



Lifetime **Value** Creator



Integrated
Annual Report
2024
FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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DIRECTORS’ REPORT

DIRECTORS’ REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2024.

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	(1,297,938)	319,884
Attributable to:		
Owners of the Company	(1,263,460)	319,884
Non-controlling interests	(34,478)	-
	(1,297,938)	319,884

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 Note 7 to the financial statements and in respect of the following:

- (a) Impairment losses arising from property, plant and equipment of the Group amounted to RM902,111,000;
- (b) Impairment losses arising from right-of-use assets of the Group amounted to RM38,122,000; and
- (c) Foreign currency gain amounted to RM469,952,000 arising from recycling of foreign currency translation reserve to profit or loss upon dissolution of a subsidiary.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. 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	
Jang Seon Pyo**	(Appointed on 1 December 2024)
Ang Ah Leck	
Tan Sri Datuk (Dr.) Rafiah binti Salim	
Tan Sri Datin Paduka Siti Sa’diah binti Sh Bakir	
Park Jae Sun	
Yu Seung Yong**	(Appointed on 1 December 2024)
Park Hyun Chul**	(Resigned on 1 December 2024)
Moon Young Tae**	(Resigned on 1 December 2024)

**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	
Chair Lam Seng	
Ching Guey Jing	
Cho Jin Woo	
Kong Chock Hoon	
Robin Wahjudi Handoko	
Shim Mi Hyang	
Yim Dong Hee	
Choi Kyoungyoon	(Appointed on 16 December 2024)
Rudi Repelita	(Appointed on 1 January 2024)
Jojob Hadrijanto	(Resigned on 1 January 2024)

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 or become entitled to receive a benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with any 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 2024 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Fee	839	-
Allowances	119	-
Salaries	-	6,985
Bonus and allowances	-	3,141
Benefits-in-kind	-	1,524
Other emoluments	-	18
	958	11,668

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company are RM100 million and RM229,000.

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:

	Number of ordinary shares			
Name of directors	1.1.2024	Acquired	Sold	31.12.2024
<i>Direct interest</i>				
<i>Ordinary shares of the Company</i>				
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	82,500	-	-	82,500

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of ordinary shares			
Name of directors	1.1.2024	Acquired	Sold	31.12.2024
<i>Direct interest</i>				
<i>Ordinary shares of ultimate holding company, Lotte Chemical Corporation</i>				
Jang Seon Pyo	1,500	450	-	1,950
Yu Seung Yong	-	464	-	464
Park Jae Sun	168	-	-	168

The other director 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 company incorporated in the Republic of Korea and listed on the Korea Exchange ("KRX"), as its 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 there were no known bad debts 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)

it necessary to write off any 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

- (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, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT		
- Statutory audits	793	293
- Other services	405	189
Other auditors		
- Statutory audits	813	-
- Other services	175	-
	2,186	482

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 March 2025

Jang Seon PyoTan Sri Dato’ Abdul Rahman bin Mamat

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Jang Seon Pyo 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 58 are drawn up in accordance with MFRS Accounting Standards, IFRS Accounting 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 2024 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 11 March 2025

Jang Seon PyoTan 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 58 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Ching Guey Jing at)
Johor Bahru in the State of Johor) Ching Guey Jing
Darul Takzim on 11 March 2025) (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 2024 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 material accounting policy information, as set out on pages 9 to 58.

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 2024, and of their financial performance and their cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 significant 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors’ responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

(i) Impairment of property, plant and equipment and right-of-use assets - Group (Refer to Note 3(c), Note 12 and Note 13 to the financial statements)

As at 31 December 2024, the aggregate carrying amount of the Group’s property, plant and equipment (“PPE”) and right-of-use (“ROU”) assets was RM17,828 million, representing 77% of the Group’s total assets.

Due to the existence of indicators of impairment during the year as a result of the continuous operating losses, the Group has estimated the recoverable amounts based on the value in use of the respective cash-generating unit (“CGU”) relating to the PPE and ROU assets and recognised impairment loss of RM940 million in the current financial year.

We considered this to be an area of audit focus due to the significance of the amount and the complexity and subjectivity involved in the impairment assessment. Our procedures in reviewing the recoverable amounts of the respective CGU include, amongst others, the following:

- a) Obtained an understanding of the Group’s process of estimating the recoverable amounts of the CGUs;
- b) Evaluated and assessed the appropriateness of the methodology and approach applied in determining the recoverable amount;
- c) Evaluated the key assumptions applied in respect of plant operating rate, revenue growth and gross margins against external market data and/or historical performance for the respective CGUs;
- d) Involved our EY valuation specialists in evaluating the discount rate used to determine the present value of the cash flows is appropriate; and
- e) Evaluated the adequacy of the disclosures as disclosed in Note 3(c), Note 12 and Note 13 to the financial statements.

INDEPENDENT AUDITORS’ REPORT

TO THE MEMBERS OF LOTTE CHEMICAL TITAN HOLDING BERHAD (INCORPORATED IN MALAYSIA)

Registration Number: 199101012045 (222357-P)

Key Audit Matters (Cont’d)

(ii) Impairment of investments in subsidiaries - Company (Refer to Note 3(d) and Note 14 to the financial statements)

As at 31 December 2024, the Company has recorded investment in subsidiaries amounting to RM7,534 million. The Company is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. As certain subsidiaries in Malaysia and Indonesia with a carrying amount net of impairment losses of RM7,444 million reported continuous operating losses, the Company has determined that there is indicator of impairment. Accordingly, the Company estimated the recoverable amounts of the respective equity investment based on value in use (“VIU”) method using a projected discounted cash flow (“DCF”) model.

We considered this to be an area of audit focus due to the significance of the amount and the complexity and subjectivity involved in the impairment assessment. Our procedures in reviewing the recoverable amounts of the respective equity investment include, amongst others, the following:

- a) Obtained an understanding of the Company’s process of estimating the recoverable amounts of the respective equity investment;
- b) Evaluated and assessed the appropriateness of the methodology and approach applied in determining the recoverable amount;
- c) Evaluated the key assumptions applied in respect of plant operating rate, revenue growth, gross margins and terminal growth rate against external market data and/or historical performance for the respective equity investment;
- d) Involved our EY valuation specialists in evaluating the discount rate used to determine the present value of the cash flows is appropriate; and
- e) Evaluated the adequacy of the disclosures as disclosed in Note 3(d) and Note 14 to the financial statements.

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 other information 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 other information and, in doing so, consider whether the other information 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 other information, 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 MFRS Accounting Standards, IFRS Accounting 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 Group’s and the Company’s ability 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOTTE CHEMICAL TITAN HOLDING BERHAD (INCORPORATED IN MALAYSIA)

Registration Number: 199101012045 (222357-P)

Auditors' Responsibilities For The Audit of The Financial Statements (Cont'd)

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 Group's and the Company's internal control.
- 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 Group's or the Company's ability 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 achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

1. 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.
2. The financial statements of Lotte Chemical Titan Holding Berhad for the financial year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 7 March 2024.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Lee Ming Li
02983/03/2026 J
Chartered Accountant

