LOTTE CHEMICAL TITAN

Lifetime Value Creator

Building Resilience *for a Sustainable Future*

INTEGRATED ANNUAL REPORT **2022**

FINANCIAL STATEMENTS

Every Step for GREEN

A more comfortable daily life and a greener environment

We're creating a future that benefits both people and nature

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities and other information of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit net of tax	**(745,056)**	**1,110,387**
Attributable to:		
Equity holders of the Company	**(731,061)**	**1,110,387**
Non-controlling interests	**(13,995)**	**-**
	(745,056)	**1,110,387**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDEND

The amounts of dividends paid by the Company since 31 December 2021 was as follows:

	RM'000
In respect of the financial year ended 31 December 2021 as reported in the directors' report of that year:	
Final single-tier dividend of 21 sen per share on 2,277,556,540 ordinary shares, declared on 3 March 2022 and paid on 13 April 2022	**478,287**
In respect of the financial year ended 31 December 2022:	
Special single-tier dividend of 13.98 sen per share on 2,277,556,540 ordinary shares, declared on 24 November 2022 and paid on 29 December 2022	**318,402**

The directors do not recommend the payment of any final dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Abdul Rahman bin Mamat
Park Hyun Chul**
Ang Ah Leck
Tan Sri Datuk (Dr.) Rafiah binti Salim
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir
Park Jae Sun
Moon Young Tae** (Appointed on 1 February 2023)
Lee Jung Hyeng** (Resigned on 1 February 2023)

**These directors are also directors of the Company's subsidiaries.

DIRECTORS (CONT'D)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Calvin Wiryapranata	
Cho Jin Woo	
Jang Seon Pyo	
Jojok Hadrijanto	
Kong Chock Hoon	
Robin Wahjudi Handoko	
Chair Lam Seng	(Appointed on 15 April 2022)
Ching Guey Jing	(Appointed on 1 October 2022)
Shim Mi Hyang	(Appointed on 15 February 2023)
Yim Dong Hee	(Appointed on 15 February 2023)
Lau Chee Ming	(Resigned on 15 April 2022)
Tan Gek Seng	(Resigned on 1 October 2022)
Lee Kwan Ho	(Resigned on 15 February 2023)
Kim Yong Hak	(Resigned on 15 February 2023)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2022 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors:		
Fee	**819**	**-**
Allowances	**97**	**-**
Salaries	**-**	**11,187**
Bonus and allowances	**-**	**3,312**
Benefits-in-kind	**-**	**768**
Other emoluments	**-**	**40**
	916	**15,307**

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Group are RM100 million and RM242,000.

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares			
	1.1.2022	Acquired	Sold	31.12.2022
Direct interest				
Ordinary shares of the Company				
Tan Sri Dato' Abdul Rahman bin Mamat	**30,000**	**-**	**-**	**30,000**
Ang Ah Leck	**30,000**	**-**	**-**	**30,000**
Tan Sri Datuk (Dr.) Rafiah binti Salim	**32,500**	**-**	**-**	**32,500**

The other directors in office at the end of the financial year has no interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

There were no changes in the issued and paid-up capital of the Company during the financial year.

HOLDING COMPANY

The directors regard Lotte Chemical Corporation, a public company incorporated in the Republic of Korea, as the ultimate holding company.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The details of remuneration paid by the Group and the Company to auditors of the Group and the Company during the financial year are as follows:

	Group RM'000	Company RM'000
Auditors' remuneration:		
- Statutory audit	**950**	**233**
- Other services	**458**	**129**
	1,408	**362**

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 March 2023.

Park Hyun Chul

Tan Sri Dato' Abdul Rahman bin Mamat

Statement by Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Park Hyun Chul and Tan Sri Dato' Abdul Rahman bin Mamat, being two of the directors of Lotte Chemical Titan Holding Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 63 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 March 2023.

Park Hyun Chul

Tan Sri Dato' Abdul Rahman bin Mamat

Statutory Declaration

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ching Guey Jing, being the officer primarily responsible for the financial management of Lotte Chemical Titan Holding Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 63 are in my opinion correct, and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly	)	
declared by the abovenamed	)	
Ching Guey Jing at Johor Bahru	)	Ching Guey Jing
in the State of Johor Darul Takzim on 2 March 2023	)	(MIA 27393)

Before me:

Independent Auditors' Report

TO THE MEMBERS OF LOTTE CHEMICAL TITAN HOLDING BERHAD (INCORPORATED IN MALAYSIA)
REGISTRATION NUMBER: 199101012045 (222357-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lotte Chemical Titan Holding Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Impairment of property, plant and equipment and right-of-use assets

Refer to Note 2.17 - Significant accounting policy: Impairment of non-financial assets, Note 3 - Significant accounting estimates and judgements: Impairment of property, plant and equipment and right-of-use assets, Note 12 - Property, plant and equipment and Note 13 - Right-of-use assets.

The key audit matter

As at 31 December 2022, the carrying amount of the Group's property, plant and equipment and right-of-use assets were RM9.6 billion and RM0.7 billion respectively. There is impairment indicator that the carrying amount of the Group's property, plant and equipment and right-of-use assets may be higher than the recoverable amount. The recoverable amount of a cash generating unit ("CGU") is the greater of its value in use and the fair value less costs of disposal of the related assets. The Directors have determined two CGUs by geographic locations which are Malaysia and Indonesia respectively. Both CGUs have operating assets that generate independent cash inflows.

We have determined the impairment of property, plant and equipment and right-of-use assets as key audit matter as the recoverable amount of the CGUs involves significant judgement and estimation. The Directors performed impairment assessment on Malaysia CGU using discounted cash flow projections. For Indonesia CGU, external valuer was engaged to determine the fair value less costs of disposal.

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

- We evaluated the methodology and approach applied.
- We evaluated the key assumptions and estimates used in the discounted cash flow projections which comprised projected growth rate, gross profit margin and discount rate with reference to internally derived sources as well as external benchmarks.

Key Audit Matters (Cont'd)

How the matter was addressed in our audit (Cont'd)

(i) Impairment of property, plant and equipment and right-of-use assets (Cont'd)

- We assessed the Group's sensitivity analysis on the discounted cash flow projections to changes in key assumptions.
- We evaluated the qualifications and competency of the external valuer and discussed the scope of work with the external valuer to determine whether there were any matters that might have affected the external valuer's objectivity or placed limitations in their scope of work.
- We discussed with the external valuer on its valuation techniques and input data used and challenged the key assumptions applied by the external valuer which comprised adjustments to factors which affected the value such as location, accessibility, market conditions, size, age and asset conditions by comparing with internal and external sources.
- We assessed the adequacy of disclosure in the financial statements as required by the relevant accounting standards.

(ii) Impairment of investments in subsidiaries - Company

Refer to Note 2.4 - Significant accounting policy: Basis of consolidation, Note 3 - Significant accounting estimates and judgements: Impairment of investment in a subsidiary, Note 14 - Investments in subsidiaries.

The key audit matter

As at 31 December 2022, the carrying amount of the Company's investments in subsidiaries amounted to RM7.1 billion. There are indications that investment may be impaired as the net assets balances for one of the subsidiaries were lower than the carrying amount of the investment. The Company estimated the recoverable amount of investment in this subsidiary based on fair value less costs of disposal of its net assets.

We have determined the impairment of investment in the subsidiary as key audit matter as the determination of recoverable amount of the investment in subsidiary involves significant judgement and estimation by the Directors.

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

- We evaluated the methodology and approach applied.
- We evaluated the qualifications and competency of the external valuer and discussed the scope of work with the external valuer to determine whether there were any matters that might have affected the external valuer's objectivity or placed limitations in their scope of work.
- We discussed with the external valuer on its valuation techniques and input data used and challenged the key assumptions applied by the external valuer which comprised adjustments to factors which affected the value such as location, accessibility, market conditions, size, age and asset conditions by comparing with internal and external sources.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 14 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Yen Ing
Approval Number: 03174/04/2023 J
Chartered Accountant

Johor Bahru
Date: 2 March 2023

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	4	**10,019,083**	9,830,885	**968,506**	484,301
Cost of sales	5	**(10,815,826)**	(8,541,568)	**-**	-
Gross (loss)/profit		**(796,743)**	1,289,317	**968,506**	484,301
Other income		**12,219**	32,943	**79,685**	14,753
Distribution expenses		**(91,287)**	(143,015)	**-**	-
Administrative expenses		**(132,177)**	(104,570)	**(5,503)**	(6,840)
Foreign exchange differences		**(19,546)**	31,244	**47,378**	60,332
Fair value changes on derivatives		**(7,104)**	(372)	**-**	-
Other expenses		**(6,813)**	(14,572)	**-**	(16,192)
(Loss)/Profit from operations		**(1,041,451)**	1,090,975	**1,090,066**	536,354
Finance income		**50,120**	52,539	**25,521**	28,816
Finance costs	6	**(17,858)**	(13,811)	**(6)**	(3)
Net finance income		**32,262**	38,728	**25,515**	28,813
Share of results of associates		**7,643**	203,138	**-**	-
(Loss)/Profit before tax	7	**(1,001,546)**	1,332,841	**1,115,581**	565,167
Income tax credit/(expense)	10	**256,490**	(291,976)	**(5,194)**	(2,403)
(Loss)/Profit net of tax		**(745,056)**	1,040,865	**1,110,387**	562,764
Other comprehensive income/(loss), net of tax					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		**2**	(394)	**-**	-
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		**709,037**	358,159	**-**	-
Cash flow hedge		**(114,212)**	-	**-**	-
		594,827	357,765	**-**	-
Total comprehensive (loss)/income for the year		**(150,229)**	1,398,630	**1,110,387**	562,764
(Loss)/Profit of net of tax attributable to:					
Owners of the Company		**(731,061)**	1,040,029	**1,110,387**	562,764
Non-controlling interests		**(13,995)**	836	**-**	-
		(745,056)	1,040,865	**1,110,387**	562,764
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company		**(150,999)**	1,380,190	**1,110,387**	562,764
Non-controlling interests		**770**	18,440	**-**	-
		(150,229)	1,398,630	**1,110,387**	562,764
Basic and diluted (loss)/earnings per ordinary share (sen)	11	**(32.10)**	45.70		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	**9,598,844**	5,254,255	**-**	-
Right-of-use assets	13	**699,134**	531,731	**-**	-
Investments in subsidiaries	14	**-**	-	**7,087,488**	4,857,916
Investments in associates	15	**2,514,119**	2,362,905	**2,135,728**	2,135,728
Non-current tax assets		**47,983**	15,202	**-**	-
Deferred tax assets	16	**14**	-	**-**	-
		12,860,094	8,164,093	**9,223,216**	6,993,644
Current assets					
Inventories	17	**1,461,912**	1,674,270	**-**	-
Trade and other receivables	18	**919,586**	975,283	**174,113**	2,113
Current tax assets		**121,697**	33,064	**366**	1,998
Prepayments		**88,824**	29,924	**21**	19
Other investments	19	**14,711**	2,756,116	**4**	2,204,940
Cash and bank balances	20	**1,304,993**	1,842,009	**460,379**	420,422
		3,911,723	7,310,666	**634,883**	2,629,492
Total assets		**16,771,817**	15,474,759	**9,858,099**	9,623,136
Equity and liabilities					
Capital and reserves					
Share capital	21	**5,827,149**	5,827,149	**5,827,149**	5,827,149
Treasury shares	21	**(226,252)**	(226,252)	**(226,252)**	(226,252)
Other reserves	22	**1,965,228**	1,385,095	**-**	-
Retained earnings	23	**4,191,774**	5,719,595	**3,758,685**	3,444,987
Total equity attributable to owners of the Company		**11,757,899**	12,705,587	**9,359,582**	9,045,884
Non-controlling interests		**2,765,746**	622,608	**-**	-
Total equity		**14,523,645**	13,328,195	**9,359,582**	9,045,884
Non-current liabilities					
Provision	24	**362,431**	407,492	**-**	-
Trade and other payables	25	**73,906**	-	**-**	-
Deferred tax liabilities	16	**464,742**	703,035	**-**	-
Defined benefit obligation	26	**18,314**	21,317	**-**	-
Lease liabilities	27	**24,595**	29,390	**-**	-
Derivative financial instruments	28	**114,212**	-	**-**	-
		1,058,200	1,161,234	**-**	-
Current liabilities					
Trade and other payables	25	**1,165,961**	974,704	**498,517**	577,252
Current tax liabilities		**6,374**	-	**-**	-
Derivative financial instruments	28	**6,606**	377	**-**	-
Lease liabilities	27	**11,031**	10,249	**-**	-
		1,189,972	985,330	**498,517**	577,252
Total liabilities		**2,248,172**	2,146,564	**498,517**	577,252
Total equity and liabilities		**16,771,817**	15,474,759	**9,858,099**	9,623,136

