

LOTTE CHEMICAL TITAN HOLDING BERHAD
199101012045 (222357-P)

**Unaudited condensed consolidated
interim financial statements**

For the quarter ended 31 March 2024

**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 ended 31 March 2024**

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 2024, which should be read in conjunction with the accompanying explanatory notes on page 8 to 24.

		Individual Quarter ended 31.03.2024 RM'000	Individual Quarter ended 31.03.2023 RM'000	Changes	
	Note			RM'000	%
Revenue	A8	1,917,665	1,971,298	(53,633)	-3%
Cost of goods sold		(2,035,850)	(2,153,564)	117,714	5%
Gross loss		(118,185)	(182,266)	64,081	35%
Other income		4,797	2,257	2,540	113%
Distribution expenses		(25,557)	(28,599)	3,042	11%
Administrative expenses		(43,325)	(42,946)	(379)	-1%
Foreign exchange differences		(1,977)	557	(2,534)	-455%
Fair value changes on derivatives		(20)	6,538	(6,558)	-100%
Other expenses		(2,866)	(1,312)	(1,554)	-118%
Loss from operations		(187,133)	(245,771)	58,638	24%
Finance income		3,967	10,178	(6,211)	-61%
Finance costs	B6	(11,655)	(7,254)	(4,401)	-61%
Net finance (loss) / income		(7,688)	2,924	(10,612)	-363%
Share of results of associate		(18,866)	(43,541)	24,675	57%
Loss before tax	B5	(213,687)	(286,388)	72,701	25%
Income tax	B7	24,524	54,832	(30,308)	-55%
Net loss for the period		(189,163)	(231,556)	42,393	18%

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

	Individual Quarter ended 31.03.2024 RM'000	Individual Quarter ended 31.03.2023 RM'000
Other comprehensive income, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	445,382	(10,570)
Cash flow hedge	<u>(3,451)</u>	<u>88,422</u>
	441,931	77,852
Total comprehensive income / (loss) for the period	<u><u>252,768</u></u>	<u><u>(153,704)</u></u>
Net loss for the period attributable to:		
Owners of the Company	(178,025)	(224,757)
Non-controlling interests	<u>(11,138)</u>	<u>(6,799)</u>
	<u><u>(189,163)</u></u>	<u><u>(231,556)</u></u>
Total comprehensive income / (loss) for the period attributable to:		
Owners of the Company	160,793	(187,197)
Non-controlling interests	<u>91,975</u>	<u>33,493</u>
	<u><u>252,768</u></u>	<u><u>(153,704)</u></u>
Basic and diluted earnings per ordinary share (sen)	B22 <u><u>(7.82)</u></u>	<u><u>(9.87)</u></u>

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

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Unaudited condensed consolidated statement of financial position

	Note	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Assets			
Non-current assets			
Property, plant and equipment	B13	17,778,518	16,476,809
Right-of-use assets		702,523	694,268
Investments in associate		2,555,029	2,499,976
Non-current tax assets		86,023	83,536
Non-current lease receivables		7,842	7,907
		<u>21,129,935</u>	<u>19,762,496</u>
Current assets			
Inventories		1,698,114	1,445,285
Trade and other receivables	B14	1,020,700	927,545
Current tax assets		123,626	118,116
Prepayments		75,985	95,619
Other investments	B15	13,044	12,506
Cash and bank balances	B16	625,633	760,664
		<u>3,557,102</u>	<u>3,359,735</u>
Total assets		<u><u>24,687,037</u></u>	<u><u>23,122,231</u></u>
Equity and liabilities			
Capital and reserves			
Share capital		5,827,149	5,827,149
Other reserves		2,826,083	2,487,265
Retained earnings		3,233,012	3,411,037
Treasury shares, at cost		<u>(226,252)</u>	<u>(226,252)</u>
Total equity attributable to owners of the Company		11,659,992	11,499,199
Non-controlling interests		<u>3,603,464</u>	<u>3,511,489</u>
Total equity		<u><u>15,263,456</u></u>	<u><u>15,010,688</u></u>

