

LOTTE CHEMICAL TITAN HOLDING BERHAD  
199101012045 (222357-P)

**Unaudited condensed consolidated  
interim financial statements**

For the quarter and year-to-date ended 30 September 2023

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

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

**Unaudited condensed consolidated interim financial statements**  
For the quarter and year-to-date ended 30 September 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 and year-to-date ended 30 September 2023, which should be read in conjunction with the accompanying explanatory notes on page 8 to 26.

		Individual Quarter ended 30.09.2023	Individual Quarter ended 30.09.2022	Changes		Cumulative Quarters ended 30.09.2023	Cumulative Quarters ended 30.09.2022	Changes	
	Note	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Revenue</b>	A8	1,961,055	2,374,691	(413,636)	-17%	5,790,399	7,951,040	(2,160,641)	-27%
Cost of goods sold		(1,938,796)	(2,774,514)	835,718	30%	(6,253,873)	(8,405,604)	2,151,731	26%
<b>Gross profit / (loss)</b>		22,259	(399,823)	422,082	106%	(463,474)	(454,564)	(8,910)	-2%
Other income		3,913	6,667	(2,754)	-41%	12,739	19,383	(6,644)	-34%
Distribution expenses		(22,599)	(22,228)	(371)	-2%	(78,190)	(93,079)	14,889	16%
Administrative expenses		(23,250)	(32,189)	8,939	28%	(120,566)	(92,566)	(28,000)	-30%
Foreign exchange differences		(4,723)	9,400	(14,123)	-150%	(5,264)	15,325	(20,589)	-134%
Fair value changes on derivatives		(78)	6,658	(6,736)	-101%	6,521	7,205	(684)	0%
Other expenses		(2,097)	(1,098)	(999)	-91%	(8,176)	(5,006)	(3,170)	-63%
<b>Loss from operations</b>		(26,575)	(432,613)	406,038	94%	(656,410)	(603,302)	(53,108)	-9%
Finance income		1,124	12,937	(11,813)	-91%	18,622	34,571	(15,949)	-46%
Finance costs	B6	(10,480)	(5,041)	(5,439)	-108%	(26,562)	(12,681)	(13,881)	-109%
<b>Net finance (loss)/income</b>		(9,356)	7,896	(17,252)	-218%	(7,940)	21,890	(29,830)	-136%
Share of results of associates		(31,581)	(38,772)	7,191	19%	(79,995)	30,462	(110,457)	-363%
<b>Loss before tax</b>	B5	(67,512)	(463,489)	395,977	85%	(744,345)	(550,950)	(193,395)	-35%
Income tax	B7	11,356	107,345	(95,989)	-89%	128,919	148,354	(19,435)	-13%
<b>Net loss for the period</b>		(56,156)	(356,144)	299,988	84%	(615,426)	(402,596)	(212,830)	-53%

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

	Individual Quarter ended 30.09.2023 RM'000	Individual Quarter ended 30.09.2022 RM'000	Cumulative Quarters ended 30.09.2023 RM'000	Cumulative Quarters ended 30.09.2022 RM'000
<b>Other comprehensive income, net of tax</b>				
<b>Item that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences	28,965	702,009	926,478	1,346,133
Cash flow hedge	<u>(37,426)</u>	<u>(19,009)</u>	<u>61,593</u>	<u>(51,700)</u>
	<u>(8,461)</u>	<u>683,000</u>	<u>988,071</u>	<u>1,294,433</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><u>(64,617)</u></u>	<u><u>326,856</u></u>	<u><u>372,645</u></u>	<u><u>891,837</u></u>
<b>Net loss for the period attributable to:</b>				
Owners of the Company	(55,580)	(355,499)	(593,809)	(397,425)
Non-controlling interests	<u>(576)</u>	<u>(645)</u>	<u>(21,617)</u>	<u>(5,171)</u>
	<u><u>(56,156)</u></u>	<u><u>(356,144)</u></u>	<u><u>(615,426)</u></u>	<u><u>(402,596)</u></u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Owners of the Company	(52,922)	230,101	151,432	743,201
Non-controlling interests	<u>(11,695)</u>	<u>96,755</u>	<u>221,213</u>	<u>148,636</u>
	<u><u>(64,617)</u></u>	<u><u>326,856</u></u>	<u><u>372,645</u></u>	<u><u>891,837</u></u>
<b>Basic and diluted earnings per ordinary share (sen)</b>	B22 <u>(2.44)</u>	<u>(15.61)</u>	<u>(26.07)</u>	<u>(17.45)</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.