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to owners of the Company								
		Non-distributable reserves					Distributable			
Group	**Note**	**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**	**Attributable to owners of the Company RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2021		5,816,813	(226,252)	26,539	1,018,031	-	5,164,217	11,799,348	468,793	12,268,141
Net profit for the year		-	-	-	-	-	1,040,029	1,040,029	836	1,040,865
Other comprehensive income/(loss)		-	-	-	340,525	-	(364)	340,161	17,604	357,765
Total comprehensive income for the year		-	-	-	340,525	-	1,039.665	1.380,190	18,440	1,398,630
Dividends	35	-	-	-	-	-	(484,287)	(484,287)	-	(484,287)
Ordinary shares issued pursuant to Dividend Reinvestment Scheme	21	10,336	-	-	-	-	-	10,336	-	10,336
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	14(c)	-	-	-	-	-	-	-	135,375	135,375
At 31 December 2021		5,827,149	(226,252)	26,539	1,358,556	-	5,719,595	12,705,587	622,608	13,328,195
At 1 January 2022		**5,827,149**	**(226,252)**	**26,539**	**1,358,556**	**-**	**5,719,595**	**12,705,587**	**622,608**	**13,328,195**
Net loss for the year		**-**	**-**	**-**	**-**	**-**	**(731,061)**	**(731,061)**	**(13,995)**	**(745,056)**
Other comprehensive income/(loss)		**-**	**-**	**-**	**638,381**	**(58,248)**	**(71)**	**580,062**	**14,765**	**594,827**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**638,381**	**(58,248)**	**(731,132)**	**(150,999)**	**770**	**(150,229)**
Dividends	35	**-**	**-**	**-**	**-**	**-**	**(796,689)**	**(796,689)**	**-**	**(796,689)**
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	14(c)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,142,368**	**2,142,368**
At 31 December 2022		**5,827,149**	**(226,252)**	**26,539**	**1,996,937**	**(58,248)**	**4,191,774**	**11,757,899**	**2,765,746**	**14 ,523,645**

Company	Note	Non-distributable reserves: Share capital RM'000	Non-distributable reserves: Treasury shares RM'000	Distributable: Retained earnings RM'000	Total equity RM'000
At 1 January 2021		5,816,813	(226,252)	3,366,510	8,957,071
Net profit for the year, representing total comprehensive income for the year		-	-	562,764	562,764
Ordinary shares issued pursuant to Dividend Reinvestment Scheme	21	10,336	-	-	10,336
Dividends	35	-	-	(484,287)	(484,287)
At 31 December 2021		5,827,149	(226,252)	3,444,987	9,045,884
At 1 January 2022		**5,827,149**	**(226,252)**	**3,444,987**	**9,045,884**
Net profit for the year, representing total comprehensive income for the year		**-**	**-**	**1,110,387**	**1,110,387**
Dividends	35	**-**	**-**	**(796,689)**	**(796,689)**
At 31 December 2022		**5,827,149**	**(226,252)**	**3,758,685**	**9,359,582**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	**(1,001,546)**	1,332,841	**1,115,581**	565,167
Adjustments for:				
Depreciation of property, plant and equipment	**563,041**	534,570	**-**	-
Depreciation of right-of-use assets	**21,263**	21,806	**-**	-
Finance costs	**17,858**	13,811	**6**	3
Property, plant and equipment written off	**1,877**	238	**-**	-
Write-down of inventories to net realisable value	**135,823**	17,280	**-**	-
Loss on derecognition of right-of-use assets	**1**	-	**-**	-
Bad debts recovered	**(25)**	-	**-**	-
(Income)/Expenses recognised in respect of defined benefit plan	**(931)**	3,315	**-**	-
Inventories written off	**508**	96	**-**	-
Share of results of associates	**(7,643)**	(203,138)	**-**	-
Allowance on trade receivables	**5,884**	-	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(197)**	90	**-**	-
Finance income	**(50,120)**	(52,539)	**(25,521)**	(28,816)
Fair value changes in derivatives	**7,104**	372	**-**	-
(Gain)/Loss on disposal of investment in an associate	**-**	(10,192)	**-**	1,128
Unrealised loss on foreign exchange	**55,123**	25,730	**23,986**	3,744
Reversal of impairment loss on investment in subsidiaries	**-**	-	**-**	(108)
Dividend income	**-**	-	**(968,506)**	(484,301)
Gain arising from liquidation of subsidiaries	**-**	-	**(79,663)**	-
Operating (loss)/profit before changes in working capital	**(251,980)**	1,684,280	**65,883**	56,817
Change in inventories	**163,730**	(353,021)	**-**	-
Change in trade and other receivables	**57,419**	(240,207)	**(466)**	140
Change in trade and other payables	**(208,730)**	151,489	**1,167**	1,024
Cash (used in)/generated from operations	**(239,561)**	1,242,541	**66,584**	57,981
Payments under defined benefit plan	**(1,250)**	(2,309)	**-**	-
Finance costs paid	**(5,795)**	(6,801)	**(6)**	(3)
Income tax paid	**(102,271)**	(65,720)	**(3,562)**	(4,031)
Net cash (used in)/generated from operating activities	**(348,877)**	1,167,711	**63,016**	53,947

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities				
Finance income received	**50,120**	52,539	**25,521**	28,816
Proceeds from disposal of property, plant and equipment	**205**	44	**-**	-
Payment of right-of-use assets	**(15,836)**	(23,079)	**-**	-
Acquisition of property, plant and equipment	**(4,337,647)**	(449,112)	**-**	-
Investment in subsidiaries	**-**	-	**(2,229,812)**	(140,901)
Proceed from disposal of investment in an associate	**-**	15,782	**-**	15,782
Fund redemption from other investments	**2,741,405**	133,574	**2,204,936**	365,904
Dividend income received	**-**	-	**796,929**	484,287
Net cash (used in)/generated from investing activities	**(1,561,753)**	(270,252)	**797,574**	753,888
Cash flows from financing activities				
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	**2,142,368**	135,375	**-**	-
Dividend paid	**(796,689)**	(473,951)	**(796,689)**	(473,951)
Payment of lease liabilities	**(26,531)**	(12,085)	**-**	-
Net cash generated from/(used in) financing activities	**1,319,148**	(350,661)	**(796,689)**	(473,951)
Net (decrease)/increase in cash and cash equivalents	**(591,482)**	546,798	**63,901**	333,884
Effect of exchange rate changes on the balance of cash held in foreign currencies	**54,466**	26,898	**(23,944)**	(3,836)
Cash and cash equivalents at beginning of year	**1,842,009**	1,268,313	**420,422**	90,374
Cash and cash equivalents at end of year (Note 20)	**1,304,993**	1,842,009	**460,379**	420,422
Cash outflows for leases as a lessee				
Included in net cash from operating activities				
Payment relating to short-term leases (Note 7)	**6,620**	5,133	**-**	-
Payment relating to leases of low-value assets (Note 7)	**671**	272	**-**	-
Interest paid in relation to lease liabilities (Note 6)	**2,058**	2,489	**-**	-
Included in net cash from financing activities				
Payment of lease liabilities	**26,531**	12,085	**-**	-
Total cash outflows for leases	**35,880**	19,979	**-**	-

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. CORPORATE INFORMATION

The Company is a public company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Lot 29.01, Level 29, 1 Powerhouse, No. 1 Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at PLO 312, Jalan Tembaga 4, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Takzim.

The Company is an investment holding company. The principal activities and other information of the subsidiaries are disclosed in Note 14. There have been no significant changes in the nature of the principal activities during the financial year.

The Company's ultimate holding company is Lotte Chemical Corporation, a public company incorporated in the Republic of Korea.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis other than as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Except when indicated otherwise, all values are rounded to the nearest thousand ("RM'000").

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the preceding year except as follows:

On 1 January 2022, the Group and the Company adopted the following new standard, IC Interpretation and amendments mandatory for annual financial periods beginning on or after 1 January 2022.

Description	Effective for annual periods beginning on or after
Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*	1 January 2022
Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*	1 January 2022
Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*	1 January 2022

The adoption of the above new standard, IC Interpretation and amendments did not have any significant impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

Description	Effective for annual periods beginning on or after
MFRS 17, *Insurance Contracts*	1 January 2023
Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*	1 January 2023
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendment to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be confirmed

The directors are of opinion that the standard and amendments above would not have any material impact on the financial statements in the year of initial adoption.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. Dividend income is recognised when the Company's right to receive payment is established. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6 Investments in associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statements of financial position at cost plus post- acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.8 Fair value measurement

The Group measures derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customers.

Revenue is measured at the fair value of consideration received or receivable.

The following describes the performance obligation in contracts with customers:

(a) Sale of goods

The Group contracts with its customers for sale of petrochemical products and polyolefin resins. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon the transfer of significant risks and rewards of ownership of the goods to the customer. Payment is generally due within 30 to 90 days from transfer of risks and rewards. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Delivery service

The Group provides delivery services that are bundled together with the sale of goods to a customer. The delivery services can be obtained from other providers and do not significantly customise or modify the goods sold.