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

	Note	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Non-current liabilities			
Provision		444,133	463,900
Trade and other payables	B17	271,564	244,327
Deferred tax liabilities		260,143	279,403
Defined benefit obligation		22,524	21,949
Lease liabilities		19,282	21,708
Derivative financial instruments		6,356	3,582
Loan and borrowings	B18	6,657,654	5,536,967
		<u>7,681,656</u>	<u>6,571,836</u>
Current liabilities			
Loan and borrowings	B18	576,278	406,627
Trade and other payables		1,125,113	1,092,699
Current tax liabilities		1,206	2,157
Lease liabilities		12,491	12,084
Derivative financial instruments		26,837	26,140
		<u>1,741,925</u>	<u>1,539,707</u>
Total liabilities		<u>9,423,581</u>	<u>8,111,543</u>
Total equity and liabilities		<u>24,687,037</u>	<u>23,122,231</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)		<u>5.12</u>	<u>5.05</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

	<----- Attributable to owners of the Company ----->									
	Note	<----- Non-distributable reserves ----->			Foreign currency translation reserve RM'000	Hedging reserve RM'000	Distributable Retained earnings RM'000	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							
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 (loss)/income		-	-	-	(7,535)	45,095	-	37,560	40,292	77,852
Total comprehensive (loss)/income 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
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
At 1 January 2024		5,827,149	(226,252)	26,539	2,475,860	(15,134)	3,411,037	11,499,199	3,511,489	15,010,688
Net loss for the period		-	-	-	-	-	(178,025)	(178,025)	(11,138)	(189,163)
Other comprehensive income/(loss)		-	-	-	340,578	(1,760)	-	338,818	103,113	441,931
Total comprehensive income/(loss) for the period		-	-	-	340,578	(1,760)	(178,025)	160,793	91,975	252,768
At 31 March 2024		5,827,149	(226,252)	26,539	2,816,438	(16,894)	3,233,012	11,659,992	3,603,464	15,263,456

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 interim financial statements
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Unaudited condensed consolidated statement of cash flows

	Quarter ended 31.03.2024 RM'000	Quarter ended 31.03.2023 RM'000
Cash flows from operating activities		
Loss before tax	(213,687)	(286,388)
Adjustments for:-		
Depreciation of property, plant and equipment and right-of-use assets	126,008	136,132
Finance costs	11,655	7,254
Property, plant and equipment written off	56	622
Reversal of inventories to net realisable value	(24,711)	(50,532)
Expenses recognised in respect of defined benefit plan	1,054	1,205
Inventories written off	2	4
(Reversal of allowance) / allowance on trade receivables	(1,802)	2,049
Share of results of associates	18,866	43,541
Gain on disposal of property, plant and equipment	(55)	-
Finance income	(3,967)	(10,178)
Fair value changes in derivatives	20	(6,538)
Unrealised loss / (gain) on foreign exchange	12,398	(7,797)
Operating loss before working capital changes	(74,163)	(170,626)
Change in inventories	(185,320)	37,460
Change in trade and other receivables	(31,344)	(172,061)
Change in trade and other payables	13,197	193,617
Cash used in operations	(277,630)	(111,610)
Payments under defined benefit plan	(505)	(279)
Finance costs paid	(1,309)	(3,653)
Income tax paid	(5,324)	(8,090)
Net cash used in operating activities	(284,768)	(123,632)