Johor Bahru, Malaysia

Date: 11 March 2025

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2024

	Note	Group		Company	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Revenue	4	7,435,031	7,646,170	-	-
Cost of sales	5	(8,080,214)	(8,283,002)	-	-
Gross loss		(645,183)	(636,832)	-	-
Other income		53,650	20,562	-	-
Gain/(loss) arising from liquidation of subsidiaries		-	-	498,087	(223)
Distribution expenses		(73,876)	(81,720)	-	-
Administrative expenses		(154,545)	(160,637)	(5,378)	(5,499)
Foreign exchange differences		(34,731)	(4,303)	(3)	(1,590)
Fair value changes on derivatives		85	6,475	-	-
Impairment losses on property, plant and equipment and right-of-use assets		(940,233)	-	-	-
Impairment loss on investment in a subsidiary		-	-	(172,964)	-
Foreign exchange gain from dissolution of a subsidiary		469,952	-	-	-
Other expenses		(9,117)	(11,546)	-	-
(Loss)/Profit from operations		(1,333,998)	(868,001)	319,742	(7,312)
Finance income		15,867	22,561	143	582
Finance costs	6	(58,984)	(36,855)	(1)	(2)
Net finance (costs)/income		(43,117)	(14,294)	142	580
Share of results of an associate	15	(192,317)	(117,271)	-	-
(Loss)/Profit before tax	7	(1,569,432)	(999,566)	319,884	(6,732)
Income tax credit/(expense)	10	271,494	186,836	-	(141)
(Loss)/Profit net of tax		(1,297,938)	(812,730)	319,884	(6,873)
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(1,045)	(509)	-	-
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(432,158)	619,577	-	-
Recycling of foreign exchange reserve to profit or loss on dissolution of a subsidiary	22(a)	(469,952)	-	-	-
Cash flow hedge	32(f)	21,040	84,537	-	-
		(882,115)	703,605	-	-
Total comprehensive (loss)/income for the year		(2,180,053)	(109,125)	319,884	(6,873)
(Loss)/Profit net of tax attributable to:					
Owners of the Company		(1,263,460)	(780,286)	319,884	(6,873)
Non-controlling interests		(34,478)	(32,444)	-	-
		(1,297,938)	(812,730)	319,884	(6,873)
Total comprehensive (loss)/income for the year attributable to:					
Owners of the Company		(2,048,969)	(258,700)	319,884	(6,873)
Non-controlling interests		(131,084)	149,575	-	-
		(2,180,053)	(109,125)	319,884	(6,873)
Basic and diluted loss per ordinary share (sen)					
	11	(55.47)	(34.26)		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	17,239,471	16,476,809	-	-
Right-of-use assets	13	588,767	694,268	-	-
Investments in subsidiaries	14	-	-	7,533,834	7,706,798
Investment in an associate	15	2,202,084	2,499,976	2,135,728	2,135,728
Non-current tax assets		75,173	83,536	-	-
Other receivables	16	7,649	7,907	-	-
Deferred tax assets	17	10,921	-	-	-
		20,124,065	19,762,496	9,669,562	9,842,526
Current assets					
Trade and other receivables	16	989,758	927,545	5	67
Inventories	18	1,533,190	1,445,285	-	-
Current tax assets		110,202	118,116	1,691	1,620
Prepayments		61,608	95,619	20	21
Derivative financial instruments	29	32	-	-	-
Other investments	19	12,748	12,506	-	-
Cash and bank balances	20	467,498	760,664	3,752	9,039
		3,175,036	3,359,735	5,468	10,747
Total assets		23,299,101	23,122,231	9,675,030	9,853,273
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	1,699,152	2,487,265	-	-
Retained earnings	23	2,117,848	3,411,037	4,071,696	3,751,812
Total equity attributable to owners of the Company		9,417,897	11,499,199	9,672,593	9,352,709
Non-controlling interests		3,380,405	3,511,489	-	-
Total equity		12,798,302	15,010,688	9,672,593	9,352,709

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

	Note	Group		Company	
		2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Deferred tax liabilities	17	-	279,403	-	-
Provision	24	342,989	463,900	-	-
Trade and other payables	25	-	244,327	-	-
Loans and borrowings	26	8,234,621	5,536,967	-	-
Defined benefit obligation	27	22,991	21,949	-	-
Lease liabilities	28	10,284	21,708	-	-
Derivative financial instruments	29	-	3,582	-	-
		8,610,885	6,571,836	-	-
Current liabilities					
Trade and other payables	25	1,109,141	1,092,699	2,437	500,564
Current tax liabilities		2,719	2,157	-	-
Loans and borrowings	26	757,442	406,627	-	-
Lease liabilities	28	11,976	12,084	-	-
Derivative financial instruments	29	8,636	26,140	-	-
		1,889,914	1,539,707	2,437	500,564
Total liabilities		10,500,799	8,111,543	2,437	500,564
Total equity and liabilities		23,299,101	23,122,231	9,675,030	9,853,273

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 2024

Group	Note	Attributable to owners of the Company					Attributable to owners of the Company	Distributable	Non-controlling interest	Total equity
		Share capital	Treasury shares	Equity transaction reserve/Other reserves	Foreign currency translation reserve	Hedging reserve				
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023										
Net loss for the year		5,827,149	(226,252)	26,539	1,996,937	(58,248)	4,191,774	11,757,899	2,765,746	14,523,645
Other comprehensive income/(loss)		-	-	-	-	-	(780,286)	(780,286)	(32,444)	(812,730)
Total comprehensive income/(loss) for the year		-	-	-	478,923	43,114	(451)	521,586	182,019	703,605
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	14(c)	-	-	-	-	-	-	-	-	-
At 31 December 2023										
		5,827,149	(226,252)	26,539	2,475,860	(15,134)	3,411,037	11,499,199	3,511,489	15,010,688
At 1 January 2024										
Net loss for the year		-	-	-	-	-	(1,263,460)	(1,263,460)	(34,478)	(1,297,938)
Other comprehensive loss		-	-	-	(795,435)	10,731	(805)	(785,509)	(96,606)	(882,115)
Total comprehensive income for the year		-	-	-	(795,435)	10,731	(1,264,265)	(2,048,969)	(131,084)	(2,180,053)
Reclassification*		-	-	-	28,924	-	(28,924)	-	-	-
Capital adjustment arising from dilution loss on investment in an associate		-	-	(32,436)	103	-	-	(32,333)	-	(32,333)
At 31 December 2024										
		5,827,149	(226,252)	(5,897)	1,709,452	(4,403)	2,117,848	9,417,897	3,380,405	12,798,302

* Being reclassification of foreign exchange reserve to retained earnings on dissolution of subsidiaries in prior years.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2024

Company	Non-distributable reserves		Distributable Retained earnings	Total equity
	Share capital	Treasury shares		
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023				
	5,827,149	(226,252)	3,758,685	9,359,582
Net loss for the year, representing total comprehensive loss for the year	-	-	(6,873)	(6,873)
At 31 December 2023				
	5,827,149	(226,252)	3,751,812	9,352,709
At 1 January 2024				
	5,827,149	(226,252)	3,751,812	9,352,709
Net profit for the year, representing total comprehensive income for the year	-	-	319,884	319,884
At 31 December 2024				
	5,827,149	(226,252)	4,071,696	9,672,593

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 2024

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/profit before tax	(1,569,432)	(999,566)	319,884	(6,732)
Adjustments for:				
Depreciation of property, plant and equipment	494,113	488,882	-	-
Depreciation of right-of-use assets	22,853	22,021	-	-
Finance costs	58,984	36,855	1	2
Property, plant and equipment written off	1,403	1,175	-	-
Impairment losses on:				
- Property, plant and equipment	902,111	-	-	-
- Right-of-use assets	38,122	-	-	-
Gain on derecognition in respect right-of-use assets	(2)	-	-	-
Bad debts recovered	-	(4)	-	-
Costs recognised in respect of defined benefit plan	4,534	3,339	-	-
Inventories:				
- Written off	270	228	-	-
- Provision for obsolete consumables	4,875	-	-	-
- Reversal of net realisable value	(27,564)	(106,007)	-	-
Share of results of an associate	192,317	117,271	-	-
Net reversal of allowance on trade receivables	(1,802)	(2,240)	-	-
Gain on disposal of property, plant and equipment	(1,133)	(2,303)	-	-
Finance income	(15,867)	(22,561)	(143)	(582)
Fair value changes in derivatives	(85)	(6,475)	-	-
Unrealised loss/(gain) on foreign exchange	17,056	(5,855)	2	2,659
Foreign exchange gain from dissolution of a subsidiary	(469,952)	-	-	-
Impairment loss on investment in a subsidiary	-	-	172,964	-
(Gain)/loss arising from liquidation of subsidiaries	-	-	(498,087)	223
Total adjustments	1,220,233	524,326	(325,263)	2,302
Operating loss before working capital changes	(349,199)	(475,240)	(5,379)	(4,430)
Change in inventories	(156,620)	179,496	-	-
Change in trade and other receivables	(60,306)	40,405	63	2,511
Change in trade and other payables	164,577	(272,336)	(40)	3,018
Cash (used in)/generated from operations	(401,548)	(527,675)	(5,356)	1,099
Payments under defined benefit plan	(3,054)	(1,523)	-	-
Finance costs paid	(5,003)	(5,688)	(1)	(2)
Income tax paid	(11,916)	(10,666)	(71)	(1,395)
Net cash used in operating activities	(421,521)	(545,552)	(5,428)	(298)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2024

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Finance income received	15,867	22,561	143	582
Acquisition of lease asset	-	(8,372)	-	-
Lease payment received	257	208	-	-
Proceeds from disposal of property, plant and equipment	1,944	2,303	-	-
Payment of right-of-use asset	-	(5,624)	-	-
Acquisition of property, plant and equipment	(2,510,537)	(6,360,904)	-	-
Repayment of interest expenses capitalised in property, plant and equipment	(601,266)	(214,205)	-	-
Investment in subsidiary	-	-	-	(620,502)
Fund (placement)/redemption from other investments	(242)	2,205	-	4
Dividend income received	-	-	-	171,578
Net cash (used in)/generated from investing activities	(3,093,977)	(6,561,828)	143	(448,338)
Cash flows from financing activities				
Interest paid on short term borrowings	(35,674)	(13,836)	-	-
Payment of transaction costs in relation to term loan	-	(468,591)	-	-
Proceeds from issuance of ordinary share by a subsidiary to Lotte Chemical Corporation, the ultimate holding company	-	596,168	-	-
Net proceeds from loans and borrowings	3,307,298	6,427,310	-	-
Payment of lease liabilities	(12,884)	(12,893)	-	-
Net cash generated from financing activities	3,258,740	6,528,158	-	-
Net decrease in cash and cash equivalents	(256,758)	(579,222)	(5,285)	(448,636)
Effect of exchange rate changes on the balance of cash held in foreign currencies	(36,408)	34,893	(2)	(2,704)
Cash and cash equivalents at beginning of year	760,664	1,304,993	9,039	460,379
Cash and cash equivalents at end of year (Note 20)	467,498	760,664	3,752	9,039