Contracts for bundled sale of goods and delivery services comprised two performance obligations because the promises to transfer goods and provide delivery services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the goods and delivery services.

The Group recognises revenue from delivery services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Payment is generally due within 30 to 90 days from delivery.

(c) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Taxes

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Taxes (Cont'd)

(iii) Sales and Services Tax ("SST")

Revenues, expenses and assets are recognised net of the amount of SST except:

- Where the amount of SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.11 Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.12 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 24) for further information about the recorded dismantling provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Property, plant and equipment (Cont'd)

Turnarounds, which are periodic scheduled major maintenance and refurbishment to bring the plant to its original capabilities, are typically carried out every 3 to 5 years.

Turnaround costs, including allocated costs in bringing the turnaround to its completion are capitalised and amortised over a period of 36 to 60 months commencing from the month subsequent to the completion of the turnaround where the economic benefits associated with the turnaround will flow to the entity.

In the event that the next turnaround takes place earlier than the 36 to 60 months period, the carrying amount capitalised in the statements of financial position is derecognised immediately in the profit or loss prior to the commencement of the next turnaround.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Buildings	2% - 10%
Plant and support facilities	3.3% - 33%
Computers, office and other equipment	10% - 33%

Construction in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.13 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office buildings	33%
Motor vehicles	33% - 50%
Land use rights	1.8% - 50%
Terminal and jetty	6%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Leases (Cont'd)

Group as a lessee (Cont'd)

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group does not have any financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) or financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

- ***Financial assets at amortised cost (debt instruments)***

  This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

    and

  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost comprise solely of trade and other receivables.

- ***Financial assets at fair value through profit or loss***

  Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

  This category comprises of the Group's derivative instruments and fund placements with licensed financial institutions. The Group uses derivative financial instruments such as forward exchange contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

  Dividends are recognised as revenue in the statements of comprehensive income when the right of payment has been established. Interests are recognised as finance income in the statements of comprehensive income when the right of payment has been established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired or;

- The Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities comprise trade and other payables and derivatives financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- ***Financial liabilities at fair value through profit or loss***

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group's financial liabilities at fair value through profit or loss comprise solely derivative instruments.

- ***Financial liabilities at amortised cost (Loans and borrowings)***

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

  This category generally applies to the Group's and the Company's trade and other payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(d) Hedge accounting

At inception of a designated hedging relationship, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (Cont'd)

(d) Hedge accounting (Cont'd)

Cash flow hedge (Cont'd)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determine using weighted average basis. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

Cash and cash equivalents are categorised and measured as financial assets at amortised cost.

2.19 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.20 Provisions

(a) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(b) Dismantling liability

The Group records a provision for dismantling costs of its manufacturing facility. Dismantling costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risk specific to the dismantling liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of dismantling are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the assets.

2.21 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Defined benefit plans

The Group's subsidiaries in Indonesia are required to provide defined benefit plans to eligible employees under legislative requirements or industry arrangements. The costs of providing benefits under defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods. The past service cost is recognised as an expense at the earlier of the date of the plan amendment or curtailment and the date that the Group recognises related restructuring costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (Cont'd)

(ii) Defined benefit plans (Cont'd)

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of inventories

A review is made periodically on inventory for declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the cost of completion of raw materials and work-in-progress based on existing raw materials on hand and then compare to the net realisable value. In any case the realisable value represents the recoverable amount and is based on the acceptable evidence available at the end of the financial year. The key estimate involved in determining the cost of completion of raw materials and work-in-progress is the production yield used to estimate the cost of conversion. In general, such process requires judgement and materially affects the carrying amount of inventories at the end of the financial year. Possible changes in the key estimate could result in revisions to the stated value of the inventories.

Provisions

The Group has recognised a provision for dismantling and removing its manufacturing facilities from its leased sites. In determining the amount of the provision, assumptions and estimates are made in relation to the discount rate applied, expected dismantling and removal costs (which will incorporate expected future inflation rates), and expected timing of those costs.

The Group computes its estimated dismantling cost ("EDC") as a proportion of estimated new replacement value ("ENRV") for the manufacturing facilities. These estimated future costs of dismantling are reviewed annually and adjusted as appropriate. Further details on the key assumptions are disclosed in Note 24.

At the reporting date, sensitivity of management's estimates and its impacts on the outstanding liabilities balance as at the end of the year are disclosed below:

	Increase/ (Decrease) 2022 RM'000
Inflation rate:	
- Higher by 10%	**30,064**
- Lower by 10%	**(27,839)**
Discount rate:	
- Higher by 10%	**(36,302)**
- Lower by 10%	**40,507**
Proportion of ENRV as EDC:	
- Higher by 10%	**36,243**
- Lower by 10%	**(36,243)**

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment on its property, plant and equipment and right-of-use assets at each reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group has determined the recoverable amount of its CGU based on the higher of the value in use calculation and the fair value less costs of disposal.

The value in use calculation is based on a discounted cash-flow ("DCF") model. The cash flows are derived from a forecast for the next five years and do not include restructuring activities that is not yet committed to or significant future investment that will enhance the subsidiary's performance. The recoverable amount of the Group's CGU has been determined based on a value in use calculation using cash flow projections from the financial budget approved by senior management covering a five-year period. The value in use calculation is most sensitive to the assumptions that:

- The future forecasted cash flows is discounted at a pre-tax discount rate of 14.18%;
- The growth rate of the CGU is 1.92%;
- The margin spread between the price of the CGU's finished goods and the price of the CGU's raw material will remain consistent during the forecasted financial years; and
- The forecasted selling price of the CGU's finished goods will move in line with the forecasted movement in naphtha price.

We have performed sensitivity analysis and determined that where:

- Discount rate increased by 1.0% with all other assumptions remain constant;
- Growth rate decreased by 1.0% with all other assumptions remain constant; and
- Forecasted revenue and consequentially, gross profit decreased by 2.0% with all other assumptions remain constant.

The Group engaged independent valuation specialists to determine fair value for one of its CGU as at 31 December 2022. The fair value was determined using the market comparable and depreciated replacement cost method. The valuations have been performed by the valuer and are based on factors which affect the value such as location, accessibility, market conditions, size, age and asset conditions.

As a result of the above analyses, management has determined that no impairment is required in its property, plant and equipment and right-of-use assets.

Impairment of investment in a subsidiary

Impairment exists when the carrying value of the investment in the subsidiary exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Company has determined the recoverable amount of the investment in a subsidiary, Lotte Chemical Titan International Sdn. Bhd. ("LCTI") based on its fair value less costs of disposal. The fair value was determined based on the adjusted net tangible assets of LCTI. The Group engaged independent valuation specialists to determine fair value of the non-current assets of the subsidiary as at 31 December 2022. The fair value was determined using the market comparable and depreciated replacement cost method. The valuations have been performed by the valuer and are based on factors which affect the value such as location, accessibility, market conditions, size, age and asset conditions. During the current financial year, there is no impairment required on its investment in LCTI.

Fair value of derivative instruments

The Group's derivative liabilities are carried at fair value, the determination of which requires the use of accounting estimates and judgements.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., exchange rates and discount rate), the amount of changes in fair value would differ due to usage of different valuation methodology.

4. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sales of goods	**10,019,083**	9,830,885	**-**	-
Dividend income from subsidiaries	**-**	-	**968,506**	484,301
	10,019,083	9,830,885	**968,506**	484,301

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 %
31 December 2022				
Geographical markets				
Malaysia	**235,027**	**2,811,313**	**3,046,340**	**30**
Indonesia	**240,712**	**3,081,102**	**3,321,814**	**33**
China	**249,307**	**558,061**	**807,368**	**8**
Southeast Asia	**772,935**	**918,761**	**1,691,696**	**17**
Northeast Asia	**377,041**	**185,323**	**562,364**	**6**
Indian Sub-Continent	**195,794**	**310,032**	**505,826**	**5**
Others	**-**	**83,675**	**83,675**	**1**
Total revenue from contracts with customers	**2,070,816**	**7,948,267**	**10,019,083**	**100**
31 December 2021				
Geographical markets				
Malaysia	457,762	2,886,723	3,344,485	34
Indonesia	309,515	2,580,124	2,889,639	29
China	187,794	519,140	706,934	7
Southeast Asia	498,673	949,629	1,448,302	15
Northeast Asia	265,930	222,578	488,508	5
Indian Sub-Continent	209,545	488,134	697,679	7
Others	-	255,338	255,338	3
Total revenue from contracts with customers	1,929,219	7,901,666	9,830,885	100

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

5. COST OF SALES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost of inventories sold	**10,706,611**	8,412,687	**-**	-
Cost of delivery services	**109,215**	128,881	**-**	-
	10,815,826	8,541,568	**-**	-

6. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense on lease liabilities	**2,058**	2,489	**-**	-
Bank charges	**2,553**	3,054	**6**	3
Letter of credit charges	**1,122**	1,258	**-**	-
Unwinding of discount on provision (Note 24)	**12,063**	7,010	**-**	-
Other finance costs	**62**	-	**-**	-
	17,858	13,811	**6**	3

7. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Depreciation of property, plant and equipment (Note 12)	**563,041**	534,570	**-**	-
Depreciation of right-of-use assets (Note 13)	**21,263**	21,806	**-**	-
Employee benefits expense (Note 8)	**196,194**	207,526	**-**	-
Expense relating to short-term leases (Note a)	**6,620**	5,133	**-**	-
Expense relating to leases of low-value assets (Note a)	**671**	272	**-**	-
(Gain)/Loss on foreign exchange:				
- Realised	**(35,577)**	(56,974)	**(71,363)**	(64,076)
- Unrealised	**55,123**	25,730	**23,986**	3,744
Auditors' remuneration:				
- Statutory audits	**950**	896	**233**	199
- Other services	**458**	417	**129**	123
Services provided by affiliates of auditors	**136**	61	**80**	60
Property, plant and equipment written off	**1,877**	238	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(197)**	90	**-**	-
Loss on derecognition of right-of-use assets	**1**	-	**-**	-
Lease rental income	**(1,753)**	(3,112)	**-**	-
(Gain)/Loss on disposal of investment in an associate	**-**	(10,192)	**-**	1,128
Allowance on trade receivables	**5,884**	-	**-**	-
Inventories:				
- Written off	**508**	96	**-**	-
- Write down to net realisable value	**135,823**	17,280	**-**	-
Bad debts recovered	**(25)**	-	**-**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**-**	(108)
Fair value changes in derivatives	**7,104**	372	**-**	-
Financial guarantee income	**-**	(76)	**-**	(76)
Gain arising from liquidation of subsidiaries	**-**	-	**(79,663)**	-

Note a

The Group leases hostel accommodation, motor vehicles and office equipment. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2022 RM'000	2021 RM'000
Wages and salaries	**177,808**	182,983
Defined contribution plan	**17,117**	19,369
Defined benefit plan (Note 26)	**(931)**	3,315
Social security contributions	**2,200**	1,859
	196,194	207,526