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

	Quarter ended 31.03.2024 RM'000	Quarter ended 31.03.2023 RM'000
Cash flows from investing activities		
Finance income received	3,967	10,178
Proceeds from disposal of property, plant and equipment	55	-
Lease payment received	64	17
Acquisition of property, plant and equipment	(943,573)	(1,107,758)
Fund placement to other investment	(539)	(148)
Net cash used in investing activities	<u>(940,026)</u>	<u>(1,097,711)</u>
Cash flows from financing activities		
Interest paid on short-term borrowings	(5,495)	-
Net proceeds from borrowings	1,098,466	156,762
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	596,168
Payment of lease liabilities	(2,855)	(2,894)
Net cash generated from financing activities	<u>1,090,116</u>	<u>750,036</u>
Net decrease in cash and cash equivalents	(134,678)	(471,307)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(353)	5,539
Cash and cash equivalents at beginning of period	<u>760,664</u>	<u>1,304,993</u>
Cash and cash equivalents at end of period(Note B16)	<u><u>625,633</u></u>	<u><u>839,225</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
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**Unaudited condensed consolidated interim financial statements
For the quarter ended 31 March 2024**

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 2023 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 2 May 2024.

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 2023, except for the adoption of the following amendments to MFRSs during the financial year:

Amendments to MFRS 16, Leases - Lease Liability in a Sale and Leaseback

Amendments to MFRS 101, Presentation of Financial Statements

- Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments

- Disclosures - Supplier Finance Arrangements

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.

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.

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

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 2024, based on an analysis performed by the management, the Group has revised the discount rate from 4.09% to 4.38%. This change has resulted in a net decrease by approximately RM 20 million in the provision for dismantling cost in Q1 2024.

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

There were no dividend paid in the current financial period.

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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:

	Olefins and derivative products RM'000	Polyolefin products RM'000	Total RM'000	Percentage %
For the financial period ended 31 March 2024				
Geographical markets				
Malaysia	111,945	578,871	690,816	37
Indonesia	33,668	658,901	692,569	36
China	67,214	47,820	115,034	6
Southeast Asia	124,208	123,242	247,450	13
Northeast Asia	59,552	41,577	101,129	5
Indian Sub-Continent	8,688	53,518	62,206	3
Others	-	8,461	8,461	-
Total revenue from contracts with customers	405,275	1,512,390	1,917,665	100
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	-
Total revenue from contracts with customers	358,776	1,612,522	1,971,298	100

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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:

	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 2024				
Revenue				
External customers	405,275	1,512,390	-	1,917,665
Inter-segment	955,020	-	(955,020)	-
Total revenue	1,360,295	1,512,390	(955,020)	1,917,665
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	78,195	46,914	899	126,008
Property, plant and equipment written off	-	2	54	56
Reversal of write-down of inventories to net realisable value	(22,018)	(2,693)	-	(24,711)
Segment results	(9,441)	(159,596)	(44,650)	(213,687)

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

A9. Operating segments (cont'd)

	Olefins and derivative products RM'000	Polyolefin products RM'000	Eliminations and unallocated results RM'000	Total RM'000
For the financial period ended 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>

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.

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

A9. Operating segments (cont'd)

Reconciliation of loss

	Quarter ended 31.03.2024 RM'000	Quarter ended 31.03.2023 RM'000
Segment loss of:		
- Olefins and derivative products	(9,441)	(29,199)
- Polyolefin products	(159,596)	(198,723)
Total segment loss	(169,037)	(227,922)
Inter-segment sales (elimination)	-	(626)
Share of results of associates	(18,866)	(43,541)
Finance income derived from IPO proceeds	-	440
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	-	368
Other unallocated cost	(25,784)	(15,108)
Eliminations and unallocated results	(44,650)	(58,467)
Loss before tax	(213,687)	(286,388)

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 2024, 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 2023.

A13. Changes in composition of the Group

There were no material changes in the composition of the Group for the current financial period.

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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:

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Contracted but not provided for	<u>1,234,156</u>	<u>1,682,399</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. As at 31 March 2024, the contract amount, fair value and the maturity tenor of the forward exchange contracts are as follows.

	Contract Amount RM'000	Fair Value Liabilities RM'000
Less than 1 year	<u>25,000</u>	<u>66</u>

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

A15. Fair value information (cont'd)

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 2024, 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
Less than 1 year	473,539	26,771
1 - 2 years	64,048	6,356
	<u>64,048</u>	<u>6,356</u>

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.

