	<u>(1,097,728)</u>	<u>(535,462)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	596,168	852,545
Net proceeds from draw-down of short-term borrowings	156,762	-
Payment of lease liabilities	(2,894)	(2,768)
Net cash generated from financing activities	<u>750,036</u>	<u>849,777</u>
Net (decrease)/increase in cash and cash equivalents	(471,307)	636,137
Effect of exchange rate changes on the balance of cash held in foreign currencies	5,539	8,474
Cash and cash equivalents at beginning of period	<u>1,304,993</u>	<u>1,842,009</u>
Cash and cash equivalents at end of period (Note B16)	<u><u>839,225</u></u>	<u><u>2,486,620</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 ended 31 March 2023**

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 2022 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 27 April 2023.

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 2022, except for the adoption of the following amendments to MFRSs during the financial period:

MFRS 17, Insurance Contracts

Amendments to MFRS 17, Insurance Contracts

- Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101, Presentation of Financial Statements

- Disclosures of Accounting Policies

Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimate and Errors - Definition of Accounting Estimates

Amendments to MFRS 112, Income Taxes

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023**

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 Q1 2023, based on an analysis performed by the management, the Group has revised the discount rate from 4.01% to 3.71%. This change has resulted in a net increase by approximately RM27,265,000 in the provision for dismantling cost in Q1 2023.

A6. Debt and equity securities

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

A7. Dividend paid

No dividend was paid 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 2023**

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:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Total RM'000	Percentage %
For the financial period ended 31 March 2023				
Geographical markets				
Malaysia	59,909	588,645	648,554	32
Indonesia	24,998	658,729	683,727	35
China	42,436	68,615	111,051	6
Southeast Asia	105,953	169,022	274,975	14
Northeast Asia	95,397	36,966	132,363	7
Indian Sub-Continent	30,083	83,593	113,676	6
Others	-	6,952	6,952	0
Total revenue from contracts with customers	358,776	1,612,522	1,971,298	100
For the financial period ended 31 March 2022				
Geographical markets				
Malaysia	114,359	783,333	897,692	33
Indonesia	101,141	824,364	925,505	34
China	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
Total revenue from contracts with customers	572,286	2,187,194	2,759,480	100

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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 31 March 2023				
Revenue				
External customers	358,776	1,612,522	-	1,971,298
Inter-segment	1,038,665	-	(1,038,665)	-
Total revenue	<u>1,397,441</u>	<u>1,612,522</u>	<u>(1,038,665)</u>	<u>1,971,298</u>
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	89,646	46,051	435	136,132
Property, plant and equipment written off	-	622	-	622
Reversal of write-down of inventories to net realisable value	(18,772)	(31,760)	-	(50,532)
Segment results	<u>(29,199)</u>	<u>(198,723)</u>	<u>(58,467)</u>	<u>(286,388)</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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 31 March 2022				
Revenue				
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>
Expenses				
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)
Segment results	<u>18,230</u>	<u>12,946</u>	<u>74,628</u>	<u>105,804</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 RM440,000 for the financial period ended 31 March 2023 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 RM368,000 for the financial period ended 31 March 2023 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 2023**

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

A9. Operating segments (cont'd)

Reconciliation of profit

	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000
Segment (loss)/profit of:		
- Olefins and derivative products	(29,199)	18,230
- Polyolefin products	(198,723)	12,946
Total segment (loss)/profit	(227,922)	31,176
Inter-segment sales (elimination)	(626)	(1,632)
Share of results of associates	(43,541)	68,142
Finance income derived from IPO proceeds	440	5,201
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	368	7,508
Other unallocated cost	(15,108)	(4,591)
Eliminations and unallocated results	(58,467)	74,628
(Loss)/Profit before tax	(286,388)	105,804

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 2023, 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 financial period.

A12. Contingencies

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2022.

A13. Changes in composition of the Group

There were no material changes in the composition of the Group during the period except for the dissolution of the Company's indirect subsidiary, Titan trading Corp Limited on 28 March 2023, pursuant to Section 239 (4) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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

A14. Capital commitments

Capital expenditure as at the reporting date is as follows:

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
Contracted but not provided for	<u>7,073,372</u>	<u>7,499,743</u>

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 at fair value through profit or loss

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

Derivatives used for hedging

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

Fair values of forward exchange contracts are estimated by discounting future cash flows using valuation technique with market observable input.