Included in employee benefits expense of the Group is executive directors' remuneration as disclosed in Note 9.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors of the Group and the Company				
Executive:				
Salaries	**4,078**	3,032	**-**	-
Bonus and allowances	**2,044**	1,583	**-**	-
Benefits-in-kind	**374**	366	**-**	-
Other emoluments	**35**	61	**-**	-
	6,531	5,042	**-**	-
Non-executive:				
Fees	**819**	780	**819**	780
Allowances	**97**	101	**97**	101
	916	881	**916**	881
Other directors of subsidiaries				
Executive:				
Salaries	**7,109**	4,450	**-**	-
Bonus and allowances	**1,268**	1,421	**-**	-
Benefits-in-kind	**394**	425	**-**	-
Other emoluments	**5**	6	**-**	-
	8,776	6,302	**-**	-
Other key management				
Executive:				
Salaries	**1,840**	1,860	**-**	-
Bonus and allowances	**1,282**	1,147	**-**	-
Benefits-in-kind	**133**	127	**-**	-
Other emoluments	**17**	49	**-**	-
	3,272	3,183	**-**	-
	19,495	15,408	**916**	881

10. INCOME TAX (CREDIT)/EXPENSE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current tax expense				
Current year	**21,009**	40,611	**4,707**	2,403
Under/(Over) provision in prior year	**489**	(758)	**487**	-
	21,498	39,853	**5,194**	2,403
Deferred tax expense (Note 16)				
Origination and reversal of temporary differences	**(267,119)**	230,708	**-**	-
(Over)/Under provision in prior year	**(10,869)**	21,415	**-**	-
	(277,988)	252,123	**-**	-
Total income tax (credit)/expense recognised in profit or loss	**(256,490)**	291,976	**5,194**	2,403

Domestic current income tax is calculated at the statutory tax rate of 24% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax (credit)/expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax (credit)/expense at the effective income tax rate of the Group and the Company is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit before tax	**(1,001,546)**	1,332,841	**1,115,581**	565,167
Tax at Malaysian statutory tax rate of 24%	**(240,371)**	319,882	**267,739**	135,640
Tax effects of:				
Expenses not deductible for tax purposes	**18,777**	42,043	**631**	15,664
Income not subject to tax	**(31,590)**	(61,388)	**(264,339)**	(148,901)
Different tax rates in other countries	**353**	(904)	**-**	-
Deferred tax adjustments arising from translation of tax bases of qualifying assets, unused tax losses and other allowances to functional currency of the subsidiaries	**8,556**	11,401	**-**	-
Share of results in associates	**(1,835)**	(48,753)	**-**	-
Withholding tax expenses	**-**	-	**676**	-
Under/(Over) provision in prior year:				
- Current tax	**489**	(758)	**487**	-
- Deferred tax	**(10,869)**	21,415	**-**	-
Change of tax rate	**-**	9,038	**-**	-
Income tax (credit)/expense recognised in profit or loss	**(256,490)**	291,976	**5,194**	2,403

A subsidiary of the Group has been granted tax incentive under P.U. (A) 112 Tax Exemption (No. 11) Order 2006 for its approved business. Under the incentive, the subsidiary is allowed to claim 100% tax exemption on its statutory income from year of assessment ("YA") 2017 to YA 2021.

The subsidiary has subsequently been granted an extension of income tax exemption equivalent to a tax rate of 10% for five years under Section 127(3A) on services income and trading income from the undertaking of principal hub activities commencing from YA 2022.

11. (LOSS)/EARNINGS PER SHARE ("EPS")

Basic and diluted EPS are calculated by dividing (loss)/profit net of tax attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the year. As the Group and the Company did not issue any dilutive potential ordinary shares, the Group's and the Company's diluted EPS is equivalent to its basic EPS.

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

	2022	2021
(Loss)/Profit net of tax attributable to the owners of the Company (RM'000)	**(731,061)**	1,040,029
Weighted average number of ordinary shares at the end of the year ('000)	**2,277,557**	2,275,652
Basic and diluted EPS (sen)	**(32.10)**	45.70

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Plant and support facilities RM'000	Computers, office and other equipment RM'000	Construction-in-progress RM'000	Total RM'000
Group					
Cost					
At 1 January 2021	228,192	10,770,946	94,005	776,539	11,869,682
Additions	-	34	-	482,433	482,467
Write off	(32)	(102,966)	(1,112)	-	(104,110)
Disposals	-	(2,354)	-	-	(2,354)
Adjustment* (Note 24)	-	56,223	-	-	56,223
Reclassification	176	276,503	7,435	(284,114)	-
Transfers	-	3,643	-	-	3,643
Exchange differences	8,209	387,830	3,438	31,173	430,650
At 31 December 2021 and 1 January 2022	**236,545**	**11,389,859**	**103,766**	**1,006,031**	**12,736,201**
Additions	**-**	**355**	**824**	**4,858,533**	**4,859,712**
Write off	**-**	**(36,475)**	**(285)**	**-**	**(36,760)**
Disposals	**-**	**-**	**(624)**	**-**	**(624)**
Adjustment* (Note 24)	**-**	**(84,501)**	**-**	**-**	**(84,501)**
Reclassification	**1,826**	**268,447**	**10,491**	**(280,764)**	**-**
Transfer in	**-**	**9,800**	**-**	**-**	**9,800**
Transfer out (Note 13)	**-**	**-**	**-**	**(140,528)**	**(140,528)**
Exchange differences	**13,921**	**681,794**	**6,391**	**3,843**	**705,949**
At 31 December 2022	**252,292**	**12,229,279**	**120,563**	**5,447,115**	**18,049,249**
Accumulated depreciation					
At 1 January 2021	170,976	6,551,890	79,061	-	6,801,927
Depreciation charge (Note 7)	3,707	525,713	5,150	-	534,570
Write off	(14)	(102,745)	(1,113)	-	(103,872)
Disposals	-	(2,220)	-	-	(2,220)
Exchange differences	6,154	242,514	2,873	-	251,541

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings RM'000	Plant and support facilities RM'000	Computers, office and other equipment RM'000	Construction-in-progress RM'000	Total RM'000
Accumulated depreciation (Cont'd)					
At 31 December 2021 and 1 January 2022	**180,823**	**7,215,152**	**85,971**	**-**	**7,481,946**
Depreciation charge (Note 7)	**7,876**	**548,057**	**7,108**	**-**	**563,041**
Write off	**-**	**(34,665)**	**(218)**	**-**	**(34,883)**
Disposals	**-**	**-**	**(616)**	**-**	**(616)**
Exchange differences	**10,609**	**425,326**	**4,982**	**-**	**440,917**
At 31 December 2022	**199,308**	**8,153,870**	**97,227**	**-**	**8,450,405**
Net carrying amounts					
At 31 December 2021	55,722	4,174,707	17,795	1,006,031	5,254,255
At 31 December 2022	**52,984**	**4,075,409**	**23,336**	**5,447,115**	**9,598,844**

* Adjustment arising from changes in measurement of estimated costs for dismantling and removal.

During the year, spare parts amounting to RM9,800,000 (2021: RM3,643,000) were reclassified from inventories to property, plant and equipment as they meet the definition of property, plant and equipment under MFRS 116.

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM4,840,219,000 (2021: RM473,574,000) of which cash payments of RM4,280,942,000 (2021: RM416,869,000) were made to purchase the property, plant and equipment. The outstanding amounts of RM559,277,000 (2021: RM56,705,000) were included in payables.

Prior year payables arising from purchase of property, plant and equipment amounting to RM56,705,000 (2021: RM32,243,000) were settled in the current financial year.

During the year, realised loss arising from the forward exchange contract used for hedging amounting to approximately RM973,000 (2021: NIL) was capitalised as part of property plant and equipment.

13. RIGHT-OF-USE ASSETS

The Group has lease contracts for land use rights, terminal and jetty, motor vehicles and office buildings used in its operations.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Terminal and jetty RM'000	Land use Rights RM'000	Motor vehicles RM'000	Office buildings RM'000	Total RM'000
Group					
At 1 January 2021	34,663	453,166	4,803	6,746	499,378
Additions	-	42,327	1,654	-	43,981
Depreciation	(6,562)	(18,106)	(3,591)	(2,440)	(30,699)
Exchange difference	1,179	17,540	135	217	19,071
At 31 December 2021 and 1 January 2022	**29,280**	**494,927**	**3,001**	**4,523**	**531,731**
Additions	**-**	**30,766**	**1,210**	**5,696**	**37,672**
Transfer in (Note 12)	**-**	**140,528**	**-**	**-**	**140,528**
Derecognition	**-**	**-**	**(37)**	**-**	**(37)**
Depreciation	**(6,978)**	**(28,317)**	**(1,785)**	**(2,703)**	**(39,783)**
Exchange difference	**1,672**	**27,282**	**174**	**(105)**	**29,023**
At 31 December 2022	**23,974**	**665,186**	**2,563**	**7,411**	**699,134**

During the year, depreciation of right-of-use assets amounting to approximately RM18,520,000 (2021: RM8,893,000) was capitalised as part of property plant and equipment as disclosed in Note 12.

In prior year, the Group acquired land use rights with an aggregate cost of RM42,327,000 of which RM19,248,000 had been prepaid.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2022 RM'000	Company 2021 RM'000
Unquoted equity shares, at cost	**7,088,220**	4,977,003
Less: Impairment losses	**(732)**	(119,087)
	7,087,488	4,857,916

(a) Details of the subsidiaries are as follows:

Name of entity	Principal place of business/Country of incorporation	Effective equity interest held and voting interest 2022 %	2021 %	Principal activities
Held by the Company				
Lotte Chemical Titan (M) Sdn. Bhd.*	Malaysia	**100**	100	Manufacture and sales of petrochemical products and polyolefin resins
Lotte Chemical Titan Corporation Sdn. Bhd.*	Malaysia	**100**	100	Trading of goods and provision of management service
Lotte Chemical Titan International Sdn. Bhd.*	Malaysia	**100**	100	Investment holding
PT Lotte Chemical Indonesia^#	Indonesia	**51**	51	In the midst of construction of its petrochemical plant
Lotte Chemical Titan Trading Sdn. Bhd.	Malaysia	**-**	-	In liquidation process
Held through Lotte Chemical Titan Trading Sdn. Bhd.				
Titan Trading Corp. Limited	Hong Kong	**-**	100	In liquidation process (1)
Held through Lotte Chemical Titan International Sdn. Bhd.				
PT Lotte Chemical Titan Tbk^	Indonesia	**92.50**	92.50	Investment holding and general trading
PT Lotte Chemical Titan Nusantara^	Indonesia	**0.15**	0.15	Manufacture and sales of polyethylene
Held through PT Lotte Chemical Titan Tbk				
PT Lotte Chemical Titan Nusantara^	Indonesia	**92.35**	92.35	Manufacture and sales of polyethylene
Lotte Chemical Titan International Limited	Malaysia	**-**	-	In liquidation process

* audited by KPMG PLT
^ audited by firm of auditors other than KPMG PLT
# 51% held by the Company and 49% held by Lotte Chemical Corporation
(1) Final meeting conducted on 28 December 2022 and should there be no further comments from the relevant authorities, the subsidiary will be dissolved on 28 March 2023 pursuant to Section 239(4) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong

None of the non-wholly owned subsidiaries have material non-controlling interests by the Group, except for PT Lotte Chemical Indonesia.