	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 31 March 2024				
Financial assets				
Fund placements with licensed financial institutions	13,044	-	13,044	-
Financial liabilities				
Other payables – Non-current	(271,564)	-	-	(271,564)
Derivatives at fair value through profit or loss				
- Forward exchange contracts	(66)	-	(66)	-
Derivatives used for hedging				
- Forward exchange contracts	(33,127)	-	(33,127)	-

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

A15. Fair value information (cont'd)

	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 31 December 2023				
Financial assets				
Fund placements with licensed financial institutions	12,506	-	12,506	-
Financial liabilities				
Other payables – Non-current	(244,327)	-	-	(244,327)
Derivatives at fair value through profit or loss				
- Forward exchange contracts	(47)	-	(47)	-
Derivatives used for hedging				
- Forward exchange contracts	(29,675)	-	(29,675)	-

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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:

	Quarter ended 31.03.2024 RM'000	Quarter ended 31.03.2023 RM'000
Ultimate holding company		
Sales of goods	6,679	6,168
Management and consulting fees incurred	510	576
Reimbursement of payroll for secondment of expatriates	14,739	4,831
Commission expense	284	330
Royalty expense	7,175	7,271
Commission income	8	9
Capital expenditure incurred	8,258	12,227
IT support services fee paid/payable	42	111
Other administrative expenses	16	19
	Quarter ended 31.03.2024 RM'000	Quarter ended 31.03.2023 RM'000
Related companies		
Sales of goods	98,090	15,199
Sales of utilities	2,580	482
Capital expenditure incurred	410,912	719,010
IT support services fee paid/payable	1,525	724
Commission expense	124	140
Warehouse and logistics services incurred	7,035	7,086
Other administrative expenses	521	259
Office space sublease	32	39
Interest income	553	483
Lease rental income	826	282
Income from shared services	29	22
Service fee	160	104

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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 31 March					
	Group		Olefins and derivative products		Polyolefin products	
	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,917,665	1,971,298	405,275	358,776	1,512,390	1,612,522
Loss before tax	(213,687)	(286,388)	(9,441)	(29,199)	(159,596)	(198,723)
EBITDA*	(61,125)	(109,639)	69,932	60,050	(106,034)	(150,131)

* 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 3% or RM 53.6 million, from RM 1,971.3 million in Q1 2023 to RM 1,917.7 million in Q1 2024, mainly due to decline in sales volume. The decrease in revenue was partially offset by higher average selling price which contributed by strengthening of US Dollar against Ringgit Malaysia.

Alongside the business optimization plan, the average plant utilization rate was recorded at 65% as compared to 70% in the corresponding quarter.

The loss before tax for the Group narrowed by 25%, from RM 286.4 million in Q1 2023 to RM 213.7 million in Q1 2024, mainly contributed by lower sales volume and decreased in the share of losses from associate company, Lotte Chemical USA Corp. ("LC USA").

As a result of the above, the net loss of the Group decreased by 18% to RM 189.2 million in Q1 2024. The decrease in net loss was partially offset by the deferred tax adjustment which arose mainly due to translation of certain unused tax credits.

Olefins and derivative products

Revenue increased from RM 358.8 million in Q1 2023 to RM 405.3 million in Q1 2024, mainly contributed by higher average selling price and strengthening of US Dollar against Ringgit Malaysia. The increase in revenue was partially offset by decrease in sales volume.

The segment loss before tax narrowed to RM 9.4 million in Q1 2024, mainly contributed by margin improvement and changes in the write down of inventories to its net realizable value.

Polyolefin products

The segment recorded a decrease in revenue from RM 1,612.5 million in Q1 2023 to RM 1,512.4 million in Q1 2024 mainly due to lower sales volume from product with squeeze margin and weakening in average selling price. The decrease in revenue was also partially offset by strengthening of US Dollar against Ringgit Malaysia

The segment loss before tax narrowed to RM 159.6 million in Q1 2024 from RM 198.7 million in Q1 2023 primarily due to lower sales volume.