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**Unaudited condensed consolidated statement of financial position**

	Note	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	B13	14,854,612	9,598,844
Right-of-use assets		710,132	699,134
Long term advance payment		61,087	-
Investments in associates		2,588,297	2,514,119
Non-current tax assets		47,105	47,983
Non-current lease receivables		7,971	-
Deferred tax assets		-	14
		<u>18,269,204</u>	<u>12,860,094</u>
<b>Current assets</b>			
Inventories		1,357,157	1,461,912
Trade and other receivables	B14	1,203,444	919,586
Current tax assets		120,516	121,697
Prepayments		120,724	88,824
Derivative financial instruments		47	-
Other investments	B15	12,593	14,711
Cash and bank balances	B16	810,409	1,304,993
		<u>3,624,890</u>	<u>3,911,723</u>
<b>Total assets</b>		<u>21,894,094</u>	<u>16,771,817</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital		5,827,149	5,827,149
Other reserves		2,710,469	1,965,228
Retained earnings		3,597,965	4,191,774
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		11,909,331	11,757,899
Non-controlling interests		<u>3,583,127</u>	<u>2,765,746</u>
<b>Total equity</b>		<u>15,492,458</u>	<u>14,523,645</u>

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

	<b>Note</b>	<b>As at 30.09.2023 RM'000</b>	<b>As at 31.12.2022 RM'000</b>
<b>Non-current liabilities</b>			
Provision		416,216	362,431
Trade and other payables	B17	204,850	73,906
Deferred tax liabilities		343,068	464,742
Defined benefit obligation		22,730	18,314
Lease liabilities		17,853	24,595
Derivative financial instruments		5,965	114,212
Borrowings	B18	3,379,552	-
		<u>4,390,234</u>	<u>1,058,200</u>
<b>Current liabilities</b>			
Borrowings	B18	291,109	-
Trade and other payables		1,662,338	1,165,961
Current tax liabilities		2,012	6,374
Lease liabilities		9,242	11,031
Derivative financial instruments		46,701	6,606
		<u>2,011,402</u>	<u>1,189,972</u>
<b>Total liabilities</b>		<u>6,401,636</u>	<u>2,248,172</u>
<b>Total equity and liabilities</b>		<u>21,894,094</u>	<u>16,771,817</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.23</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.

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

Note	Attributable to owners of the Company							Total equity attributable to owners of the Company	Non-controlling interest	Total
	Share capital	Treasury Shares	Equity transaction reserves	Foreign currency translation reserve	Hedging reserve	Retained earnings	Distributable			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2022</b>	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	-	-	-	-	-	(397,425)	(397,425)	(5,171)	(402,596)	
Other comprehensive income/(loss)	-	-	-	1,192,326	(51,700)	-	1,140,626	153,807	1,294,433	
Total comprehensive income for the period	-	-	-	1,192,326	(51,700)	(397,425)	743,201	148,636	891,837	
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	-	1,513,625	1,513,625	
Dividends	-	-	-	-	-	(478,287)	(478,287)	-	(478,287)	
<b>At 30 September 2022</b>	<b>5,827,149</b>	<b>(226,252)</b>	<b>26,539</b>	<b>2,550,882</b>	<b>(51,700)</b>	<b>4,843,883</b>	<b>12,970,501</b>	<b>2,284,869</b>	<b>15,255,370</b>	
<b>At 1 January 2023</b>	<b>5,827,149</b>	<b>(226,252)</b>	<b>26,539</b>	<b>1,996,937</b>	<b>(58,248)</b>	<b>4,191,774</b>	<b>11,757,899</b>	<b>2,765,746</b>	<b>14,523,645</b>	
Net loss for the period	-	-	-	-	-	(593,809)	(593,809)	(21,617)	(615,426)	
Other comprehensive income	-	-	-	713,829	31,412	-	745,241	242,830	988,071	
Total comprehensive income/(loss) for the period	-	-	-	713,829	31,412	(593,809)	151,432	221,213	372,645	
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	-	-	-	-	-	-	596,168	596,168	
<b>At 30 September 2023</b>	<b>5,827,149</b>	<b>(226,252)</b>	<b>26,539</b>	<b>2,710,766</b>	<b>(26,836)</b>	<b>3,597,965</b>	<b>11,909,331</b>	<b>3,583,127</b>	<b>15,492,458</b>	