(b) Subscription of additional ordinary shares in PT Lotte Chemical Indonesia

During the year, the Company subscribed for additional 512,550,000 ordinary shares in PT Lotte Chemical Indonesia ("LCI") for a total consideration of RM2,229,812,000/ USD512,550,000. The subscription of the new shares did not result in any change of the Company's equity interest in LCI.

In the previous year, the Company subscribed for additional 33,915,000 ordinary shares in LCI for a total consideration of RM140,901,000/USD33,915,000. The subscription of the new shares did not result in any change of the Company's equity interest in LCI.

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) Issuance of additional shares of PT Lotte Chemical Indonesia to Lotte Chemical Corporation, the ultimate holding company

During the current financial year, PT Lotte Chemical Indonesia ("LCI") issued an additional 492,450,000 ordinary shares to Lotte Chemical Corporation for a purchase consideration of approximately RM2,142,368,000/USD492,450,000. There were no change in the Group's shareholding in LCI as a result of this transaction.

In the previous year, LCI issued an additional 32,585,000 ordinary shares to Lotte Chemical Corporation for a purchase consideration of approximately RM135,375,000/USD32,585,000. There were no change in the Group's shareholding in LCI as a result of this transaction.

(d) Liquidation of subsidiaries

The following dormant subsidiaries of the Company were dissolved pursuant to Section 439(1)(b) of the Companies Act 2016 in Malaysia and Section 137 to 140 of the Insolvency Act 2009 in Mauritius.

No.	Company	Date of Liquidation
1	Lotte Chemical Titan Capital (L) Limited	20 March 2022
2	Titan (L) Limited	20 March 2022
3	Titan Chemicals International (L) Limited	20 March 2022
4	Chemical Brothers Limited	24 June 2022
5	Titan Petrochemicals (M) Sdn. Bhd.	31 October 2022

(e) Financial information of subsidiaries with material non-controlling interests

Proportion of interest in ordinary shares held by non-controlling interests:

Name	Country of incorporation and operation	2022	2021
PT Lotte Chemical Indonesia	Indonesia	**49.00%**	49.00%

	RM'000	RM'000
Accumulated balances of material non-controlling interest:		
PT Lotte Chemical Indonesia	**2,736,335**	595,731
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	**29,411**	26,877
	2,765,746	622,608

	2022 RM'000	2021 RM'000
(Loss)/Profit attributable to material non-controlling interest:		
PT Lotte Chemical Indonesia	**(14,934)**	(2,376)
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	**939**	3,212
	(13,995)	836
Total comprehensive (loss)/profit attributable to material non-controlling interest:		
PT Lotte Chemical Indonesia	**(1,764)**	14,368
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	**2,534**	(4,072)
	770	18,440

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) Financial information of subsidiaries with material non-controlling interests (Cont'd)

(i) Summarised statements of financial position - PT Lotte Chemical Indonesia

	2022 RM'000	2021 RM'000
Non-current assets	**5,860,409**	1,090,773
Current assets	**464,896**	232,568
Total assets	**6,325,305**	1,323,341
Current liabilities	**477,120**	28,600
Non-current liabilities	**263,827**	78,964
Total liabilities	**740,947**	107,564
Net assets	**5,584,358**	1,215,777
Equity attributable to:		
- Owners of the Company	**2,848,023**	620,046
- Non-controlling interests	**2,736,335**	595,731

(ii) Summarised statements of comprehensive income - PT Lotte Chemical Indonesia

	2022 RM'000	2021 RM'000
Loss for the year	**(30,477)**	(4,849)
Loss attributable to:		
- Owners of the Company	**(15,543)**	(2,473)
- Non-controlling interests	**(14,934)**	(2,376)
Total loss for the year	**(30,477)**	(4,849)
Total comprehensive (loss)/income	**(3,599)**	29,322
Total comprehensive (loss)/income attributable to:		
- Owners of the Company	**(1,835)**	14,954
- Non-controlling interests	**(1,764)**	14,368
Total comprehensive (loss)/income for the year	**(3,599)**	29,322

(iii) Summarised statements of cash flows - PT Lotte Chemical Indonesia

	2022 RM'000	2021 RM'000
Net cash flows generated from/(used in) operating activities	863,932	(7,746)
Net cash flows used in investing activities	(5,277,871)	(162,934)
Net cash flows generated from financing activities	4,373,278	276,276
Net (decrease)/increase in cash and cash equivalents	(40,661)	105,596
Effects of exchange rate changes	6,350	4,373
Cash and cash equivalents at beginning of the year	209,229	99,260
Cash and cash equivalents at end of the year	174,918	209,229

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted equity shares, at cost	**2,135,728**	2,135,728	**2,135,728**	2,135,728
Group's share of post acquisition reserves	**206,746**	199,103	**-**	-
Exchange differences	**171,645**	28,074	**-**	-
	2,514,119	2,362,905	**2,135,728**	2,135,728

(a) Details of the Group's associate at the end of the reporting period are as follows:

Name of associate	Principal place of business/Country of incorporation	Effective equity interest held and voting interest 2022 %	2021 %	Principal activity
Lotte Chemical USA Corporation ("LCUC")#	United States	**40**	40	Investment holding

the remaining equity interest is held by Lotte Chemical Corporation

The investment in LCUC is part of the Group's strategy in seeking selective and strategic mergers and acquisitions with value accretive partners to expand market share and improve profitability.

(b) Details of the investee of LCUC at the end of the reporting period are as follows:

Name of investees	Principal place of business/Country of incorporation	Effective equity interest held and voting interest 2022 %	2021 %	Principal activities
Subsidiary				
Lotte Chemical Louisiana LLC	United States	**100**	100	Chemical production
Joint operation				
LACC LLC	United States	**50.00**	53.23	Chemical production

On 11 February 2022, the associate of the Group, Lotte Chemical USA Corporation ("LCUC") had entered into a securities purchase agreement with Eagle US 2 LLC ("Eagle US") to transfer a further 3.23% equity interest in LACC LLC ("LACC") to Eagle US ("Transfer"). The Transfer is arising from Eagle US exercising its call option which allows Eagle US to increase its equity interest in LACC from 46.77% to 50%.

The Transfer was closed on 15 March 2022 for a purchase price of USD89,129,517 (further to adjustments based on the date of Closing). Upon completion of the Transfer, Eagle US' shareholding in LACC is now increased to 50% with LCUC holding the remaining shareholding of 50%. As such, LCUC has generated a one-off gain on disposal after tax of approximately USD 27 million from the Transfer. The Group's 40% share of this gain is approximately USD 11 million for the financial year ended 31 December 2022. The Transfer has reduced LCUC's interest in LACC's future financial performance and consequently, the Group's share of profit and loss in LCUC.

15. INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial information on associates

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information represent the amounts in the financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

	LCUC/ Total RM'000
At 31 December 2022	
Current assets	**752,821**
Non-current assets	**8,769,404**
Current liabilities	**(2,273,527)**
Non-current liabilities	**(973,037)**
Equity attributable to shareholders	**6,275,661**
Proportion of the Group's ownership interest in the associate	**40%**
Equity attributable to the Group	**2,510,264**
Other adjustments	**3,855**
Carrying amounts of the investments	**2,514,119**
At 31 December 2021	
Current assets	700,397
Non-current assets	8,611,273
Current liabilities	(1,619,146)
Non-current liabilities	(1,794,364)
Equity attributable to shareholders	5,898,160
Proportion of the Group's ownership interest in the associate	40%
Equity attributable to the Group	2,359,264
Other adjustments	3,641
Carrying amounts of the investments	2,362,905

(ii) Summarised statements of comprehensive income

	LUSR RM'000	LCUC RM'000	Total RM'000
Year ended 31 December 2022			
Revenue	**-**	**2,427,299**	**2,427,299**
Cost of goods sold	**-**	**(2,467,115)**	**(2,467,115)**
Interest income	**-**	**95,479**	**95,479**
Other operating income	**-**	**149,508**	**149,508**
Distribution expenses	**-**	**(22,216)**	**(22,216)**
Administrative expenses	**-**	**(61,703)**	**(61,703)**
Interest expense	**-**	**(147,765)**	**(147,765)**
Income tax credit	**-**	**45,620**	**45,620**
Profit for the year	**-**	**19,107**	**19,107**
Group's share of results for the year	**-**	**7,643**	**7,643**

15. INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial information on associates (Cont'd)

(ii) Summarised statements of comprehensive income (Cont'd)

	LUSR RM'000	LCUC RM'000	Total RM'000
Year ended 31 December 2021			
Revenue	415,450	2,088,450	2,503,900
Cost of goods sold	(389,737)	(1,463,680)	(1,853,417)
Interest income	93	65,124	65,217
Other operating income	-	252,022	252,022
Other operating expenses	(209)	(13,000)	(13,209)
Distribution expenses	(10,995)	(29,844)	(40,839)
Administrative expenses	(10,229)	(85,177)	(95,406)
Interest expense	(5,561)	(145,218)	(150,779)
Income tax credit/(expense)	11	(161,019)	(161,008)
(Loss)/Profit for the year	(1,177)	507,658	506,481
Group's share of results for the year	(118)	203,063	202,945
Other adjustments	193	-	193
Group's share of results for the year	75	203,063	203,138

Disposal of investment in Lotte UBE Synthetic Rubber Sdn. Bhd. ("LUSR")

On 9 December 2021, the Company has disposed 31,479,000 ordinary shares, representing 10.00% of the issued share capital in LUSR to Lotte Chemical Corporation for a sales consideration of RM15,782,000. On the date of disposal, the carrying amount of the equity interest disposed was RM5,590,000. The difference between the consideration received and the carrying amount of the interest disposed of RM10,192,000 was recorded within other income in the statements of comprehensive income in prior year.

16. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	**-**	-	**(810,756)**	(777,629)	**(810,756)**	(777,629)
Provisions	**14**	-	**104,166**	62,924	**104,180**	62,924
Derivative financial instruments	**-**	-	**1,585**	90	**1,585**	90
Unused investment tax allowances	**-**	-	**20,715**	11,580	**20,715**	11,580
Unabsorbed capital allowances	**-**	-	**99,298**	-	**99,298**	-
Unused tax losses	**-**	-	**120,250**	-	**120,250**	-
Net deferred tax liabilities	**14**	-	**(464,742)**	(703,035)	**(464,728)**	(703,035)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Movements in temporary differences during the year:

Group	Property, plant and equipment RM'000	Provisions RM'000	Derivative financial instruments RM'000	Unused investment tax allowances RM'000	Unused reinvestment allowances RM'000	Unabsorbed capital allowances RM'000	Unused tax losses RM'000	Total RM'000
At 1 January 2021	(720,785)	49,393	-	139,316	93,387	7,550	-	(431,139)
Recognised in profit or loss (Note 10)	(23,040)	11,522	91	(134,420)	(98,580)	(7,696)	-	(252,123)
Recognised in other comprehensive income	-	111	-	-	-	-	-	111
Exchange difference	(33,804)	1,898	(1)	6,684	5,193	146	-	(19,884)
At 31 December 2021 and 1 January 2022	**(777,629)**	**62,924**	**90**	**11,580**	**-**	**-**	**-**	**(703,035)**
Recognised in profit or loss (Note 10)	**3,756**	**38,341**	**1,502**	**12,681**	**-**	**100,275**	**121,433**	**277,988**
Recognised in other comprehensive income	**-**	**50**	**-**	**-**	**-**	**-**	**-**	**50**
Exchange difference	**(36,883)**	**2,865**	**(7)**	**(3,546)**	**-**	**(977)**	**(1,183)**	**(39,731)**
At 31 December 2022	**(810,756)**	**104,180**	**1,585**	**20,715**	**-**	**99,298**	**120,250**	**(464,728)**

17. INVENTORIES

	Group 2022 RM'000	Group 2021 RM'000
At cost		
Raw materials	**124,429**	92,575
Work-in-progress	**109,953**	65,842
Consumables	**602,834**	547,887
Finished goods	**108,429**	227,237
	945,645	933,541
At net realisable value		
Raw materials	**254,360**	502,749
Finished goods	**261,907**	237,980
	1,461,912	1,674,270
Recognised in profit or loss:		
- Inventories recognised as cost of sales (Note 5)	**10,706,611**	8,412,687
- Write down of inventories to net realisable value (Note 7)	**135,823**	17,280
- Inventories written off (Note 7)	**508**	96

The write down and written off of inventories are included in cost of sales and other expenses respectively.

The write down of RM135,823,000 (2021: RM17,280,000) on the inventories is due to fluctuation of market condition.

18. TRADE AND OTHER RECEIVABLES

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Trade receivables				
Third parties	**509,762**	730,733	**-**	-
Amount due from ultimate holding company	**2,131**	9,548	**-**	-
Amounts due from related companies	**89,244**	134,550	**-**	-
	601,137	874,831	**-**	-
Less: Allowance for impairment	**(6,408)**	(596)	**-**	-
	594,729	874,235	**-**	-
Other receivables				
Sundry deposits	**13,517**	13,088	**-**	-
Sundry receivables	**290,207**	73,978	**2,467**	2,080
Amount due from ultimate holding company	**21,014**	7,994	**-**	-
Amounts due from related companies	**119**	5,988	**-**	33
Amounts due from subsidiaries	**-**	-	**171,646**	-
	324,857	101,048	**174,113**	2,113
Total trade and other receivables	**919,586**	975,283	**174,113**	2,113

(a) Trade receivables

Trade receivables are unsecured, non-interest bearing and are generally on 30 to 90 days (2021: 30 to 90 days) terms.

They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group 2022 RM'000	Group 2021 RM'000
Neither past due nor impaired	**475,996**	809,269
1 to 30 days past due not impaired	**47,247**	50,533
31 to 90 days past due not impaired	**977**	14,433
More than 90 days past due not impaired	**70,509**	-
	118,733	64,966
Credit impaired	**6,408**	596
	601,137	874,831

(i) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of these balances have been renegotiated during the financial year.

(ii) Receivables that are past due but not impaired

The Group has trade receivables amounting to RM118,733,000 (2021: RM64,966,000) that are past due at the reporting date but not impaired.

Although these balances are unsecured, the management is confident on their recovery as they are mostly due from long-term customers with good payment records.

There was a fire incident occurred at the plant of an associate of the ultimate holding company, Lotte Ube Synthetic Rubber Sdn. Bhd. ("LUSR") at Tanjung Langsat on 24th February 2022. The management of LUSR has requested for deferment of payment for its outstanding amount of RM70,567,000 on purchases from a subsidiary of the Group by instalment with late payment interest. The management is confident on LUSR's debt recovery with the support from LUSR's shareholders.

18. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

(iii) Receivables that are impaired

During the year, the Group has provided an allowance for impairment amounting to RM5,884,000 on trade receivables whose credit risk and probability of default have increased significantly.

The movement in the allowance on trade receivables during the year is as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	**596**	576
Allowance on trade receivables (Note 7)	**5,884**	-
Exchange differences	**(72)**	20
At 31 December	**6,408**	596

(b) Other receivables

Other receivables are generally unsecured and interest-free.

Included in sundry receivables of the Group are indirect tax receivables amounting to RM249,610,000 (2021: RM19,974,000).

(c) Related party balances

Amounts due from ultimate holding company and related companies are unsecured, non-interest bearing and repayable on demand, except for an amount due from an associate of the ultimate holding company as disclosed in Note 18(a)(ii) above.

19. OTHER INVESTMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fund placement with licensed financial institutions				
Unutilised proceeds from initial public offering	**4**	972,166	**4**	972,166
Proceeds from internally generated funds	**14,707**	551,176	**-**	-
	14,711	1,523,342	**4**	972,166
Short term deposits with licensed financial institutions with maturity financial institutions more than 3 months				
Unutilised proceeds from initial public offering	**-**	952,926	**-**	952,926
Proceeds from internally generated funds	**-**	279,848	**-**	279,848
	-	1,232,774	**-**	1,232,774
Total other investments	**14,711**	2,756,116	**4**	2,204,940

Fund placements with licensed financial institutions is carried at fair value through profit or loss. Fund placements are redeemable on demand and provide returns ranging from 1.75% to 2.31% (2021: 0.23% to 1.99%) per annum.

Fixed deposits of the Group and the Company are made for more than three months and earn interests at the respective deposit rates. The weighted average effective interest rates for the Group and the Company were 2.09% (2021: 0.59%).

20. CASH AND BANK BALANCES

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Unutilised proceeds from initial public offering				
Cash at banks	**13,289**	11,274	**4,948**	10
Short term deposits with licensed financial institutions	**232,204**	477,677	**143,027**	403,949
	245,493	488,951	**147,975**	403,959
Others				
Cash at banks and on hand	**692,682**	1,233,700	**12,368**	16,463
Short term deposits with licensed financial institutions	**366,818**	119,358	**300,036**	-
	1,059,500	1,353,058	**312,404**	16,463
Cash and cash equivalents	**1,304,993**	1,842,009	**460,379**	420,422

Cash at banks earn interest based on daily bank deposit rates. Short term deposits are made for varying period of between 1 day to 90 days (2021: 1 day to 90 days) and earn interests ranging from 0.30% to 4.70% (2021: 0.20% to 6.00%) per annum.

21. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares 2022 '000	Number of shares 2021 '000	Amount 2022 RM'000	Amount 2021 RM'000
Issued and fully paid shares with no par value				
Ordinary shares				
At 1 January	**2,312,365**	2,307,792	**5,827,149**	5,816,813
Ordinary shares issued pursuant to Dividend Reinvestment Scheme	**-**	4,573	**-**	10,336
At 31 December	**2,312,365**	2,312,365	**5,827,149**	5,827,149

(a) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares ranked equally with regard to the Company's residual assets.

In prior financial year, 4,573,040 new ordinary shares were issued in relation to the Dividend Reinvestment Scheme exercise undertaken by the Company.

(b) Treasury shares

	Group and Company			
	Number of shares 2022 '000	Number of shares 2021 '000	Amount 2022 RM'000	Amount 2021 RM'000
At 1 January/31 December	**(34,808)**	(34,808)	**(226,252)**	(226,252)

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by proceeds through the initial public offering of its shares. The shares repurchased are held as treasury shares.

22. OTHER RESERVES

	Group	
	2022 RM'000	2021 RM'000
Non-distributable		
Foreign currency translation reserve	**1,996,937**	1,358,556
Equity transaction reserve	**26,539**	26,539
Hedging reserve	**(58,248)**	-
	1,965,228	1,385,095

The movements of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Foreign currency translation reserve

Exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences arising from monetary items which form part of the Group's net investments in foreign operations are included in the foreign currency translation reserve.

(b) Equity transaction reserve

This reserve accumulates the adjustments to non-controlling interest ("NCI") arising from transactions with the NCI. Such transactions include the gain on partial disposal of a subsidiary.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transaction that have not yet occurred.

23. RETAINED EARNINGS

The entire retained earnings of the Company may be distributed as dividends under the single tier system.

24. PROVISION

	Group	
	2022 RM'000	2021 RM'000
At beginning of year	**407,492**	332,400
Remeasurement of provision (Note 12)	**(84,501)**	56,223
Unwinding of discount (Note 6)	**12,063**	7,010
Exchange differences	**27,377**	11,859
At end of year	**362,431**	407,492

The Group has an obligation to dismantle and remove structures on certain sites at the end of the lease term expiring in year 2050.

For these affected sites, the liabilities for dismantling and removal costs are recognised at the present value of the estimated dismantling cost ("EDC") in the future using existing technology and discounted using an appropriate discount rate.

The Group computes its EDC as a proportion of estimated new replacement value ("ENRV") for the affected manufacturing facilities based on current prices. The EDC is adjusted to the future costs of dismantling using an inflation rate. The present value of the estimated costs is capitalised as part of the asset and a corresponding provision is recognised as a liability.

The capitalised cost is depreciated over the expected life of the asset. The unwinding of the discount in the provision is included as finance costs in the statements of comprehensive income. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision.

While the provision is based on the best estimate of future costs of the affected assets, there is uncertainty regarding both the amount and timing of these costs. The estimates are reviewed on an annual basis or when there is an indication of a material change in circumstances.

24. PROVISION (CONT'D)

The principal assumptions used for the purposes of estimating the provision for dismantling costs are as follows:

	2022 %	2021 %
Inflation rate	**3.00**	1.50
Discount rate	**4.01**	1.91
Proportion of ENRV as EDC	**3.56**	3.48

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Other payables				
Accruals	**73,906**	-	**-**	-
Current				
Trade payables				
Third parties	**482,735**	593,891	**-**	-
Other payables				
Third parties	**157,329**	167,972	**-**	-
Amount due to ultimate holding company	**3,342**	5,234	**-**	-
Amounts due to related companies	**352,732**	8,490	**-**	-
Amounts due to subsidiaries	**-**	-	**497,198**	575,555
Accruals	**169,823**	199,117	**1,319**	1,697
	683,226	380,813	**498,517**	577,252
	1,165,961	974,704	**498,517**	577,252
Total trade and other payables	**1,239,867**	974,704	**498,517**	577,252

(a) Trade payables

These amounts are generally unsecured and non-interest bearing.