As at 31 March 2023, the contract amount, fair value and maturity tenor of the forward exchange contracts are as follows:

	Contract Amount RM'000	Fair Value Liabilities RM'000
1 - 3 years	<u>2,188,664</u>	<u>25,790</u>

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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.

Fair value hierarchy

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

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RM'000	RM'000	RM'000	RM'000
As at 31 March 2023				
Financial assets				
Fund placements with licensed financial institutions	14,859	-	14,859	-
Financial liabilities				
Other payables – Non-current	(100,282)			(100,282)
Derivatives used for hedging - Forward exchange contracts	(25,790)	-	(25,790)	-
As at 31 December 2022				
Financial assets				
Fund placements with licensed financial institutions	14,711	-	14,711	-
Financial liabilities				
Other payables – Non-current	(73,906)			(73,906)
Derivatives used for hedging - Forward exchange contracts	(114,212)	-	(114,212)	-
Derivatives at fair value through profit or loss - Forward exchange contracts	(6,606)	-	(6,606)	-

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

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:

	Quarter ended 31.03.2023 RM'000	Quarter ended 31.03.2022 RM'000
Ultimate holding company		
Sales of goods	6,168	2,842
Management and consulting fees incurred	576	-
Reimbursement of payroll for secondment of expatriates	4,831	5,538
Purchase of materials	-	1,001
Commission expense	330	370
Royalty expense	7,271	10,979
Commission income	9	7
Capital expenditure incurred	12,227	8,246
IT support services fee paid/payable	111	118
Related companies		
Sales of goods	15,199	48,026
Sales of utilities	482	2,832
Capital expenditure incurred	719,010	247,075
IT support services fee paid/payable	724	958
Commission expense	140	330
Warehouse and logistics services incurred	7,086	7,147
Advertising expenses	-	-
Other administrative expenses	278	4
Office space sublease	39	38
Interest income	483	-
Lease rental income	282	753
Income from shared services	22	22
Service fee	104	-

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

Part B - Other explanatory notes

B1. Review of group performance

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

	2023		2022		Individual quarter ended 31 March	
	Group		Olefins and derivative products		Polyolefin products	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,971,298	2,759,480	358,776	572,286	1,612,522	2,187,194
(Loss)/Profit before tax	(286,388)	105,804	(29,199)	18,230	(198,723)	12,946
EBITDA*	<u>(109,639)</u>	<u>165,882</u>	<u>60,050</u>	<u>109,191</u>	<u>(150,131)</u>	<u>56,132</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 decreased by 29% or RM 788.2 million from RM 2,759.5 million in Q1 2022 to RM 1,971.3 million in Q1 2023 mainly due to the decrease in average product selling price and sales volume.

Average plant utilization recorded at 70% comparing to 85% in the corresponding quarter as part of the Group's business optimization measure. Demand was weaker alongside with global recession fear.

The Group recorded RM 286.4 million of loss before tax compared to profit before tax of RM 105.8 million in the corresponding quarter, mainly due to decline in margin spread and share of loss from associated company, Lotte Chemical USA Corp. ("LC USA"). The share of profit of LC USA in the correspondence quarter was contributed from a one-off gain of RM45.7 million on disposal of equity interest in a joint venture operation after tax and higher margin spread.

The loss before tax in Q1 2023 was mitigated by a reversal of write down of inventories to net realizable values of RM 33 million and increase in derivative gain of RM 6 million.

As a result of the above, the Group recorded a net loss of RM 231.6 million as compared to net profit of RM 102.9 million in the corresponding quarter.

Olefins and derivative products

Revenue decreased from RM 572.3 million in Q1 2022 to RM 358.8 million in Q1 2023. This was due to lower average selling price and sales volume in Q1 2023 as compared to the corresponding quarter.

The segment recorded a loss before tax of RM 29.2 million mainly due to margin squeeze.

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

Part B - Other explanatory notes (cont'd)

B1. Review of group performance (con't)

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

Polyolefin products

Revenue decreased from RM 2,187.2 million in Q1 2022 to RM 1,612.5 million in Q1 2023 due to the decrease in average product selling price and sales volume.

The segment recorded a loss before tax at RM 198.7 million compared to profit before tax of RM 12.9 million in corresponding quarter mainly due to margin squeeze.