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

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**Unaudited condensed consolidated statement of cash flows**

	<b>Cumulative Quarters ended 30.09.2023 RM'000</b>	<b>Cumulative Quarters ended 30.09.2022 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(744,345)	(550,950)
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	383,721	430,285
Finance costs	26,562	12,681
Property, plant and equipment written off	1,116	412
(Reversal) / Write-down of inventories to net realisable value	(145,926)	151,064
Expenses recognised in respect of defined benefit plan	3,755	3,538
Inventories written off	196	485
Bad debts recovered	(4)	-
Allowance on trade receivables	2,049	-
Share of results of associates	79,995	(30,462)
Gain on disposal of property, plant and equipment	(20)	(1)
Finance income	(18,622)	(34,571)
Fair value changes in derivatives	(6,521)	(7,205)
Unrealised loss on foreign exchange	4,456	27,808
Operating (loss)/profit before working capital changes	(413,588)	3,084
Change in inventories	333,468	197,091
Change in trade and other receivables	(288,652)	112,163
Change in trade and other payables	(112,425)	(318,506)
Cash used in operations	(481,197)	(6,168)
Payments under defined benefit plan	(791)	(1,111)
Finance costs paid	(4,363)	(4,443)
Income tax paid	(19,954)	(97,178)
Net cash used in operating activities	(506,305)	(108,900)



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

	<b>Cumulative Quarters ended 30.09.2023 RM'000</b>	<b>Cumulative Quarters ended 30.09.2022 RM'000</b>
<b>Cash flows from investing activities</b>		
Finance income received	18,622	34,571
Proceeds from disposal of property, plant and equipment	20	16
Acquisition of property, plant and equipment	(4,193,537)	(3,018,994)
Payment for right-of-use asset	-	(15,217)
Fund withdrawal from other investment	2,118	2,164,383
Net cash used in investing activities	<u>(4,172,777)</u>	<u>(835,241)</u>
<b>Cash flows from financing activities</b>		
Interest paid on short-term borrowings	(9,869)	(44)
Payment of transaction costs in relation to term loan	(468,591)	-
Dividend paid company	596,168	(478,287) 1,513,625
Net proceeds from borrowings	4,033,966	-
Payment of lease liabilities	(9,191)	(9,198)
Net cash generated from financing activities	<u>4,142,483</u>	<u>1,026,096</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(536,599)</b>	<b>81,955</b>
<b>Effect of exchange rate changes on the balance of cash held in foreign currencies</b>	<b>42,015</b>	<b>148,636</b>
<b>Cash and cash equivalents at beginning of period</b>	<u>1,304,993</u>	<u>1,842,009</u>
<b>Cash and cash equivalents at end of period (Note B16)</b>	<u><u>810,409</u></u>	<u><u>2,072,600</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.

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**Part A - Explanatory notes pursuant to MFRS 134**

**A1. Basis of preparation**

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134 Interim Financial Reporting and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 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 26 October 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
- International Tax Reform – Pillar Two Model Rules

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.

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**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 Q3 2023, based on an analysis performed by the management, the Group has revised the discount rate from 3.92% to 4.79%. This change has resulted in a net decrease by approximately RM 103,870 million in the provision for dismantling cost in Q3 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.