(a) Cash outflows for leases as a lessee

	Group	
	2024	2023
	RM'000	RM'000
Included in net cash from operating activities		
Payment relating to short-term leases (Note 7)	9,849	10,211
Payment relating to leases of low-value assets (Note 7)	240	212
Interest paid in relation to lease liabilities (Note 6)	1,574	1,710
Included in net cash from financing activities		
Payment of lease liabilities	12,884	12,893
Total cash outflows for leases	24,547	25,026

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2024

(b) Acquisition of property, plant and equipment

During the financial year, the Group purchased property, plant and equipment with an aggregated cost of RM2,834 million (2023: RM6,865 million). Reconciliation of the acquisition cost in the property, plant and equipment as disclosed in Note 12 and statements of cash flows are as follows:

	Group	
	2024	2023
	RM'000	RM'000
Additions of property, plant and equipment (Note 12)	2,833,618	6,864,935
Adjustment for non-cash items:		
Accruals movement	335,812	(212,293)
Amortisation of transaction costs (Note 12)	(29,921)	(12,091)
Borrowing costs capitalised (Note 12)	(603,136)	(214,205)
Realised loss arising from forward exchange contracts used for hedging (Note 12)	-	(38,361)
Depreciation of right-of-use assets capitalised (Note 13)	(25,836)	(27,081)
Acquisition of property, plant and equipment	2,510,537	6,360,904

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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, 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.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2024 comprise the Company, its subsidiaries and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2024 do not include other entities.

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 and listed on the Korea Exchange ("KRX").

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRS Accounting Standards ("MFRSs"), IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act 2016 in Malaysia.

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
Amendments to MFRS 121: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability	1 January 2025
Amendments to MFRS 9: Financial Instruments and MFRS 7: Financial Instruments: Disclosures	
- Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026
Amendments to IFRS 9 and IFRS 7	
- Contracts Referencing Nature-dependent Electricity	1 January 2026
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments measured at fair value.

2.3 Functional and presentation currencies

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").

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 2024

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:

(a) 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.

(b) 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:

	Group	
	Increase/(Decrease)	
	2024	2023
	RM’000	RM’000
Inflation rate:		
- Higher by 10%	30,709	49,478
- Lower by 10%	(28,277)	(44,873)
Discount rate:		
- Higher by 10%	(37,705)	(45,637)
- Lower by 10%	42,569	50,827
Proportion of ENRV as EDC:		
- Higher by 10%	34,299	46,390
- Lower by 10%	(34,299)	(46,390)

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

As at 31 December 2024, the aggregate carrying amount of the Group’s property, plant and equipment (“PPE”) and right-of-use (“ROU”) assets was RM17,828,238,000, representing 77% of the Group’s total assets.

As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review and assessed that there were objective evidences or indications that the PPE and ROU in cash generating unit (“CGU”) (as indicated below) may be impaired as a result of continuous operating losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(c) Impairment of property, plant and equipment and right-of-use assets (Cont’d)

List of CGUs subject to impairment review

- (a) Integrated petrochemical plants located in Pasir Gudang and Tanjung Langsat, Malaysia (“Malaysia integrated plants CGU”)
- (b) LOTTE Chemical Indonesia New Ethylene Project located in Merak, Indonesia (“Indonesia LINE plants CGU”)
- (c) Polyethylene plants located in Merak, Indonesia (“PE Merak plants CGU”)

In performing the impairment assessment of the respective CGU, management applied their judgement in determining the appropriate method in estimating recoverable amount of respective CGU based on value-in-use (“VIU”) method using a projected discounted cash flow (“DCF”) model.

The key assumptions used to determine the recoverable amounts for the CGUs, including the result of the assessment, are disclosed as follows:

- (i) Remaining or estimated useful lives and pre-tax discount rate applied in determining the VIU of respective CGU are as follows:

Cash generating unit (“CGU”)	Remaining/Estimated useful lives (years)	Pre-tax discount rate (%)
Malaysia integrated plants	19	12.7
Indonesia LINE plants	30	11.2
PE Merak plants	13	13.5
- (ii) The forecast margin spreads between the prices of the finished goods and feedstock price and forecast plant operating rate are determined by reference to the external market data and/or historical performance for the respective CGUs; and
- (iii) For Indonesia LINE and PE Merak plants, the cash flows beyond the cash flow forecast period are extrapolated using growth rate of 1.5%, over the estimated useful lives of the respective CGUs.

As a result of the assessment, management has determined that the recoverable amount for Malaysia integrated plants is lower than its carrying amount as at 31 December 2024. Consequently, impairment losses of RM940,233,000 is recorded for the current financial year.

No impairment losses is to be recognised for Indonesia LINE plants and PE Merak plants as the recoverable amount of the respective CGU is determined to be higher than the carrying amount of the respective CGU as at 31 December 2024.

(d) Impairment of investments in subsidiaries

The Company assesses whether there is any indication of impairment for investment in subsidiaries. Reviews are performed regularly if events indicate that this is necessary.

As certain subsidiaries in Malaysia and Indonesia with a carrying amount net of impairment losses of RM7,444,000 reported continuous operating losses, the Company has determined that there is indicator of impairment. Accordingly, the Company estimated the recoverable amount of the respective equity investment based on value in use (“VIU”) method using a projected discounted cash flow (“DCF”) model. The impairment assessment involved significant management estimates and judgement in determining the key basis and assumption used in the DCF. Changes in estimates will have impact to the carrying amount of the investment in subsidiaries.

The key assumptions used to determine the recoverable amounts for the equity investments, including the result of the assessment, are disclosed as follows:

- (i) Pre-tax discount rate was applied in determining the recoverable amount of the respective equity investment as follows:

Equity investment	Pre-tax discount rate (%)
Lotte Chemical Titan (M) Sdn. Bhd. (“LCTM”)	11.4
PT Lotte Chemical Indonesia (“LCI”)	11.2
Lotte Chemical Titan International Sdn. Bhd. (“LCTISB”)	12.8
- (ii) The forecast margin spreads between the prices of the finished goods and feedstock price and forecast plant operating rate are determined by reference to the external market data and/or historical performance for the respective equity investment; and
- (iii) The terminal value at the end of cash flows projection is calculated using the perpetual growth model, based on the estimated maintainable cash flows for terminal year. No growth rate has been applied in the calculation of terminal value as the cash flows are projected to remain relatively constant into perpetuity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(d) Impairment of investments in subsidiaries (Cont'd)

As a result of the assessment, management has determined that the recoverable amount for its investment in LCTM is lower than its carrying amount as at 31 December 2024. Consequently, impairment losses of RM172,964,000 is recorded for the current financial year.

No impairment losses is to be recognised for LCTISB and LCI as the recoverable amount of the respective investment is determined to be higher than its carrying amount as at 31 December 2024.

(e) Fair value 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 object 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

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

	Group	
	2024	2023
	RM'000	RM'000
Sales of goods	7,435,031	7,646,170

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

	Olefins and derivative products	Polyolefin products	Total	Percentage
	RM'000	RM'000	RM'000	%
31 December 2024				
Geographical markets				
Malaysia	395,525	2,235,301	2,630,826	35
Indonesia	48,817	2,538,633	2,587,450	35
China	200,302	192,663	392,965	5
Southeast Asia	651,534	505,571	1,157,105	16
Northeast Asia	297,403	151,825	449,228	6
Indian Sub-Continent	8,688	168,530	177,218	2
Others	-	40,239	40,239	1
Total revenue from contracts with customers	1,602,269	5,832,762	7,435,031	100
31 December 2023				
Geographical markets				
Malaysia	304,873	2,250,655	2,555,528	33
Indonesia	50,876	2,541,514	2,592,390	34
China	246,405	286,519	532,924	7
Southeast Asia	464,607	614,978	1,079,585	14
Northeast Asia	285,036	153,500	438,536	6
Indian Sub-Continent	86,018	309,000	395,018	5
Others	-	52,189	52,189	1
Total revenue from contracts with customers	1,437,815	6,208,355	7,646,170	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

4. REVENUE (CONT'D)

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.