(b) Other payables

Other payables are unsecured, non-interest bearing and repayable on demand, except for non-current portion which is related to retention sum payable upon completion of construction of the petrochemical plant. The retention sum payable is discounted for time value of money based on the payment terms at a fixed rate ranging from 5.75% to 7.95%.

(c) Related party balances

Amounts due to ultimate holding company, related companies and subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Amounts due to related companies are mainly related to construction of the petrochemical plant.

(d) Accruals

Included in accruals of the Group are mainly amounts related to goods received or services performed but invoice not yet received.

26. DEFINED BENEFIT OBLIGATION

The Group operates a defined benefit plan for qualifying employees of its subsidiaries in Indonesia. The defined benefit plan is unfunded.

The amounts recognised in the statements of comprehensive income in respect of this defined benefit plan is as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Service (income)/cost:		
Current service (income)/cost	**(2,012)**	1,943
Net interest expense	**1,081**	1,372
Components of defined benefit costs recognised in profit or loss (Note 8)	**(931)**	3,315
Remeasurement of the net defined benefit liability:		
Actuarial loss arising from changes in financial assumptions, representing component of defined benefit costs recognised in other comprehensive income	**48**	505
	(883)	3,820

The movement in the present value of the defined benefit obligation is as follows:

	Group	
	2022 RM'000	**2021 RM'000**
At beginning of year	**21,317**	19,307
Current service (income)/cost	**(2,012)**	1,943
Net interest expense	**1,081**	1,372
Actuarial gain recognised in other comprehensive income	**48**	505
Benefits paid	**(1,250)**	(2,309)
Exchange differences	**(870)**	499
At end of year	**18,314**	21,317

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Group	
	2022	**2021**
Discount rate	**5.77% - 7.66%**	3.46% - 7.56%
Expected rate of salary increase	**3% - 10%**	3% - 10%

The present value of the defined benefit obligation has been calculated using the projected unit credit method.

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected rate of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period, while holding other assumptions constant.

- If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease/(increase) by RM1,111,000/(RM1,252,000) (2021: RM1,798,000/(RM2,105,000)).

- If the expected salary growth rate is 100 basis points higher/(lower), the defined benefit obligation would increase/(decrease) by RM1,234,000/(RM1,118,000) (2021: RM2,072,000/(RM1,807,000)).

The sensitivity analysis presented above may not be representative of the potential actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

27. LEASE LIABILITIES

	Group	
	2022	**2021**
	RM'000	**RM'000**
Current		
Lease liabilities	**11,031**	10,249
Non-current		
Lease liabilities	**24,595**	29,390
Total lease liabilities		
Lease liabilities	**35,626**	39,639

The remaining maturities of the lease liabilities are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
On demand or within one year	**11,031**	10,249
More than 1 year and less than 2 years	**8,939**	10,335
More than 2 years and less than 5 years	**14,699**	19,055
More than 5 years	**957**	-
	35,626	39,639

The Group applies weighted average incremental borrowing rate for its lease liabilities at 4.86% (2021: 5.77%).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	**39,639**	49,877
Additions	**21,836**	1,654
Derecognition	**(36)**	-
Interest expense	**2,058**	2,489
Repayment of principal of lease liabilities	**(26,531)**	(12,085)
Repayment of interest on lease liabilities	**(2,058)**	(2,489)
Exchange differences	**718**	193
At 31 December	**35,626**	39,639

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Notional	**Fair value**	
	Amount	**Assets**	**Liabilities**
	RM'000	**RM'000**	**RM'000**
At 31 December 2022			
Non-current			
Forward exchange contract (used for hedging)	**2,491,214**	**-**	**(114,212)**
Current			
Forward exchange contract (at fair value through profit or loss)	**110,000**	**-**	**(6,606)**
At 31 December 2021			
Current			
Forward exchange contract (at fair value through profit or loss)	120,000	-	(377)

28. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(a) Forward exchange contract (used for hedging)

The Group entered into forward exchange contracts to hedge its exposure against currency exchange rate fluctuations of Indonesian Rupiah for construction activities in Indonesia.

(b) Forward exchange contract (at fair value through profit or loss)

The forward exchange contracts are used to manage the Group's foreign exchange exposure arising from certain anticipated transactions in Ringgit Malaysia ("RM"). These derivatives are not designated as cash flow or fair value hedges and are entered into for periods consistent with the anticipated currency transactions. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

29. CAPITAL COMMITMENTS

Capital expenditure as at the reporting date is as follows:

	Group	
	2022 RM'000	2021 RM'000
Property, plant and equipment		
Contracted but not provided for	**7,499,743**	546,192

30. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Compensation paid/payable by the Group and the Company to these key management personnel during the financial year is disclosed in Note 9.

The significant related party transactions of the Group and the Company other than key management personnel compensation (see Note 9), are as follows:

	Group	
	2022 RM'000	2021 RM'000
Ultimate holding company		
Sales of goods	**4,997**	77,225
Catalyst trial fee received/receivable	**9,337**	7,904
Management and consulting fees incurred	**(1,976)**	(1,265)
Reimbursement of payroll for secondment of expatriates	**(15,894)**	(13,041)
Purchase of materials	**(3,909)**	(438)
Commission expense	**(1,218)**	(1,531)
Royalty expense	**(272)**	(47,167)
Commission income	**46**	22
Capital expenditure incurred	**(69,261)**	(24,972)
IT support services fee paid/payable	**(450)**	(639)
Other administrative expenses	**(997)**	-

30. RELATED PARTIES (CONT'D)

	Group 2022 RM'000	Group 2021 RM'000
Related companies		
Sales of goods	**123,831**	106,215
Sales of utilities	**3,251**	-
Capital expenditure incurred	**(3,170,162)**	(105,371)
IT support services fee paid/payable	**(4,094)**	(3,508)
Commission expense	**(1,053)**	(933)
Warehouse and logistics services incurred	**(26,450)**	(24,012)
Other administrative expenses	**(249)**	(118)
Office space sublease	**158**	82
Interest income	**1,498**	13
Lease rental income	**1,526**	186
Service fee	**(739)**	-
Income from shared services	**103**	-
Associate company		
Sales of goods	**-**	260,323
Sales of utilities	**-**	13,037
Income from shared services	**-**	55
Financial guarantee income	**-**	76
Interest income	**-**	150
Lease rental income	**-**	2,725

	Company 2022 RM'000	Company 2021 RM'000
Subsidiaries		
Management service fee	**(2,858)**	(2,636)
Dividend income	**968,506**	484,301
Associate company		
Financial guarantee income	**-**	76

Related companies are subsidiaries and associates of Lotte Chemical Corporation, the ultimate holding company.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and commodity price risks.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

The Group has a policy to undertake derivatives which are appropriate and cost-efficient.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances, fund placements and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 180 days, which are deemed to have higher default risk, are monitored individually.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due		
	Current	1 - 30 days	31 - 90 days	More than 90 days
31 December 2022				
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Estimated total gross carrying amount at default (RM'000)	**475,996**	**47,247**	**977**	**70,509**
Expected credit loss (RM'000)	**-**	**-**	**-**	**-**
31 December 2021				
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default (RM'000)	809,269	50,533	14,433	-
Expected credit loss (RM'000)	-	-	-	-

Certain trade receivables with higher credit risk and probability of default are subject to individual impairment assessment, when internal and external information indicates that the Group is unlikely to receive the outstanding amounts in full, as disclosed in Note 18(a)(iii). These trade receivables are excluded from the above impairment analysis.

The Group determines the other receivables balances have low credit risk and the probability of default is low.

Exposure to credit risk

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are due from regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 180 days, which are deemed to have higher credit risk, are monitored individually.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk concentration profile

The Group and the Company are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at each reporting date based on undiscounted contractual repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2022:				
Group				
Financial liabilities:				
Trade and other payables	**1,165,961**	**88,745**	**-**	**1,254,706**
Lease liabilities	**12,653**	**25,741**	**981**	**39,375**
	1,178,614	**114,486**	**981**	**1,294,081**
Company				
Financial liabilities:				
Trade and other payables	**498,517**	**-**	**-**	**498,517**
As at 31 December 2021:				
Group				
Financial liabilities:				
Trade and other payables	974,704	-	-	974,704
Lease liabilities	12,222	31,880	-	44,102
	986,926	31,880	-	1,018,806
Company				
Financial liabilities:				
Trade and other payables	577,252	-	-	577,252

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency exposure primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The foreign currencies in which these transactions are denominated are Ringgit Malaysia ("RM") and Indonesian Rupiah ("IDR"). There is no formal hedging policy with respect to foreign exchange exposure. Exposure to foreign currency is monitored on an on-going basis and the Group endeavours to keep the net exposures to an acceptable level.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency risk, based on the carrying amounts as at the end of the reporting period was:

	2022 RM'000	2021 RM'000
Denominated in RM		
Trade and other receivables	**161,186**	223,564
Cash and bank balances and other investments	**68,061**	884,589
Trade and other payables	**(137,490)**	(167,505)
Lease liabilities	**(33,463)**	(35,185)
Net exposure in the statements of financial position	**58,294**	905,463
Denominated in IDR		
Trade and other receivables	**63,207**	60,331
Cash and bank balances	**93,039**	94,880
Trade and other payables	**(229,238)**	(40,956)
Lease liabilities	**(2,165)**	(4,455)
Net exposure in the statements of financial position	**(75,157)**	109,800

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the RM/USD and IDR/USD exchange rates against the respective functional currencies, with all other variables held constant.

	Increase/(decrease)	
	2022 RM'000	2021 RM'000
RM/USD		
- strengthening of RM by 10% (2021: 10%)	**4,028**	62,559
- weakening of RM by 10% (2021: 10%)	**(4,028)**	(62,559)
IDR/USD		
- strengthening of IDR by 10% (2021: 10%)	**(5,192)**	7,587
- weakening of IDR by 10% (2021: 10%)	**5,192**	(7,587)

(d) Commodity price risk

Most of the Group's products and substantially all of the raw materials are commodities whose prices fluctuate based on market conditions. Accordingly, product margins and the Group's profitability fluctuate in accordance with commodity price movements. The Group manages commodity price risk by adjusting their product mix so that products are subject to different margin pressures. The Group does not currently use derivatives or other hedging instruments to manage its commodity price risk.

(e) Interest rate risk

The Group's investments in fixed rate debt securities are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

There is no formal hedging policy with respect of interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptance level.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Interest rate risk (Cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate instruments				
Financial assets	**1,375,560**	3,074,783	**460,379**	1,653,196
Financial liabilities	**(109,532)**	(39,639)	**-**	-
	1,266,028	3,035,144	**460,379**	1,653,196
Floating rate instruments				
Financial assets	**14,711**	1,523,342	**4**	972,166

Interest rate risk sensitivity analysis

i) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

ii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) the Group's and the Company's post-tax profit or loss by RM112,000 (2021: RM11,577,000) and NIL (2021: RM7,388,000) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

(f) Hedging activities

Cash flow hedge

At 31 December 2022, the Group held the following instruments to hedge exposures to changes in foreign currency.