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

**A8. Revenue**

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

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Total RM'000</b>	<b>Percentage %</b>
<b>For the financial period ended 30 September 2023</b>				
<b>Geographical markets</b>				
Malaysia	211,477	1,674,540	1,886,017	32
Indonesia	24,998	1,918,169	1,943,167	33
China	166,184	221,100	387,284	7
Southeast Asia	350,328	491,454	841,782	15
Northeast Asia	248,427	106,420	354,847	6
Indian Sub-Continent	70,091	268,207	338,298	6
Others	-	39,005	39,005	1
<b>Total revenue from contracts with customers</b>	<b>1,071,504</b>	<b>4,718,895</b>	<b>5,790,399</b>	<b>100</b>
<b>For the financial period ended 30 September 2022</b>				
<b>Geographical markets</b>				
Malaysia	184,497	2,217,923	2,402,420	30
Indonesia	224,270	2,379,740	2,604,010	33
China	144,720	450,661	595,381	7
Southeast Asia	657,377	738,847	1,396,224	18
Northeast Asia	300,816	148,965	449,781	6
Indian Sub-Continent	170,675	259,830	430,505	5
Others	-	72,719	72,719	1
<b>Total revenue from contracts with customers</b>	<b>1,682,355</b>	<b>6,268,685</b>	<b>7,951,040</b>	<b>100</b>

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

**A9. Operating segments**

For management purposes, the Group is organised into business units based on its products and has two reportable segments, as follows:

- (i) Olefins and derivative products - Manufacture and sale of olefins and derivative products
- (ii) Polyolefin products - Manufacture and sale of polyolefin products

The following table provides an analysis of the Group's revenue and results by business segment:

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Eliminations and unallocated results RM'000</b>	<b>Total RM'000</b>
<b>For the financial period ended 30 September 2023</b>				
<b>Revenue</b>				
External customers	1,071,504	4,718,895	-	5,790,399
Inter-segment	3,003,577	-	(3,003,577)	-
<b>Total revenue</b>	<b>4,075,081</b>	<b>4,718,895</b>	<b>(3,003,577)</b>	<b>5,790,399</b>
<b>Expenses</b>				
Depreciation of property, plant and equipment and right-of-use assets	246,097	136,182	1,442	383,721
Property, plant and equipment written off	391	291	434	1,116
Reversal of write-down of inventories to net realisable value	(95,824)	(50,102)	-	(145,926)
<b>Segment results</b>	<b>(54,840)</b>	<b>(558,325)</b>	<b>(131,181)</b>	<b>(744,345)</b>

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

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

	<b>Olefins and derivative products RM'000</b>	<b>Polyolefin products RM'000</b>	<b>Eliminations and unallocated results RM'000</b>	<b>Total RM'000</b>
<b>For the financial period ended 30 September 2022</b>				
<b>Revenue</b>				
External customers	1,682,355	6,268,685	-	7,951,040
Inter-segment	4,252,115	-	(4,252,115)	-
<b>Total revenue</b>	<b>5,934,470</b>	<b>6,268,685</b>	<b>(4,252,115)</b>	<b>7,951,040</b>
<b>Expenses</b>				
Depreciation of property, plant and equipment and right-of-use assets	285,115	144,153	1,017	430,285
Property, plant and equipment written off	169	176	68	412
Write-down of inventories to net realisable value	51,055	100,009	-	151,064
<b>Segment results</b>	<b>(231,104)</b>	<b>(418,194)</b>	<b>98,348</b>	<b>(550,950)</b>

**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 30 September 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 30 September 2023 which are managed on a group basis.

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

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

**Reconciliation of loss**

	<b>Cumulative Quarters ended 30.09.2023 RM'000</b>	<b>Cumulative Quarters ended 30.09.2022 RM'000</b>
Segment loss of:		
- Olefins and derivative products	(54,840)	(231,104)
- Polyolefin products	(558,325)	(418,194)
Total segment loss	<u>(613,165)</u>	<u>(649,298)</u>
Inter-segment sales (elimination)	(626)	(1,632)
Share of results of associates	(79,995)	30,462
Finance income derived from IPO proceeds	440	15,978
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	368	43,164
Other unallocated cost	(51,368)	10,376
Eliminations and unallocated results	(131,181)	98,348
<b>Loss before tax</b>	<u><u>(744,345)</u></u>	<u><u>(550,950)</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 September 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.