The following describes the performance obligation in contracts with customers:

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 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.

5. COST OF SALES

	Group	
	2024	2023
	RM'000	RM'000
Cost of inventories sold	8,056,343	8,248,442
Cost of delivery services	23,871	34,560
	8,080,214	8,283,002

6. FINANCE COSTS

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Lease liabilities (Note 28)	1,574	1,710	-	-
- Loans and borrowings (Note 26)	638,810	228,041	-	-
Bank charges	2,398	2,810	1	2
Letter of credit charges	1,031	1,168	-	-
Unwinding of discount on provision (Note 24)	18,307	17,331	-	-
Amortisation of transaction costs	29,921	12,091	-	-
	692,041	263,151	1	2
Less: Amounts capitalised in property, plant and equipment (Note 12)				
- Borrowing costs	(603,136)	(214,205)	-	-
- Amortisation of transaction costs	(29,921)	(12,091)	-	-
	(633,057)	(226,296)	-	-
	58,984	36,855	1	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

7. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Depreciation of:				
- Property, plant and equipment (Note 12)	494,113	488,882	-	-
- Right-of-use assets (Note 13)	22,853	22,021	-	-
Employee benefits expense (Note 8)	213,208	221,158	-	-
Expense relating to:				
- Short-term leases (Note a)	9,849	10,211	-	-
- Leases of low-value assets (Note a)	240	212	-	-
Loss/(Gain) on foreign exchange:				
- Realised	17,675	10,158	1	(1,069)
- Unrealised	17,056	(5,855)	2	2,659
	34,731	4,303	3	1,590
Auditors' remuneration:				
- Statutory audits	1,606	1,460	293	295
- Other services	580	481	189	135
Services provided by affiliates auditors	-	130	-	90
Property, plant and equipment written off	1,403	1,175	-	-
Gain on disposal of property, plant and equipment	(1,133)	(2,303)	-	-
Impairment losses on:				
- Property, plant and equipment (Note 12)	902,111	-	-	-
- Right-of-use assets (Note 13)	38,122	-	-	-
Lease rental income	(3,079)	(2,825)	-	-
Compensation receivable for pipeline termination	(28,486)	-	-	-
Net reversal of allowance on trade receivables	(1,802)	(2,240)	-	-
Inventories:				
- Written off	270	228	-	-
- Provision for obsolete consumables	4,875	-	-	-
- Reversal of net realisable value	(27,564)	(106,007)	-	-
Bad debts recovered	-	(4)	-	-
Gain on derecognition in respect right-of-use assets	(2)	-	-	-
Fair value changes in derivatives	(85)	(6,475)	-	-
Foreign exchange gain from dissolution of a subsidiary	(469,952)	-	-	-
Impairment loss on investment in a subsidiary (Note 14)	-	-	172,964	-
(Gain)/Loss arising from liquidation of subsidiaries	-	-	(498,087)	223

Note a

The Group leases machinery, equipment, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2024	2023
	RM'000	RM'000
Wages and salaries	188,021	194,979
Defined contribution plan	17,556	17,859
Defined benefit plan (Note 27)	4,534	3,339
Social security contributions	3,097	4,981
	213,208	221,158

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

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 Employer 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.

The Group's subsidiaries in Indonesia are required to participate a defined benefit plan for qualifying employees as disclosed in Note 27.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Directors of the Group and the Company				
Executive:				
Salaries	1,536	1,507	-	-
Bonus and allowances	1,156	1,078	-	-
Benefits-in-kind	396	379	-	-
Other emoluments	16	55	-	-
	3,104	3,019	-	-

Non-executive:

Fees	839	839	839	839
Allowances	119	121	119	121
	958	960	958	960

Other directors of subsidiaries

Executive:

Salaries	5,449	5,476	-	-
Bonus and allowances	1,985	2,026	-	-
Benefits-in-kind	1,128	1,063	-	-
Other emoluments	2	2	-	-
	8,564	8,567	-	-

Other key management

Executive:

Salaries	1,527	1,419	-	-
Bonus and allowances	850	829	-	-
Benefits-in-kind	124	120	-	-
Other emoluments	68	67	-	-
	2,569	2,435	-	-
	15,195	14,981	958	960

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

10. INCOME TAX (CREDIT)/EXPENSE

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Current year	10,407	14,067	-	137
Underprovision in prior year	99	214	-	4
	10,506	14,281	-	141
Deferred tax expense (Note 17)				
Origination and reversal of temporary differences	(281,772)	(201,784)	-	-
(Over)/underprovision in prior year	(228)	667	-	-
	(282,000)	(201,117)	-	-
Total income tax (credit)/expense recognised in profit or loss	(271,494)	(186,836)	-	141

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 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 are as follows:

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax	(1,569,432)	(999,566)	319,884	(6,732)
Tax at Malaysian statutory tax rate of 24%	(376,664)	(239,896)	76,772	(1,616)
Tax effects of:				
Expenses not deductible for tax purposes	55,027	25,469	42,769	2,009
Income not subject to tax	(113,314)	(125)	(119,541)	(256)
Deferred tax assets not recognised on unused tax losses	79,498	-	-	-
Deferred tax assets not recognised on other deductible temporary differences	67,368	-	-	-
Different tax rates in other countries	2,291	1,442	-	-
Tax incentives	(13,333)	(18,238)	-	-
Deferred tax adjustments arising from translation of tax bases of qualifying assets, unused tax losses and other allowances to functional currency of the subsidiaries	(18,394)	15,486	-	-
Share of results in an associate	46,156	28,145	-	-
Under/(Over)provision in prior year				
- Current tax	99	214	-	4
- Deferred tax	(228)	667	-	-
Income tax (credit)/expense recognised in profit or loss	(271,494)	(186,836)	-	141

A subsidiary of the Group has been granted tax incentive under Section 127 (3A) of the Income Tax Act, 1967 on services income and trading income from undertaking of principal hub activities. Under the incentive, the subsidiary of the Group is subject to a lower tax rate of 10% of its chargeable income for five years from year of assessment ("YA") 2022 to 2026.

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For the financial year ended 31 December 2024

10. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

Global minimum top-up tax

The OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting established the Pillar 2 Model Rules to address the tax challenges posed by the digitalization of the global economy. There are issues of uncertainties in the Pillar 2 Model Rules, such as whether they create additional temporary differences and whether to remeasure deferred taxes, as well as which tax rate to use for remeasurement. To resolve these uncertainties, International Accounting Standards Board ("IASB") and Malaysian Accounting Standards Board ("MASB") published amendments to IAS12 Income Taxes on 23 May 2023 and 2 June 2023, respectively, that mandate the application of a temporary exception to the provisions of IAS12. Under this amendment, an entity does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two Model Rules. The Group applied the temporary exception.

Pillar Two legislation has been enacted in Malaysia and Indonesia, both jurisdictions in which the Group operates. Both country legislations will be effective for the Group's financial year beginning 1 January 2025. The Group has performed a preliminary assessment of the Group's potential exposure to Pillar Two income taxes, based on the most recent information available regarding the financial performance of the Group. Based on the assessment performed, Pillar Two effective tax rates in Malaysia and Indonesia are expected to be lower than 15%, but the Group has not identified a material top-up tax exposure primarily due to the Group's current loss position in these jurisdictions.

The above analysis has to be considered as an estimate exposure. The differences in financial results in future years may affect the conclusions reached. Further, due to the complexity of the Pillar Two regulations and limited local guidelines, not all Pillar Two adjustments were considered.

11. LOSS PER SHARE

Basic and diluted loss per ordinary share are calculated by dividing loss 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 loss per share is equivalent to its basic loss per share.