	Maturity 1 - 3 years RM'000
Group	
2022	
Foreign currency risk	
Forward exchange contracts	
Net exposure	**2,491,214**
Average USD:IDR forward contract	**14,922**

Forward exchange contract is used to hedge the cash flow risk in relation to the currency exchange rate fluctuation arising from the construction activities in a subsidiary in Indonesia, PT Lotte Chemical Indonesia, primarily arising from Rupiah payables. The Group hedges 70% of the total estimated onshore engineering, procurement and construction contract costs.

The cash flow hedge is assessed to be effective and the realised loss relating to the effective portion of the cash flow hedge amounting to RM973,000 is recognised in the cost of construction in progress (Note 12).

As at year end, the Group recognised a fair value loss on hedging instruments amounting to RM114,212,000 in other comprehensive loss.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Hedging activities (Cont'd)

Cash flow hedge (Cont'd)

The following table provides reconciliation by risk category of components of equity and analysis of other comprehensive income resulting from cash flow hedge accounting.

Group	2022 Hedging reserve RM'000
Balance at 1 January	-
Cash flow hedge	
Changes in fair value attributable to the owners of the Company:	
Foreign currency risk	**(58,248)**
Balance at 31 December	**(58,248)**

(g) Fair value

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:

	Note
Trade and other receivables	18
Short term deposits with licensed financial institutions with maturity more than 3 months	19
Cash and bank balances	20
Trade and other payables - Current	25

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 contracts are calculated by reference to forward rates quoted at the reporting date for contracts with similar maturity profiles.

Derivatives used for hedging

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

Fund placements with licensed financial institutions

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

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Fair value (Cont'd)

Fair value hierarchy

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

Group	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
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 at fair value through profit or loss				
- Forward exchange contracts	**(6,606)**	**-**	**(6,606)**	**-**
Derivatives used for hedging				
- Forward exchange contracts	**(114,212)**	**-**	**(114,212)**	**-**
At 31 December 2021				
Financial assets				
Fund placements with licensed financial institutions	1,523,342	-	1,523,342	-
Financial liabilities				
Derivatives				
- Forward exchange contracts	(377)	-	(377)	-
Company				
At 31 December 2022				
Financial assets				
Fund placements with licensed financial institutions	**4**	**-**	**4**	**-**
At 31 December 2021				
Financial assets				
Fund placements with licensed financial institutions	972,166	-	972,166	-

Certain assets of Lotte Chemical Titan International Sdn. Bhd. for which recoverable value is measured at fair value for the impairment assessment of investment in subsidiary and property, plant and equipment are set out below:

Group	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
At 31 December 2022				
Assets for which recoverable amount is measured at fair value				
Property, plant and equipment and right-of-use assets	**667,019**	**-**	**-**	**667,019**
At 31 December 2021				
Assets for which recoverable amount is measured at fair value				
Property, plant and equipment and right-of-use assets	697,879	-	-	697,879

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(g) Fair value (Cont'd)

Fair value hierarchy (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
Company				
At 31 December 2022				
Assets for which recoverable amount is measured at fair value				
Investment in subsidiary	**800,070**	**-**	**-**	**800,070**
At 31 December 2021				
Assets for which recoverable amount is measured at fair value				
Investment in subsidiary	799,808	-	-	799,808

Description of valuation techniques used and key inputs to valuation on property, plant and equipment and right-of-use assets:

	Valuation technique	Significant unobservable inputs
Long term leasehold land (included in right-of-use assets)	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions and size
Buildings, plant and machinery (included in property, plant and equipment)	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the plant, machinery, buildings and other site works, from which appropriate deductions may then be made for the age and asset condition

The carrying value of current financial assets and current financial liabilities of the subsidiary approximate their values due to their short term nature whilst the carrying value of long term borrowings is estimated to be approximate the fair value estimated based on the current rates available for borrowing with the same maturity profile.

There were no transfers between the various levels in the fair value hierarchy during the year.

32. CATEGORIES OF FINANCIAL INSTRUMENTS

The financial instruments of the Group and of the Company as at 31 December are categorised into the following classes:

	Note	2022 RM'000	2021 RM'000
Group			
(a) Financial assets measured at amortised cost			
Trade and other receivables	18	**919,586**	975,283
Short term deposits with licensed financial institutions with maturity more than 3 months	19	**-**	1,232,774
Cash and bank balances	20	**1,304,993**	1,842,009
		2,224,579	4,050,066
(b) Financial instruments at fair value through profit or loss			
Fund placements with licensed financial institutions	19	**14,711**	1,523,342
Derivative liabilities	28	**(6,606)**	(377)
		8,105	1,522,965

32. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

Group (Cont'd)	Note	2022 RM'000	2021 RM'000
(c) Financial liabilities measured at amortised cost			
Trade and other payables	25	**(1,239,867)**	(974,704)
(d) Lease liabilities	27	**(35,626)**	(39,639)
(e) Derivative used for hedging			
Derivative liabilities	28	**(114,212)**	-

Company	Note	2022 RM'000	2021 RM'000
(a) Financial assets measured at amortised cost			
Trade and other receivables	18	**174,113**	2,113
Short term deposits with licensed financial institutions with maturity more than 3 months	19	**-**	1,232,774
Cash and bank balances	20	**460,379**	420,422
		634,492	1,655,309
(b) Financial instruments at fair value through profit or loss			
Fund placements with licensed financial institutions	19	**4**	972,166
(c) Financial liabilities measured at amortised cost			
Trade and other payables	25	**(498,517)**	(577,252)

33. NET GAINS AND LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	**21,898**	11,415	**9,066**	18,441
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	**(6,606)**	(377)	**-**	-
Financial assets at amortised cost	**12,309**	63,673	**63,826**	70,704
Financial liabilities at amortised cost	**(12,873)**	5,927	**-**	76
Derivative used for hedging	**(114,212)**	-	**-**	-
Lease liabilities	**(2,912)**	(3,952)	**-**	-
	(102,396)	76,686	**72,892**	89,221

34. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain creditor confidence and to sustain future development of the business. The directors monitor the debt levels to maintain an optimum debt-to-equity ratio. As at financial year end, the Group does not have any debts.

The Group is not subjected to any externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the financial year.

35. DIVIDENDS

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
Dividends on ordinary shares:		
In respect of the financial year ended 31 December 2022:		
Special single-tier dividend of 13.98 sen per share on 2,277,556,540 ordinary shares, declared on 24 November 2022 and paid on 29 December 2022	**318,402**	-
In respect of the financial year ended 31 December 2021:		
Final single-tier dividend of 21 sen per share on 2,277,556,540 ordinary shares, declared on 3 March 2022 and paid on 13 April 2022	**478,287**	-
Special single-tier dividend of 18.00 sen per share on 2,277,556,540 ordinary shares, declared on 28 October 2021 and paid on 26 November 2021	**-**	409,960
In respect of the financial year ended 31 December 2020:		
Final tax exempt (single-tier) dividend of 3.27 sen per share on 2,272,983,500 ordinary shares, declared on 4 March 2021 and paid on 2 June 2021	**-**	74,327
	796,689	484,287

36. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its products and has 2 reportable operating 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

No operating segments have been aggregated to form the above reportable operating segments.

The President and Chief Executive Officer monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Segment profit/(loss) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses.

36. OPERATING SEGMENTS (CONT'D)

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are set on the following basis:

(i) Transactions amongst subsidiaries

Transfer prices between business segments which arose from transactions amongst subsidiaries are established on terms and conditions that are mutually agreed upon.

(ii) Transactions amongst inter-plant

Transfer price between business segments which arose from inter-plant's transactions are set at cost basis.

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the President and Chief Executive Officer. Hence, no disclosure is made on segment assets and liabilities.

Business segments

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

	Olefins and derivative products RM'000	Polyolefins products RM'000	Eliminations and unallocated results RM'000	Total RM'000
31 December 2022				
Revenue				
External customers	**2,070,816**	**7,948,267**	**-**	**10,019,083**
Inter-segment	**5,483,816**	**-**	**(5,483,816)**	**-**
Total revenue	**7,554,632**	**7,948,267**	**(5,483,816)**	**10,019,083**
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	**387,969**	**194,923**	**1,412**	**584,304**
Property, plant and equipment written off	**169**	**1,641**	**67**	**1,877**
Write down of inventories to net realisable value	**53,340**	**82,483**	**-**	**135,823**
Segment (loss)/profit	**(331,955)**	**(703,644)**	**34,053**	**(1,001,546)**
31 December 2021				
Revenue				
External customers	1,929,219	7,901,666	-	9,830,885
Inter-segment	4,587,042	-	(4,587,042)	-
Total revenue	6,516,261	7,901,666	(4,587,042)	9,830,885
Expenses				
Depreciation of property, plant and equipment and right-of-use assets	365,557	189,573	1,246	556,376
Property, plant and equipment written off	198	40	-	238
Write down of inventories to net realisable value	8,649	8,631	-	17,280
Segment profit	118,201	923,446	291,194	1,332,841

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 ("IPO") amounting to approximately RM21.0 million (2021: RM27.7 million) which are managed on a group basis.

Foreign exchange gain/loss are allocated to individual segments other than foreign exchange gain/(loss) arising from the conversion of the unutilised proceeds of the Company's initial public offering to USD amounting to approximately RM31.2 million (2021: RM51.1 million) which are managed on a group basis.

36. OPERATING SEGMENTS (CONT'D)

Adjustments and eliminations (Cont'd)

Fair value changes in derivatives are not allocated to individual segments as the underlying instruments are also managed on a group basis.

Reconciliation of profit

	2022 RM'000	2021 RM'000
Segment (loss)/profit of:		
- Olefins and derivative products	**(331,955)**	118,201
- Polyolefins products	**(703,644)**	923,446
Total segment (loss)/profit	**(1,035,599)**	1,041,647
Inter-segment sales (elimination)	**(1,006)**	1,632
Share of results of associates	**7,643**	203,138
Finance income derived from IPO proceeds	**20,993**	27,656
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	**31,200**	51,104
Other unallocated (cost)/income	**(24,777)**	7,664
(Loss)/Profit before tax	**(1,001,546)**	1,332,841

	2022 RM'000	2021 RM'000
Non-current operating assets		
Malaysia	**4,279,162**	4,537,707
Indonesia	**6,018,816**	1,248,279
	10,297,978	5,785,986

Non-current operating assets for this purpose consist of property, plant and equipment and right-of-use assets.

Major customers

There were no customers that individually account for 10% or more of group revenue for current and prior years.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 2 March 2023.

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