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

**A14. Capital commitments**

Capital expenditure as at the reporting date is as follows:

	<b>As at 30.09.2023 RM'000</b>	<b>As at 31.12.2022 RM'000</b>
Contracted but not provided for	<u>3,394,074</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 - Current
- (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 30 September 2023, the contract amount, fair value and maturity tenor of the forward exchange contracts are as follows:

	<b>Contract Amount RM'000</b>	<b>Fair Value Liabilities RM'000</b>
1 - 3 years	<u>1,446,734</u>	<u>52,619</u>



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**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.

Other payables - Non-current

The fair value of non-current other payables is measured based on discounted cash flow using the current market rate at the reporting date.

Fair value hierarchy

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

	<b>Total RM'000</b>	<b>Quoted prices in active markets (Level 1) RM'000</b>	<b>Significant observable inputs (Level 2) RM'000</b>	<b>Significant unobservable inputs (Level 3) RM'000</b>
<b>As at 30 September 2023</b>				
<b>Financial assets</b>				
Fund placements with licensed financial institutions	12,593	-	12,593	-
Derivatives at fair value through profit or loss				
- Forward exchange contracts	47	-	47	-
<b>Financial liabilities</b>				
Other payables – Non-current	(204,850)	-	-	(204,850)
Derivatives at fair value through profit or loss				
- Forward exchange contracts	(47)	-	(47)	-
Derivatives used for hedging				
- Forward exchange contracts	(52,619)	-	(5,965)	-
<b>As at 31 December 2022</b>				
<b>Financial assets</b>				
Fund placements with licensed financial institutions	14,711	-	14,711	-
<b>Financial liabilities</b>				
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)	-

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

**A16. Related parties**

For the purposes of these interim financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	<b>Cumulative Quarters ended 30.09.2023 RM'000</b>	<b>Cumulative Quarters ended 30.09.2022 RM'000</b>
<b>Ultimate holding company</b>		
Sales of goods	14,964	2,842
Catalyst trial fee received/receivable	6,177	-
Management and consulting fees incurred	952	1,434
Reimbursement of payroll for secondment of expatriates	26,645	12,209
Purchase of materials	180	3,019
Commission expense	1,053	678
Royalty expense	14,439	22,706
Commission income	30	30
Capital expenditure incurred	18,435	61,120
IT support services fee paid/payable	338	299
Other administrative expenses	-	96
	<hr/> <hr/>	<hr/> <hr/>
<b>Related companies</b>		
Sales of goods	89,370	101,174
Sales of utilities	6,022	3,179
Capital expenditure incurred	3,251,396	2,088,207
IT support services fee paid/payable	2,449	2,568
Commission expense	506	743
Warehouse and logistics services incurred	20,671	18,219
Other administrative expenses	1,513	236
Office space sublease	121	118
Interest income	2,276	977
Lease rental income	1,861	1,222
Income from shared services	67	89
Service fee	512	-
	<hr/> <hr/>	<hr/> <hr/>

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**Part B - Other explanatory notes**

**B1. Review of group performance**

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

	Individual quarter ended 30 September							
	2023		2022		2023		2022	
	Group		Olefins and derivative products		Polyolefin products			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Revenue	1,961,055	2,374,691	375,673	439,611	1,585,382	1,935,080		
(Loss) / Profit before tax	(67,512)	(463,489)	100,881	(152,852)	(130,267)	(300,697)		
EBITDA*	98,755	(281,758)	180,982	(54,355)	(78,610)	(248,303)		

\* 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 17% or RM 413.6 million from RM 2,374.7 million in Q3 2022 to RM 1,961.0 million in Q3 2023, mainly due to weakening in selling price as regional demand recovery was affected by weak momentum of China's economy.