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Part B - Other explanatory notes (cont'd)

B2. Variation of results against the preceding quarter

	Individual Quarter ended 31 March 2024 RM'000	Individual Quarter ended 31 December 2023 RM'000
Revenue	1,917,665	1,855,771
Loss before tax	(213,687)	(255,221)
EBITDA	<u>(61,125)</u>	<u>(84,409)</u>

The Group's revenue increased by 3% to RM 1,917.7 million from RM 1,855.7 million in the preceding quarter, mainly contributed by higher average selling price.

As part of business optimization measure, overall plant utilization recorded at 65% comparing to 66% in the preceding quarter.

The Group's loss before tax decreased from RM 255.2 million in Q4 2023 to RM 213.7 million in Q1 2024, mainly contributed by reversal in write down of inventories to net realisable value and decreased in the share of losses from associate company, Lotte Chemical USA Corp. ("LC USA").

As a result of the above, the Group's loss after tax decreased to RM 189.2 million compared to RM 197.3 million in the preceding quarter.

B3. Commentary on prospects

The results of our operations are expected to be primarily influenced by the following factors:

- a) Fluctuations in feedstock, naphtha prices that closely correlate with crude oil prices;
- b) Market dynamics affecting supply and demand for petrochemical products;
- c) Optimization of production outputs and enhancing economic efficiencies; and
- d) Economic expansion worldwide and regionally fueled by consumption and population growth.

The Group expects the business environment to continue to be volatile in the near future. Crude oil prices remain volatile due to geopolitical events such as Russia-Ukraine War and conflicts in Middle East. The sluggish economy and oversupply of petrochemical products in China have affected the dynamics of supply and demand in the market. Nevertheless, the primary geographical markets of the Group are spread across Malaysia, Indonesia and ASEAN Region. International Monetary Fund (IMF) has forecasted higher Gross Domestic Product (GDP) growth rate for these regions in 2024 compared to 2023. Specifically, Malaysia is expected to see a growth rate of 4.4% (2023: 3.7%), Indonesia 5% (consistent with 2023), and ASEAN 4.6% (2023: 4.2%).

The Group will continue to optimize its production outputs and economic efficiencies, and manage our cost effectively.

Barring unforeseen circumstances and taking into consideration plant statutory turnaround and business optimization, the operating rate guidance for FY2024 is 65% to 70%. This guidance may change from time to time.

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Part B - Other explanatory notes (cont'd)

B4. Profit forecast or profit guarantee

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

B5. Loss before tax

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

	Individual quarter ended 31 March	
	2024	2023
	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	126,008	136,132
(Gain) / Loss on foreign exchange:		
- Realised	(10,421)	7,240
- Unrealised	12,398	(7,797)
Inventories written off	2	4
Property, plant and equipment written off	56	622
Gain on disposal of property, plant and equipment	(55)	-
(Reversal of) / allowance of impairment loss on trade receivables	(1,802)	2,049
Reversal of inventories to net realisable value	(24,711)	(50,532)
Fair value changes on derivatives	20	(6,538)
	<u>20</u>	<u>(6,538)</u>

B6. Finance costs

	Individual quarter ended 31 March	
	2024	2023
	RM'000	RM'000
Interest expenses on loans and borrowings	133,986	2,116
Interest expenses on lease liabilities	409	452
Bank charges	610	800
Letter of credit charges	290	285
Unwinding of discount on provision	4,851	3,601
Amortisation of transaction costs	7,686	-
	<u>147,832</u>	<u>7,254</u>
Less: Amounts capitalised in property, plant and equipment		
- Borrowing costs	(128,491)	-
- Amortisation of transaction costs	(7,686)	-
	<u>(136,177)</u>	<u>-</u>
	<u>11,655</u>	<u>7,254</u>

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Part B - Other explanatory notes (cont'd)