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

	Group	
	2024	2023
Loss net of tax attributable to the owners of the Company (RM'000)	(1,263,460)	(780,286)
Weighted average number of ordinary shares at the end of the year ('000)	2,277,557	2,277,557
Basic and diluted loss per share (sen)	(55.47)	(34.26)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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 2023	252,292	12,229,279	120,563	5,447,115	18,049,249
Additions	-	20	-	6,864,915	6,864,935
Write off	-	(28,880)	(767)	-	(29,647)
Disposals	-	(5,476)	(86)	-	(5,562)
Adjustment* (Note 24)	-	67,353	-	-	67,353
Reclassification	751	106,078	12,873	(119,702)	-
Transfers	-	3,154	-	-	3,154
Exchange differences	10,503	515,237	5,704	258,806	790,250
At 31 December 2023 and 1 January 2024	263,546	12,886,765	138,287	12,451,134	25,739,732
Additions	-	-	-	2,833,618	2,833,618
Write off	-	(336,414)	(3,210)	-	(339,624)
Disposals	(19)	(2,446)	(213)	-	(2,678)
Adjustment* (Note 24)	-	(126,808)	-	-	(126,808)
Reclassification	61	496,827	8,856	(505,744)	-
Transfers	-	43,880	-	-	43,880
Exchange differences	(8,076)	(395,108)	(4,274)	(466,205)	(873,663)
At 31 December 2024	255,512	12,566,696	139,446	14,312,803	27,274,457
Accumulated depreciation					
At 1 January 2023	199,308	8,153,870	97,227	-	8,450,405
Depreciation charge (Note 7)	8,150	471,798	8,934	-	488,882
Write off	-	(27,755)	(717)	-	(28,472)
Disposals	-	(5,476)	(86)	-	(5,562)
Exchange differences	8,391	344,888	4,391	-	357,670
At 31 December 2023 and 1 January 2024	215,849	8,937,325	109,749	-	9,262,923
Depreciation charge (Note 7)	8,180	476,794	9,139	-	494,113
Write off	-	(335,011)	(3,210)	-	(338,221)
Disposals	(12)	(1,642)	(213)	-	(1,867)
Exchange differences	(6,824)	(270,979)	(3,389)	-	(281,192)
At 31 December 2024	217,193	8,806,487	112,076	-	9,135,756

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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
Group					
Accumulated impairment losses					
At 1 January 2023, 31 December 2023 and 1 January 2024	-	-	-	-	-
Charge for the year (Note 7)	8,418	880,799	4,184	8,710	902,111
Exchange differences	(27)	(2,813)	(13)	(28)	(2,881)
At 31 December 2024	8,391	877,986	4,171	8,682	899,230
Net carrying amounts					
At 31 December 2023	47,697	3,949,440	28,538	12,451,134	16,476,809
At 31 December 2024	29,928	2,882,223	23,199	14,304,121	17,239,471

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

During the year, spare parts amounting to RM43,880,000 (2023: RM3,154,000) were reclassified from inventories to property, plant and equipment as they met the definition of property, plant and equipment under MFRS 116 Property, plant and equipment.

During the year, depreciation of right-of-use assets amounting to approximately RM25,836,000 (2023: RM27,081,000) was capitalised as part of property plant and equipment.

Included in the construction-in-progress of the Group with a carrying amount of RM603,136,000 (2023: RM214,205,000) and RM29,921,000 (2023: RM12,091,000) in relation to borrowing costs capitalised and amortisation of transaction costs respectively at an average finance rate at 7.83% (2023: 8.01%) per annum.

During the year, realised loss arising from the forward exchange contract used for hedging amounting to approximately RM42,293,000 (2023: RM38,361,000) was capitalised as part of property, plant and equipment.

Certain construction-in-progress of the Group with a carrying amount of RM8,852,518,000 (2023: RM7,324,732,000) are charged to banks as security for banking facilities granted as disclosed in Note 26.

Impairment test

The key assumptions used to determine the recoverable amounts for the respective CGU, including the result of the analysis, are disclosed and further explained in Note 3(c).

Material accounting policy information

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

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 turnover 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

Material accounting policy information (Cont'd)

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.

13. RIGHT-OF-USE ASSETS

	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 2023	23,974	665,186	2,563	7,411	699,134
Additions	-	4,635	5,660	5,515	15,810
Depreciation	(7,226)	(36,483)	(2,337)	(3,056)	(49,102)
Exchange differences	915	27,324	(20)	207	28,426
At 31 December 2023 and 1 January 2024	17,663	660,662	5,866	10,077	694,268
Additions	-	-	1,236	-	1,236
Derecognition	-	-	(41)	-	(41)
Depreciation	(7,273)	(35,299)	(3,500)	(2,617)	(48,689)
Impairment losses	(2,373)	(35,749)	-	-	(38,122)
Exchange differences	(345)	(19,184)	(112)	(244)	(19,885)
At 31 December 2024	7,672	570,430	3,449	7,216	588,767

During the year, depreciation of right-of-use assets amounting to approximately RM25,836,000 (2023: RM27,081,000) was capitalised as part of property, plant and equipment as disclosed in Note 12.

Certain land use rights of the Group with a carrying amount of RM397,892,000 (2023: RM424,801,000) are charged to banks as security for banking facilities granted as disclosed in Note 26.

The Group leases land use rights, terminal and jetty, motor vehicles and office buildings used in its operations that run between 2 to 60 years. Where applicable, the Group seeks to include extension options to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options.

The Group applied assumptions in determining the incremental borrowing rate of the lease. The Group first determines the closest available borrowing rates before it determines the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Impairment test

The key assumptions used to determine the recoverable amounts for the respective CGU, including the result of the analysis, are disclosed and further explained in Note 3(c).

Material accounting policy information

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	17% - 33%
Motor vehicles	33% - 50%
Land use rights	1.8% - 50%
Terminal and jetty	6%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

13. RIGHT-OF-USE ASSETS (CONT'D)

The Group applies the short-term lease recognition exemption to its short-term leases of machinery, equipment, hostel accommodation and motor vehicles (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.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2024 RM'000	2023 RM'000
Unquoted equity shares, at cost	7,706,798	7,706,798
Less: Impairment loss	(172,964)	-
	7,533,834	7,706,798

Impairment test

The key assumptions used to determine the recoverable amounts for the equity investments, including the result of the analysis, are disclosed and further explained in Note 3(d).

(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		Principal activities
		2024 %	2023 %	
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	-	-	Liquidated in 2024
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 Ernst & Young PLT
^ audited by member firms of Ernst & Young in the respective country
51% held by the Company and 49% held by Lotte Chemical Corporation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

In the previous year, the Company subscribed for additional 140,046,000 ordinary shares in LCI for a total consideration of RM620,502,000/ USD140,046,000. The subscription of the new shares did not result in any change of the Company's equity interest in LCI.

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

In the previous year, LCI issued an additional 134,554,000 ordinary shares to LCC for a purchase consideration of approximately RM596,168,000/USD134,544,000. There was no change in the Group's shareholding in LCI as a result of this transaction.

(d) Liquidation of subsidiaries

During the current financial year, the dormant subsidiary of the Company, Lotte Chemical Titan Trading Sdn. Bhd. ("LCTT"), was dissolved on 20 December 2024 pursuant to Section 459(5) of the Companies Act 2016. Accordingly, foreign currency gain of RM469,952,000 arising from recycling of foreign currency translation reserve to profit or loss is recorded upon dissolution of LCTT whose functional currency was previously in United States Dollar ("USD").

In the previous year, the dormant subsidiary of the Company, Titan Trading Corp Limited was dissolved pursuant to Section 239(4) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong.

(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	2024	2023
PT Lotte Chemical Indonesia	Indonesia	49.00%	49.00%

	2024	2023
	RM'000	RM'000
Accumulated balances of material non-controlling interest:		
PT Lotte Chemical Indonesia	3,353,637	3,481,002
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	26,768	30,487
	3,380,405	3,511,489

Loss attributable to material non-controlling interest:		
PT Lotte Chemical Indonesia	(31,739)	(32,273)
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	(2,739)	(171)
	(34,478)	(32,444)

Total comprehensive (loss)/income attributable to material non-controlling interest:		
PT Lotte Chemical Indonesia	(127,365)	148,498
Accumulated balances of non-controlling interests of subsidiaries that are individually immaterial	(3,719)	1,077
	(131,084)	149,575

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

	2024	2023
	RM'000	RM'000
Non-current assets	14,805,241	12,806,041
Current assets	763,340	738,395
Total assets	15,568,581	13,544,436

Non-current liabilities	8,310,567	5,868,056
Current liabilities	413,856	572,295
Total liabilities	8,724,423	6,440,351
Net assets	6,844,158	7,104,085

Equity attributable to:		
- Owners of the Company	3,490,521	3,623,083
- Non-controlling interests	3,353,637	3,481,002

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

	2024	2023
	RM'000	RM'000
Loss for the year	(64,773)	(65,862)

Loss attributable to:		
- Owners of the Company	(33,034)	(33,589)
- Non-controlling interests	(31,739)	(32,273)
Total loss for the year	(64,773)	(65,862)

Total comprehensive (loss)/income	(259,927)	303,057
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Total comprehensive (loss)/income attributable to:		
- Owners of the Company	(132,562)	154,559
- Non-controlling interests	(127,365)	148,498
Total comprehensive (loss)/income for the year	(259,927)	303,057

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

	2024	2023
	RM'000	RM'000
Net cash flows used in operating activities	(329,596)	(131,152)
Net cash flows used in investing activities	(2,809,690)	(6,387,291)
Net cash flows generated from financing activities	2,923,753	6,759,286
Net (decrease)/increase in cash and cash equivalents	(215,533)	240,843
Effects of exchange rate changes	19,309	(3,397)
Cash and cash equivalents at beginning of the year	412,364	174,918
Cash and cash equivalents at end of the year	216,140	412,364

Material accounting policy information

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 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	(102,842)	89,475	-	-
Capital adjustment for dilution loss (Note 15(b))	(32,333)	-	-	-
Exchange differences	201,531	274,773	-	-
	2,202,084	2,499,976	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		Principal activities
		2024 %	2023 %	
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 investees of LCUC 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		Principal activities
		2024 %	2023 %	
<u>Subsidiary</u>				
Lotte Chemical Louisiana LLC (“LCLA”)	United States	60	100	Chemical production
<u>Joint operation</u>				
LACC LLC (“LACC”)	United States	50	50	Chemical production

On 8 November 2024, two (2) Special Purpose Corporation ("SPCs") have acquired a total of 40% of LCUC's equity interest in Lotte Chemical Louisiana LLC ("LCLA"), each holding a 20% stake in LCLA, via a Price Return Swap ("PRS") contract. The capital contribution from the SPCs has reduced LCUC's equity interest from 100% to 60% and consequently the Group's effective interest in LCLA has reduced from 40% to 24%.