Indonesia subsidiary has completed its plant maintenance activity within September 2023. Alongside with the Group's business optimization plan, average plant utilization rate was recorded at 66% as compared to 69% in the corresponding quarter.

The loss before tax for the Group decreased by 85% to RM 67.5 million in Q3 2023, mainly contributed by margin improvement and reversal in the write down of inventories to net realizable value.

As a result of the above, the net loss of the Group decreased by 84% to RM 56.2 million in Q3 2023.

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

**Olefins and derivative products**

Revenue decreased from RM 439.6 million in Q3 2022 to RM 375.7 million in Q3 2023. Decrease in revenue was mainly due to lower average product selling price as compared to the corresponding quarter.

The segment recorded a profit before tax of RM 100.9 million from loss before tax of RM 152.9 million contributed mainly by reversal in the write down of inventories to net realizable value and improved margin spread resulting from lower feedstock cost.

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**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**

The segment recorded a decrease in revenue from RM 1,935.1 million in Q3 2022 to RM 1,585.4 million in Q3 2023 mainly due to lower average product selling price as compared to the corresponding quarter.

The segment loss before tax decreased to RM 130.3 million in Q3 2023 from RM 300.7 million contributed mainly by improved margin spread and reversal in the write down of inventories to net realizable value.

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

	Cumulative quarters ended 30 September					
	2023	2022	2023	2022	2023	2022
	Group RM'000	RM'000	Olefins and derivative products RM'000	RM'000	Polyolefin products RM'000	RM'000
Revenue	5,790,399	7,951,040	1,071,504	1,682,355	4,718,895	6,268,685
Loss before tax	(744,345)	(550,950)	(54,840)	(231,104)	(558,325)	(418,194)
EBITDA*	<u>(272,689)</u>	<u>(173,017)</u>	<u>191,017</u>	<u>54,006</u>	<u>(408,543)</u>	<u>(274,254)</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 27% or RM 2,160.6 million from RM 7,951.0 million in YTD Sept 2022 to RM 5,790.4 million in YTD Sept 2023, mainly due to weakening in selling price as well as decrease in sales volume as overall market demand remained weak.

Plant utilization rate recorded at 67%, down from 78% in the corresponding year as downstream fabricators continued to run at lower rate alongside with Indonesia's plant maintenance activity in September 2023.

The Group recorded a loss before tax of RM 744.3 million in 2023 compared to RM 551.0 million in the corresponding year mainly due to margin squeeze and high electricity, which partially offset by reversal in the write down of inventories to net realizable value. In addition, higher administrative cost from LINE project and share of loss from associate company, Lotte Chemical USA Corp. ("LC USA") also caused the increased in the loss before tax. The share of profit of LC USA in 2022 was contributed by a one-off gain on disposal of equity interest in joint venture amounting to RM 45.7 million.

As a result of the above, the Group recorded a loss after tax of RM 615.4 million as compared to loss after tax of RM 402.6 million in the corresponding year.

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

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

**Olefins and derivative products**

Revenue decreased by 36% from RM 1,682.4 million in 2022 to RM 1,071.5 million in 2023. Decrease in revenue was mainly due to lower average product selling price and sales volume.

The loss before tax for the segment decreased by 76% to RM54.8 million. The reduction in loss before tax was mainly contributed by reversal in the write down of inventories to net realizable value.

**Polyolefin products**

Revenue decreased by 25% to RM 4,718.9 million in 2023. Decrease in revenue was mainly due to lower average product selling price and sales volume.

The segment recorded a loss before tax of RM 558.3 million compared to RM 418.2 million in prior year mainly due to margin squeeze.

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

	<b>Individual Quarter ended 30 September 2023 RM'000</b>	<b>Individual Quarter ended 30 June 2023 RM'000</b>
Revenue	1,961,055	1,858,046
Loss before tax	(67,512)	(390,445)
EBITDA	<u>98,755</u>	<u>(261,805)</u>

The Group's revenue increased by 6% to RM 1,961.1 million from RM 1,858.1 million in the preceding quarter, mainly contributed by increase in sales volume. The revenue was partially offset by decreased in the average selling price.