B2. Variation of results against the preceding quarter

	Individual Quarter ended 31 March 2023 RM'000	Individual Quarter ended 31 December 2022 RM'000
Revenue	1,971,298	2,068,043
Loss before tax	(286,388)	(450,596)
EBITDA	<u>(109,639)</u>	<u>(284,130)</u>

The Group's revenue decreased by 5% to RM 1,971.3 million from RM 2,068.0 million in the preceding quarter, mainly due to lower average product price due to weakening of US Dollars against Ringgit Malaysia.

The plant utilisation rate was 70% in Q1 2023 as compared to 73% in the preceding quarter with ongoing business optimization plan in place.

The Group's loss before tax has reduced by 36% to RM 286.4 million in Q1 2023 mainly contributed by decreased feedstock costs amid weaker demand for raw material as regional crackers operating rate was lower and higher reversal of write down of inventories to net realisable value.

As a result of the above, the Group's loss after tax reduced to RM 231.6 million compared to RM 342.5 million in the preceding quarter.

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

Part B - Other explanatory notes (cont'd)

B3. Commentary on prospects

The results of our operations for the financial period ending 31 December 2023 are expected to be primarily influenced by the following factors:

- a) Prices of our feedstock, naphtha, that are highly correlated with crude oil prices;
- b) The demand and supply balance of petrochemical products in the region;
- c) Our ability to optimise production outputs and economic efficiencies; and
- d) Petrochemical product demand moves in tandem with overall global GDP growth driven by consumption and population growth

The business environment is expected to remain challenging in the near future. The supply of petrochemical products is expected to increase in view of new capacity coming on stream this year. Lately, crude oil prices have surged after the Organisation of the Petroleum Exporting Countries (OPEC) announced a surprise round of output cuts, resulting in naphtha prices edging higher. On a brighter note, the World Bank has recently raised its global growth forecast for 2023 to 2% from a January forecast of 1.7% due to an improved outlook for China's recovery from COVID-19 lockdowns.

Amidst the current market uncertainties, the Company will monitor closely the global economic conditions and the aggregate supply and consumption patterns that correspond to the prospect of the petrochemical industry. Notwithstanding the volatile external circumstances, the Company will continue to optimise its production outputs and economic efficiencies, and maintain a disciplined approach to managing its costs and financial liquidity.

Barring unforeseen circumstances and taking into consideration plant utilisation rate and business optimisation, the operating rate guidance for FY2023 is 75% to 80%. This guidance may change from time to time.

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 2023**

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 31 March	
	2023 RM'000	2022 RM'000
Depreciation of property, plant and equipment and right-of-use assets	136,132	136,009
(Gain)/Loss on foreign exchange:		
- Realised	7,240	(6,880)
- Unrealised	(7,797)	5,750
Inventories written off	4	11
Property, plant and equipment written off	622	43
Gain on disposal of property, plant and equipment	-	(1)
Allowance on trade receivables	2,049	-
Net effect on winding up of subsidiaries	-	(1)
Reversal of write-down of inventories to net realisable value	(50,532)	(17,347)
Fair value changes on derivatives	(6,538)	(380)
	<u>(6,538)</u>	<u>(380)</u>

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023

Part B - Other explanatory notes (cont'd)

B6. Finance costs

	Individual quarter ended 31 March	
	2023	2022
	RM'000	RM'000
Interest expenses on short term borrowings	2,116	-
Interest expenses on lease liabilities	452	603
Bank charges	800	572
Letter of credit charges	285	298
Unwinding of discount on provision	3,601	1,954
	<u>7,254</u>	<u>3,427</u>

B7. Income tax

	Individual quarter ended 31 March	
	2023	2022
	RM'000	RM'000
Current tax		
Current year	5,554	14,182
Overprovision in prior year	9	-
	<u>5,563</u>	<u>14,182</u>
Deferred tax		
Origination and reversal of temporary differences	(60,395)	(11,298)
	<u>(60,395)</u>	<u>(11,298)</u>
Total income tax recognised in profit or loss	<u>(54,832)</u>	<u>2,884</u>

By excluding the share of results of associates, the Group effective tax rate for the period ended 31 March 2022 is closed to 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 ended 31 March 2023**

Part B - Other explanatory notes (cont'd)

B10. Status of corporate proposals

As at the date of this report,

- (i) The proceeds from the initial public offering of the Company on 11 July 2017 have been fully utilised.
- (ii) The company has commenced the construction of the LOTTE Chemical Indonesia New Ethylene (LINE) Project in Indonesia in January 2022, the construction is progressing smoothly.
The LINE Project is on schedule and expected to be completed in 2025.