Accordingly, the dilution loss of RM32,436,000 arising from the capital contribution exercise is recorded as a reduction to carrying amount of investment in an associate with corresponding entry to equity transaction reserves/other reserves account.

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For the financial year ended 31 December 2024

15. INVESTMENT IN AN ASSOCIATE (CONT'D)

Summarised financial information on an associate

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

(i) Summarised statements of financial position - Lotte Chemical USA Corporation

	2024 RM'000	2023 RM'000
Non-current assets	8,288,955	8,800,909
Current assets	709,074	727,498
Current liabilities	(1,173,923)	(3,069,041)
Non-current liabilities	(130,317)	(219,464)
Equity attributable to shareholders	7,693,789	6,239,902

Attributable to:		
Owners of the company	5,495,479	6,239,902
Non-controlling interests	2,198,310	-
	7,693,789	6,239,902

Proportion of the Group's ownership interest in the associate	40%	40%
Equity attributable to the Group	2,198,192	2,495,961
Other adjustments	3,892	4,015
Carrying amount of the investment	2,202,084	2,499,976

(ii) Summarised statements of comprehensive income - Lotte Chemical USA Corporation

	2024 RM'000	2023 RM'000
Revenue	1,983,992	1,883,445
Cost of goods sold	(2,247,982)	(1,963,336)
Interest income	26,746	20,159
Other operating (expenses)/income	(5,796)	5,413
Distribution expenses	(8,173)	(10,625)
Administrative expenses	(83,414)	(65,891)
Interest expense	(221,000)	(218,533)
Income tax credit	63,509	56,191
Loss for the year	(492,118)	(293,177)

Loss attributable to:		
Owners of the Company	(480,793)	(293,177)
Non-controlling interests	(11,325)	-
	(492,118)	(293,177)
Group's share of results for the year	(192,317)	(117,271)

Material accounting policy information

In the Company's separate financial statements, investment in an associate is accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivable				
Net investment in lease	7,649	7,907	-	-
Current				
Trade receivables				
Third parties	467,032	522,288	-	-
Amount due from ultimate holding company	89	5,066	-	-
Amounts due from related companies	24,377	60,280	-	-
	491,498	587,634	-	-
Less: Allowance on trade receivables	(2,690)	(4,571)	-	-
	488,808	583,063	-	-
Other receivables				
Sundry deposits	27,318	18,372	-	-
Sundry receivables	444,750	309,496	5	28
Amount due from ultimate holding company	-	15,819	-	-
Amounts due from related companies	28,624	538	-	39
Net investment in lease	258	257	-	-
	500,950	344,482	5	67
	989,758	927,545	5	67
Total trade and other receivables	997,407	935,452	5	67

(a) Trade receivables

Trade receivables are unsecured, non-interest bearing except for an amount due from a joint venture of the ultimate holding company and are generally on 30 to 90 days (2023: 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	
	2024	2023
	RM'000	RM'000
Neither past due nor impaired	449,872	483,244
1 to 30 days past due not impaired	38,765	83,974
31 to 90 days past due not impaired	135	245
More than 90 days past due not impaired	36	15,600
	38,936	99,819
Impaired	2,690	4,571
	491,498	587,634

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

16. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (Cont'd)

(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 RM38,936,000 (2023: RM99,819,000) 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 track records.

(iii) Receivables that are impaired

The Group has provided an allowance on trade receivables amounting to RM2,049,000 in prior year whose credit risk and probability of default have increased significantly.

A reversal of allowance on trade receivables amounting to RM1,802,000 (2023: RM2,240,000) is recognised as a result of the recovery from credit impaired debtors during the year.

The movement in allowance accounts of trade receivables is as follows:

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	4,571	6,408
Net reversal of impairment loss for trade receivables (Note 7)	(1,802)	(2,240)
Exchange differences	(79)	403
At 31 December	2,690	4,571

(b) Other receivables

Other receivables are generally unsecured and interest-free.

Included in sundry receivables of the Group are indirect tax receivables amounting to RM414,713,000 (2023: RM293,021,000).

(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 a joint venture of the ultimate holding company amounting to RM28,624,000 (2023: RM41,209,000), which bears interest rate at 7% (2023: 6.6%) per annum.

(d) Net investment in lease

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	8,164	-
Addition	-	8,372
Interest income	48	41
Lease payments received (principal)	(257)	(208)
Lease payments received (interest)	(48)	(41)
At 31 December	7,907	8,164

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

16. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Net investment in lease (Cont'd)

The Group leases a machinery to third party. The lease contains an initial non-cancellable period of 30 years.

The lease transfers substantially all the risk and rewards incidental to ownership of the machine. The Group expects the residual value of the machine at the end of the lease term to be minimal. The lease does not include buy-back agreements or residual value guarantees.

The lease payments to be received are as follows:

	Group	
	2024	2023
	RM'000	RM'000
Within one year	305	305
One to two years	305	305
Two to five years	915	915
More than five years	7,071	7,376
Total undiscounted lease payments	8,596	8,901
Unearned interest income	(689)	(737)
Net investment in lease	7,907	8,164
Net investment in lease is analysed as:		
Recoverable within 12 months	258	257
Recoverable after 12 months	7,649	7,907

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets/(liabilities) are attributable to the following:

	Group	
	2024	2023
	RM'000	RM'000
Property, plant and equipment	(550,286)	(792,442)
Provisions	21,297	92,211
Derivative financial instruments	(8)	11
Unused investment tax allowances	20,715	20,715
Unabsorbed capital allowances	188,370	145,638
Unused tax losses	330,833	254,464
Net deferred tax assets/(liabilities)	10,921	(279,403)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

17. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

The details of the unused tax losses are as follows:

	Group	
	2024	2023
	RM'000	RM'000
Malaysia		
Unused tax losses, expiring in:		
- 31 December 2032	422,422	464,864
- 31 December 2033	588,613	595,400
- 31 December 2034	658,347	-
	1,669,382	1,060,264
Deferred tax assets not recognised	(331,242)	-
	1,338,140	1,060,264
Indonesia		
Unused tax losses, expiring in:		
- 31 December 2028	250	-
- 31 December 2029	43,996	-
	44,246	-
Total unused tax losses	1,382,386	1,060,264

Malaysia

Under the Malaysia Finance Act 2021 which was gazetted on 31 December 2021, the availability of unused tax losses brought forward for offsetting against future taxable profits of the company is limited to a maximum period of 10 consecutive years of assessment from the year of assessment the tax losses arises.

Deferred tax asset in respect of the unused tax losses has been recognised to the extent that it is probable that future profit will be available against which the company can utilise that benefits therefrom.

Indonesia

Under Article 6(2) of the Income Tax Law, the availability of unused tax losses brought forward for offsetting against future taxable profits of the company is limited to a maximum period of 5 consecutive years of assessment from the year of assessment the tax losses arises.