The plant utilisation rate for both quarters was maintained at 66% with ongoing business optimization measure and plant maintenance in Indonesia.

The Group's loss before tax has decreased by 83% to RM 67.5 million in Q3 2023, mainly due to reversal in the write down of inventories to net realizable value and lower feedstock costs as compared to the preceding quarter.

As a result of the above, the Group's loss after tax decreased to RM 56.2 million compared to RM 327.7 million in the preceding quarter.

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**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 dynamics of petrochemical products in the region;
- c) Our ability to optimise production outputs and economic efficiencies; and
- d) The demand for petrochemical products that changes in tandem with global economic activities.

The business environment is expected to remain challenging in the near future. The global economy's recovery from the pandemic is marked by divergence, with the Federal Reserve in the US engineering a soft landing through its monetary policy while Europe lingers on the brink of a potential recession, and China cutting interest rates to support its domestic consumption and private investment. Meanwhile, market volatility escalates against the backdrop of the Russia-Ukraine and Israel-Palestine conflicts. On the local front, the World Bank has lowered its forecast for Malaysia's gross domestic product growth to 3.9% in 2023, down from the previous estimate of 4.3% amid weak external demand. On the other hand, the Federal Reserve Open Markets Committee announced at its September 2023 meeting that it has opted to maintain its benchmark interest rates, indicating a slowing tightening cycle that may provide some relief to the economy.

In light of the prevailing market uncertainties, the Company will monitor closely the global economic conditions and the aggregate supply and consumption dynamics that correspond to the prospect of the petrochemical industry. Considering the current external environment, the outlook of the petrochemical industry is expected to remain volatile. Nevertheless, the Company will persist in optimising production outputs and economic efficiencies. In addition, the company remains committed to maintaining financial resilience and implementing its disciplined approach to managing costs and financial liquidity.

Barring unforeseen circumstances and taking into consideration plant utilisation rate and business optimisation, the operating rate guidance for FY2023 is 65% to 70%. 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.

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

**B5. Loss before tax**

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

	Individual quarter ended 30 September		Cumulative quarters ended 30 September	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Depreciation of property, plant and equipment and right-of-use assets	125,330	150,855	383,721	430,285
(Gain)/Loss on foreign exchange:				
- Realised	(12,114)	(12,074)	808	(43,133)
- Unrealised	16,837	2,674	4,456	27,808
Inventories written off	188	322	196	485
Property, plant and equipment written off	326	66	1,116	412
Gain on disposal of property, plant and equipment	-	-	(20)	(1)
Allowance on trade receivables	-	-	2,049	-
(Reversal) / Write-down of inventories to net realisable value	(174,231)	71,935	(145,926)	151,064
Bad debts recovered	(2)	(2)	(4)	(25)
Fair value changes on derivatives	78	(6,658)	(6,521)	(7,205)

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

**B6. Finance costs**

	Individual quarter ended 30 September		Cumulative quarters ended 30 September	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Interest expenses on short term borrowings	4,271	25	9,869	44
Interest expenses on lease liabilities	390	473	1,263	1,568
Bank charges	557	532	2,273	1,979
Letter of credit charges	243	329	827	896
Unwinding of discount on provision	5,019	3,682	12,330	8,194
	<u>10,480</u>	<u>5,041</u>	<u>26,562</u>	<u>12,681</u>

**B7. Income tax**

	Individual quarter ended 30 September		Cumulative quarters ended 30 September	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Current tax</b>				
Current year	5,903	(2,964)	14,167	16,254
(Over)/Underprovision in prior year	(4)	588	5	588
	<u>5,899</u>	<u>(2,376)</u>	<u>14,172</u>	<u>16,842</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(17,922)	(94,100)	(143,758)	(154,327)
Under/(Over) provision in prior year	667	(10,869)	667	(10,869)
	<u>(17,255)</u>	<u>(104,969)</u>	<u>(143,091)</u>	<u>(165,196)</u>
<b>Total income tax recognised in profit or loss</b>	<u>(11,356)</u>	<u>(107,345)</u>	<u>(128,919)</u>	<u>(148,354)</u>

By excluding the share of results of associates, the Group effective tax rate for the period ended 30 September 2023 is lower than the statutory tax rate of 24%. This is primarily due to decrease in our deferred tax assets as a result of the depreciation of Ringgit Malaysia ("RM") against US Dollar ("USD"). The decrease in our deferred tax assets arose mainly from the translation of the tax base of qualifying assets, unused tax losses and other allowances denominated in RM to the functional currency of USD.