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.

B13. Property, plant and equipment

Included in construction-in-progress of RM6,269 million (2022: RM5,447 million) of which RM563 million (2022: RM639 million) relates to prepayment to related companies pursuant to the terms and conditions of the construction contracts. The prepayment is made after receipt of advance payment bonds and performance bond.

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

Part B - Other explanatory notes (cont'd)

B14. Trade and other receivables

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
Trade receivables		
Third parties	667,173	509,762
Amount due from ultimate holding company	6,228	2,131
Amounts due from related companies	45,418	89,244
Other receivables	378,641	324,857
	<u>1,097,460</u>	<u>925,994</u>
Less: Allowance for impairment	(8,438)	(6,408)
	<u><u>1,089,022</u></u>	<u><u>919,586</u></u>

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

Neither past due nor impaired	597,418	475,996
1 to 30 days past due not impaired	42,102	47,247
31 to 90 days past due not impaired	327	977
More than 90 days past due not impaired	70,534	70,509
	<u>710,381</u>	<u>594,729</u>
Credit impaired	8,438	6,408
	<u><u>718,819</u></u>	<u><u>601,137</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 was 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 outstanding balance of RM 70.5 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.

B15. Other investments

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
<u>Fund placements with licensed financial institutions</u>		
Unutilised proceeds from initial public offering and its related finance income	-	4
Proceeds from internally generated funds	14,859	14,707
Total other investments	<u><u>14,859</u></u>	<u><u>14,711</u></u>

Lotte Chemical Titan Holding Berhad
(Incorporated in Malaysia)

Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023

Part B - Other explanatory notes (cont'd)

B16. Cash and bank balances

	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
<u>Unutilised proceeds from initial public offering and its related finance income</u>		
Cash at banks	-	13,289
Short term deposits with licensed financial institutions	-	232,204
	-	245,493
<u>Others</u>		
Cash at banks and on hand	689,887	692,682
Short term deposits with licensed financial institutions	149,338	366,818
Cash and cash equivalents	<u>839,225</u>	<u>1,304,993</u>

B17. Trade and other payables

Included in trade and other payables are RM99,490,846 in relation to retention sum payable to related companies for the construction of plant.

B18. Borrowings

	<i>In denominated currency</i>		<i>In presentation currency</i>	
	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
<u>US Dollar</u>				
-Revolving credits - Unsecured	10,000	-	44,180	-
-Bankers' acceptances - Unsecured	19,000	-	83,942	-
<u>Ringgit Malaysia</u>				
-Revolving credits - Unsecured	-	-	-	-
-Bankers' acceptances - Unsecured	30,000	-	30,000	-
			<u>158,122</u>	<u>-</u>

B19. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 31 March 2023.

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

**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2023**

Part B - Other explanatory notes (cont'd)

B20. 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 may give rise to a tax liability amounting to USD 8.5 million (equivalent to RM 37.55 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, 1 June 2022 and 7 December 2022. The High Court has allowed the Inland Revenue Board's application to intervene in the Judicial Review proceedings on 16 February 2023. The High Court has fixed the leave hearing date on 20 Sept 2023. Interim stayed granted until the disposal of leave hearing as instructed by Court previously remains valid and effective.

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 ended 31 March 2023.

B21. Dividends

No dividend has been paid or declared by the Company for the period ended 31 March 2023.

B22. Earnings per share ("EPS")

Basic and diluted EPS are calculated by dividing net (loss) / profit for the period attributable to the owner of the Company by the weighted average number of ordinary shares outstanding during the period. The Company did not issue any instruments that will give effect to dilutive potential ordinary shares.

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

	Individual quarter ended 31 March	
	2023	2022
Net (loss)/profit attributable to the owner of the Company (RM'000)	<u>(224,757)</u>	<u>103,997</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>2,277,557</u>	<u>2,277,557</u>
Basic and diluted earning per share (sen)	<u>(9.87)</u>	<u>4.57</u>

B23. 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 2022.