Movements in temporary differences during the year:

	Property, plant and equipment	Provisions	Derivative financial instruments	Unused investment tax allowances	Unabsorbed capital allowances	Unused tax losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
At 1 January 2023	(810,756)	104,180	1,585	20,715	99,298	120,250	(464,728)
Recognised in profit or loss (Note 10)	51,240	(16,165)	(1,613)	(848)	41,517	126,986	201,117
Recognised in other comprehensive income	-	139	-	-	-	-	139
Exchange difference	(32,926)	4,057	39	848	4,823	7,228	(15,931)
At 31 December 2023	(792,442)	92,211	11	20,715	145,638	254,464	(279,403)
Recognised in profit or loss (Note 10)	218,208	(68,190)	(19)	635	47,246	84,120	282,000
Recognised in other comprehensive income	-	121	-	-	-	-	121
Exchange difference	23,948	(2,845)	-	(635)	(4,514)	(7,751)	8,203
At 31 December 2024	(550,286)	21,297	(8)	20,715	188,370	330,833	10,921

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

18. INVENTORIES

	Group	
	2024	2023
	RM'000	RM'000
At cost		
Raw materials	54,879	105,879
Work-in-progress	184,114	99,975
Consumables	598,506	641,460
Finished goods	131,470	89,647
	968,969	936,961
At net realisable value		
Raw materials	296,568	221,787
Finished goods	267,653	286,537
	564,221	508,324
	1,533,190	1,445,285
Recognised in profit or loss:		
- Inventories recognised as cost of sales	8,102,903	8,354,449
- Reversal of net realisable value (included in cost of sales)	(27,564)	(106,007)
- Provision for obsolete consumables (included in cost of sales)	4,875	-
- Inventories written off (included in other expenses)	270	228

The reversal of write down of RM27,564,000 (2023: RM106,007,000) on the inventories is due to fluctuation in market condition.

Material accounting policy information

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average basis.

19. OTHER INVESTMENTS

	Group	
	2024	2023
	RM'000	RM'000
Fund placement with licensed financial institutions	12,748	12,506

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 4.65% to 5.76% (2023: 4.39% to 5.78%) per annum.

20. CASH AND BANK BALANCES

	Group	Company	
	2024	2023	2024
	RM'000	RM'000	RM'000
Cash at banks and on hand	305,452	373,070	3,752
Short term deposits with licensed financial institutions	162,046	387,594	-
Cash and cash equivalents	467,498	760,664	3,752

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 (2023: 1 days to 90 days) and earn interests ranging from 4.50% to 5.50% (2023: 3.20% to 6.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

21. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	Number of shares		Amount	
	2024	2023	2024	2023
	'000	'000	RM'000	RM'000
Issued and fully paid				
Ordinary shares				
At 1 January/31 December	2,312,365	2,312,365	5,827,149	5,827,149

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.

(b) Treasury shares

	Group and Company			
	Number of shares		Amount	
	2024	2023	2024	2023
	'000	'000	RM'000	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 of issuance.

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	
	2024	2023
	RM'000	RM'000
Non-distributable		
Foreign currency translation reserve	1,709,452	2,475,860
Equity transaction reserve/other reserves	(5,897)	26,539
Hedging reserve	(4,403)	(15,134)
	1,699,152	2,487,265

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. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group upon disposal of the foreign operation. 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.

Upon dissolution of LCTT as disclosed in Note 14(d), the cumulative translation reserve amounted to RM469,952,000 is recycled to profit or loss during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

22. OTHER RESERVES (CONT'D)

(b) Equity transaction reserve/other reserves

Equity transaction 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 in previous year.

Other reserves represent the capital adjustment resulting from the reduction in the Group’s effective interest in the Lotte Chemical Louisiana LLC, the subsidiary of the Group’s associate, Lotte Chemical USA Corporation. Further information is disclosed in Note 15(b).

(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 open hedged position.

23. RETAINED EARNINGS

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

24. PROVISION

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	463,900	362,431
Remeasurement of provision (Note 12)	(126,808)	67,353
Unwinding of discount (Note 6)	18,307	17,331
Exchange differences	(12,410)	16,785
At 31 December	342,989	463,900

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 industry-specific 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.

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

	2024	2023
	%	%
Inflation rate	3.50	4.00
Discount rate	4.82	4.09
Proportion of ENRV as EDC	3.46	3.43

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other payables				
Retention sum payable	-	244,327	-	-
Current				
Trade payables				
Third parties	536,130	339,925	-	-
Other payables				
Third parties	71,461	279,382	-	-
Amount due to ultimate holding company	17,322	16,656	-	-
Amounts due to related companies	3,634	281,566	-	-
Amounts due to subsidiaries	-	-	1,219	499,256
Retention sum payable	302,688	-	-	-
Accruals	177,906	175,170	1,218	1,308
	573,011	752,774	2,437	500,564
	1,109,141	1,092,699	2,437	500,564
Total trade and other payables	1,109,141	1,337,026	2,437	500,564

Included in other payables of the Group are property, plant and equipment accruals amounting to RM435,758,000 (2023: RM771,570,000).

(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.

(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) Retention sum payable

Retention sum is payable upon completion of construction of the petrochemical plant. In prior year, the retention sum payable was discounted for time value of money based on the payment terms at a fixed rate ranging from 5.75% to 7.95%.

(e) Accruals

Included in accruals of the Group are mainly amounts related to goods received or services performed but invoice not yet received, and accruals of capitalised borrowing costs amounting to RM1,870,000 (2023: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

26. LOANS AND BORROWINGS

	Group	
	2024	2023
	RM'000	RM'000
Non-current		
Secured		
Term loan	8,234,621	5,536,967
Current		
Unsecured		
Bankers' acceptances	194,800	230,000
Revolving credits	58,019	73,664
Bills discounting	32,326	29,299
Invoices financing	472,297	73,664
	757,442	406,627
	8,992,063	5,943,594

The table below summaries the contractual interest rate of the Group's loans and borrowings as at the end of the reporting period.

	Contractual Interest Rate (%)	
	2024	2023
Term loan	5.61 to 6.91	6.53 to 7.83
Bankers' acceptances	3.74 to 4.07	3.72 to 3.77
Revolving credits	5.56 to 5.70	5.88 to 5.89
Bills discounting	4.60 to 5.76	5.56 to 6.53
Invoices financing	3.78 to 5.76	5.97 to 6.06

The term loan is utilised to fund the development works of the Integrated Petrochemical Facility known as the LOTTE Chemical Indonesia New Ethylene Project ("LINE Project") for a subsidiary in Indonesia - PT Lotte Chemical Indonesia ("LCI") and secured by the followings:

- (i)

the ultimate holding company - Lotte Chemical Corporation ("LCC") is the guarantor of the Loan Facility;
- (ii)

Both LCC and the Company have entered into share pledges in respect of all of LCI's shares owned by LCC and the Company respectively; and
- (iii)

Legal charges over certain assets of the Group as disclosed in Notes 12 and 13.

The table below details changes in the Group's liabilities arising from investing and financing activities including both cash and non-cash changes.

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	5,943,594	-
Cash flows - Investing activities		
Repayment of interest expenses - term loan	(601,266)	(214,205)
Cash flows - Financing activities		
Transaction costs	-	(468,591)
Net proceeds from loans and borrowings	3,307,298	6,427,310
Repayment of interest expenses - short-term borrowings	(35,674)	(13,836)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

26. LOANS AND BORROWINGS (CONT'D)

	Group	
	2024	2023
	RM'000	RM'000
Non-cash flows changes		
Interest expenses		
- recognised in profit or loss	35,674	13,836
- capitalised into construction-in-progress	603,136	214,205
Total interest expenses (Note 6)	638,810	228,041
Accrued interest (Note 25(e))	(1,870)	-
Amortisation of transaction costs	29,921	12,091
Exchange differences	(288,750)	(27,216)
At 31 December	8,992,063	5,943,594

LCI, a subsidiary of the Company, entered into a borrowing agreement of USD2,400,000,000 (equivalent to RM10,711,200,000 as of 31 December 2024) in 2023, with a 9-year installment repayment plan beginning in 2026. Under the terms of the agreement, the ultimate holding company, LCC, acting as the guarantor for the loan, is obligated to maintain the Interest Coverage Ratio and Leverage Ratio. Due to non-compliance with these financial covenants as of 31 December 2024 (i.e., the calculation date), LCC and LCI sought and obtained consent from the lenders, and secured a waiver for the Leverage Ratio and EBITDA to Interest Coverage Ratio covenants up to the next calculation date as of 30 June 2025 (inclusive). LCC remains committed to monitoring compliance with the financial covenants and will proactively seek additional waivers from the lenders for the following calculation date as of 31 December 2025, if required.

27. 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 Group's subsidiaries in Indonesia are required to provide defined benefit plans to eligible employees under legislative requirements or industry arrangements. The cost 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 of 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 other comprehensive income ("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.

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.