**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.



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**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 RM10,714 million (2022: RM5,447 million) of which RM361 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.

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

**B14. Trade and other receivables**

	<b>As at 30 September 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<b>Trade receivables</b>		
Third parties	662,847	509,762
Amount due from ultimate holding company	6,539	2,131
Amounts due from related companies	228	89,244
Other receivables	542,802	324,857
	<u>1,212,416</u>	<u>925,994</u>
Less: Allowance for impairment	(8,972)	(6,408)
	<u>1,203,444</u>	<u>919,586</u>

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

Neither past due nor impaired	590,178	475,996
1 to 30 days past due not impaired	45,904	47,247
31 to 90 days past due not impaired	24,560	977
More than 90 days past due not impaired	-	70,509
	<u>660,642</u>	<u>594,729</u>
Credit impaired	8,972	6,408
	<u>669,614</u>	<u>601,137</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.

The Group's related party, Lotte Ube Synthetic Rubber Sdn Bhd ("LUSR") has fully repaid the deferred balance of RM 74.9 million in August 2023.

**B15. Other investments**

	<b>As at 30 September 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<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	12,593	14,707
Total other investments	<u>12,593</u>	<u>14,711</u>

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

**B16. Cash and bank balances**

	<b>As at 30 September 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<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	648,424	692,682
Short term deposits with licensed financial institutions	161,985	366,818
Cash and cash equivalents	810,409	1,304,993

**B17. Trade and other payables**

Included in trade and other payables are RM119,784,562 (2022: RM52,110,276) 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>	
	<b>As at 30 September 2023</b>	<b>As at 31 December 2022</b>	<b>As at 30 September 2023 RM'000</b>	<b>As at 31 December 2022 RM'000</b>
<b><u>Current</u></b>				
<b>US Dollar</b>				
-Revolving credits - Unsecured	16,000	-	75,168	-
-Bankers' acceptances - Unsecured	16,000	-	75,168	-
-Bill discounting	165	-	773	-
<b>Ringgit Malaysia</b>				
-Bankers' acceptances - Unsecured	140,000	-	140,000	-
			291,109	-
<b><u>Non-current</u></b>				
<b>US Dollar</b>				
-Term loan - Secured	719,360	-	3,379,552	-
			3,670,661	-

The USD secured term loan is used to fund the development work of the LOTTE Chemical Indonesia New Ethylene Project ("LINE PROJECT").

Included in borrowings are transaction costs amounting to RM 462.5 million that are directly attributable to the term loan.

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

**B19. Off balance sheet financial instruments**

There were no off balance sheet financial instruments for the period ended 30 September 2023.

**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 39.93 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 and further adjourn to 27 Nov 2023 as the Inland Revenue Board would like to submit additional submission. 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 30 September 2023.

**B21. Dividends**

No dividend has been paid or declared by the Company for the period ended 30 September 2023.

**B22. Earnings per share ("EPS")**

Basic and diluted EPS are calculated by dividing net 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 September		Cumulative quarters ended 30 September	
	2023	2022	2023	2022
Net loss attributable to the owner of the Company (RM'000)	<u>(55,580)</u>	<u>(355,499)</u>	<u>(593,809)</u>	<u>(397,425)</u>
Weighted average number of ordinary shares at the end of the period ('000)	<u>2,277,557</u>	<u>2,277,557</u>	<u>2,277,557</u>	<u>2,277,557</u>
Basic and diluted earning per share (sen)	<u>(2.44)</u>	<u>(15.61)</u>	<u>(26.07)</u>	<u>(17.45)</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.