B7. Income tax

	Individual quarter ended 31 March	
	2024	2023
	RM'000	RM'000
Current tax		
Current year	2,292	5,554
Under provision in prior year	-	9
	<u>2,292</u>	<u>5,563</u>
Deferred tax		
Origination and reversal of temporary differences	(26,816)	(60,395)
	<u>(26,816)</u>	<u>(60,395)</u>
Total income tax recognised in profit or loss	<u>(24,524)</u>	<u>(54,832)</u>

By excluding the share of results of associates, the Group effective tax rate for the period ended 31 March 2024 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 the Ringgit Malaysia ("RM") against the US Dollar ("USD"). The 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.

B10. Status of corporate proposals

As at the date of this report, there were no new corporate proposals during the period under review since the last audited consolidated financial statements for the year ended 31 December 2023.

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 RM13,748 million (2023: RM12,451 million) of which RM224 million (2023: RM260 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

	As at 31 March 2024 RM'000	As at 31 December 2023 RM'000
Trade receivables		
Third parties	516,776	522,288
Amount due from ultimate holding company	3,511	5,066
Amounts due from related companies	90,773	60,280
Other receivables	412,498	344,482
	<u>1,023,558</u>	<u>932,116</u>
Less: Allowance for impairment	(2,858)	(4,571)
	<u>1,020,700</u>	<u>927,545</u>

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

Neither past due nor impaired	545,936	483,244
1 to 30 days past due not impaired	34,464	83,974
31 to 90 days past due not impaired	2,444	245
More than 90 days past due not impaired	25,358	15,600
	<u>608,202</u>	<u>99,819</u>
Credit impaired	2,858	4,571
	<u>611,060</u>	<u>587,634</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.

B15. Other investments

	As at 31 March 2024 RM'000	As at 31 December 2023 RM'000
Fund placements with licensed financial institutions	13,044	12,506

B16. Cash and bank balances

	As at 31 March 2024 RM'000	As at 31 December 2023 RM'000
Cash at banks and on hand	426,042	373,070
Short term deposits with licensed financial institutions	199,591	387,594
Cash and cash equivalents	<u>625,633</u>	<u>760,664</u>

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Part B - Other explanatory notes (cont'd)

B17. Trade and other payables

Included in trade and other payables are RM158,939,517 (2023: RM143,572,262) 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 2024	As at 31 December 2023	As at 31 March 2024	As at 31 December 2023
<u>Current</u>	USD'000	USD'000	RM'000	RM'000
-Revolving credits - Unsecured	42,000	16,000	199,122	73,664
-Invoices financing - Unsecured	13,000	16,000	61,633	73,664
-Bill discounting - Secured	5,594	6,364	26,523	29,299
	RM'000	RM'000	RM'000	RM'000
-Bankers' acceptances - Unsecured	145,000	230,000	145,000	230,000
-Invoices financing - Unsecured	144,000	-	144,000	-
			<u>576,278</u>	<u>406,627</u>
<u>Non-current</u>	USD'000	USD'000	RM'000	RM'000
-Term loan - Secured	1,404,272	1,202,643	6,657,654	5,536,967
			<u>7,233,932</u>	<u>5,943,594</u>

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 463.6 million (2023: RM456.5 million) that are directly attributable to the term loan.

B19. Off balance sheet financial instruments

There were no off balance sheet financial instruments for the period ended 31 March 2024.

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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 40.30 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. On 11 January 2024, the High Court has approved the Judicial Review application of LCTIL. The case management was held on 8 February 2024 and High Court requested LCTIL and IRB to file the affidavit by 15 Mar 2024 and 3 May 2024 respectively. The next case management is scheduled on 9 May 2024 to update the status. 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 2024.

B21. Dividends

No dividend has been paid or declared by the Company for the period ended 31 March 2024.

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 31 March	
	2024	2023
Net loss attributable to the owner of the Company (RM'000)	<u>(178,025)</u>	<u>(224,757)</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>(7.82)</u>	<u>(9.87)</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 2023.