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

	Group	
	2024	2023
	RM'000	RM'000
Service cost:		
Current service cost	2,974	2,081
Net interest expense	1,560	1,258
Components of defined benefit costs recognised in profit or loss (Note 8)	4,534	3,339
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	1,340	648
	5,874	3,987

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

27. DEFINED BENEFIT OBLIGATION (CONT'D)

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

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	21,949	18,314
Current service cost	2,974	2,081
Net interest expense	1,560	1,258
Actuarial loss recognised in other comprehensive income	1,340	648
Benefits paid	(3,054)	(1,523)
Exchange differences	(1,778)	1,171
At 31 December	22,991	21,949

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

	Group	
	2024	2023
Discount rate	6.31%-7.04%	6.45%-7.24%
Expected rate of salary increase	3.3%-10.00%	3.3%-10.00%

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 RM1,743,000/(RM1,991,000) (2023: RM1,521,000/(RM1,728,000)).
- If the expected salary growth rate is 1% higher/(lower), the defined benefit obligation would increase/(decrease) by RM1,636,000/(RM1,469,000) (2023: RM1,569,000/(RM1,412,000)).

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.

28. LEASE LIABILITIES

	Group	
	2024	2023
	RM'000	RM'000
Non-current		
Lease liabilities	10,284	21,708
Current		
Lease liabilities	11,976	12,084
Total lease liabilities		
Lease liabilities	22,260	33,792

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For the financial year ended 31 December 2024

28. LEASE LIABILITIES (CONT'D)

The remaining maturities of the lease liabilities are as follows:

	Group	
	2024	2023
	RM'000	RM'000
On demand or within one year	11,976	12,084
More than 1 year and less than 2 years	7,942	12,353
More than 2 years and less than 5 years	2,342	9,355
	22,260	33,792

The Group applies weighted average incremental borrowing rate for its lease liabilities at 5.97% (2023: 5.65%).

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Group	
	2024	2023
	RM'000	RM'000
At 1 January	33,792	35,626
Cash flows		
Repayment of principal of lease liabilities	(12,884)	(12,893)
Repayment of interest on lease liabilities	(1,574)	(1,710)
Non-cash flows changes		
Additions	1,236	10,186
Derecognition	(43)	-
Interest expenses (Note 6)	1,574	1,710
Exchange differences	159	873
At 31 December	22,260	33,792

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Notional amount	Asset	Liabilities
	RM'000	RM'000	RM'000
At 31 December 2024			
Current			
Forward currency contracts (at fair value through profit or loss)	20,000	32	-
Forward exchange contracts (used for hedging)	107,026	-	(8,636)
	127,026	32	(8,636)
At 31 December 2023			
Non-current			
Forward currency contracts (used for hedging)	110,408	-	(3,582)
Current			
Forward currency contracts (at fair value through profit or loss)	45,000	-	(47)
Forward exchange contracts (used for hedging)	804,177	-	(26,093)
	849,177	-	(26,140)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

29. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(a) Forward exchange contracts (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 contracts (at fair value through profit or loss)

The forward exchange contracts are used to manage the Group's foreign exchange exposure arising from certain transactions in United States Dollar ("USD") and 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.

30. CAPITAL COMMITMENTS

Capital expenditure as at the reporting date is as follows:

	Group	
	2024	2023
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for	354,816	1,682,399

31. RELATED PARTIES

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

	Group	
	2024	2023
	RM'000	RM'000
Ultimate holding company		
Sales of goods	13,887	23,925
Catalyst trial fee received/receivable	-	8,946
Management and consulting fees incurred	(1,497)	(1,481)
Reimbursement of payroll for secondment of expatriates	(50,840)	(39,068)
Purchase of materials	(1,198)	(1,312)
Commission expense	(1,149)	(1,329)
Royalty expense	(474)	(210)
Commission income	47	41
Capital expenditure incurred	(44,333)	(25,889)
IT support services fee paid/payable	(420)	(454)
Other administrative expenses	(19)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

31. RELATED PARTIES (CONT'D)

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

	Group	
	2024	2023
	RM'000	RM'000
Related companies		
Sales of goods	258,816	160,695
Sales of utilities	6,591	9,029
Capital expenditure incurred	(884,467)	(4,311,861)
IT support services fee paid/payable	(4,282)	(3,551)
Commission expense	(520)	(634)
Warehouse and logistics services incurred	(25,012)	(27,295)
Other administrative expenses	(1,943)	(2,312)
Office space sublease	133	161
Interest income	2,432	2,693
Lease rental income	2,942	2,687
Compensation receivable for pipeline termination	28,486	-
Other income	189	-
Service fee	(642)	(696)
Income from shared services	45	116

	Company	
	2024	2023
	RM'000	RM'000
Subsidiary		
Management service fee	(2,552)	(2,672)

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

32. 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, commodity price risks and interest rate risk.

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 and net investment in a lease. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(a) Credit risk (cont'd)

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			More than
	Current	1-30 days	31-90 days	90 days
31 December 2024				
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default (RM'000)	449,872	38,765	135	36
31 December 2023				
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%
Estimated total gross carrying amount at default (RM'000)	483,244	83,974	245	15,600

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 16(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.

The Group manages credit risk on net investment in a lease together with its leasing arrangements which has 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 16. Deposits with banks and other financial institutions, net investment in a lease 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.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(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 contractual repayment obligations.

	On demand or within one year	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2024:				
Group				
Financial liabilities:				
Trade and other payables	1,109,141	-	-	1,109,141
Loans and borrowings	1,318,570	4,712,474	6,291,989	12,323,033
Lease liabilities	13,026	10,288	-	23,314
Total financial liabilities	2,440,737	4,722,762	6,291,989	13,455,488

Company				
Financial liabilities:				
Trade and other payables	2,437	-	-	2,437

As at 31 December 2023:				
Group				
Financial liabilities:				
Trade and other payables	1,092,699	277,032	-	1,369,731
Loans and borrowings	831,041	3,825,359	4,357,510	9,013,910
Lease liabilities	14,205	22,977	-	37,182
Total financial liabilities	1,937,945	4,125,368	4,357,510	10,420,823

Company				
Financial liabilities:				
Trade and other payables	500,564	-	-	500,564

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(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.

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

	2024	2023
	RM'000	RM'000
Denominated in RM		
Trade and other receivables	197,416	173,632
Cash and bank balances and other investments	69,335	116,278
Trade and other payables	(113,207)	(115,456)
Loans and borrowings	(323,000)	(230,000)
Lease liabilities	(15,727)	(25,225)
Net exposure in the statements of financial position	(185,183)	(80,771)
Denominated in IDR		
Trade and other receivables	418,675	286,283
Cash and bank balances	13,492	424,912
Trade and other payables	(184,520)	(401,594)
Lease liabilities	(6,842)	(8,567)
Net exposure in the statements of financial position	240,805	301,034

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss 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) in loss net of tax	
	2024	2023
	RM'000	RM'000
RM/USD		
- strengthening of RM by 10% (2023: 10%)	12,794	5,581
- weakening of RM by 10% (2023: 10%)	(12,794)	(5,581)
IDR/USD		
- strengthening of IDR by 10% (2023: 10%)	(16,636)	(20,736)
- weakening of IDR by 10% (2023: 10%)	16,636	20,736

(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 use derivatives or other hedging instruments to manage its commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(e) Interest rate risk

The Group's amount due from a joint venture of the ultimate holding company, fixed rate borrowings and lease liabilities are exposed to 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. Cash and bank balances, other investments 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.

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

	Group		Company	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	28,624	-	-	-
Financial liabilities	(1,060,130)	(650,954)	-	-
Lease liabilities	(22,260)	(33,792)	-	-
	(1,053,766)	(684,746)	-	-
Floating rate instruments				
Financial assets	12,748	53,715	-	-
Financial liabilities	(8,234,621)	(5,536,967)	-	-
	(8,221,873)	(5,483,252)	-	-

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 rate rates at the end of the reporting period would have decreased the Group's post-tax profit or loss by RM82,249,000 (2023: RM54,962,000). This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

(f) Hedging activities

Cash flow hedge

At 31 December 2024 and 31 December 2023, the Group held the following instruments to hedge exposures to changes in foreign currency.

	2024		2023	
	Maturity Under 1 year	Maturity 1-3 years	Maturity Under 1 year	Maturity 1-3 years
	RM'000	RM'000	RM'000	RM'000
Group				
Foreign currency risk				
Forward exchange contracts				
Net exposure	107,027	-	804,177	110,408
Average USD:IDR forward contract	14,923	-	14,929	14,923

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

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

(f) Hedging activities (Cont'd)

Cash flow hedge (Cont'd)

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 RM42,293,000 (2023: RM38,361,000) is recognised in the cost of construction in progress (Note 12).

As at year end, the Group recognised a fair value gain on hedging instruments amounting to RM21,040,000 (2023: RM84,537,000) in other comprehensive income.

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

	2024	2023
	Hedging reserve	Hedging reserve
	RM'000	RM'000
Group		
At 1 January	(15,134)	(58,248)
Cash flow hedge		
Changes in fair value attributable to the owners of the Company:		
Foreign currency risk	10,731	43,114
At 31 December	(4,403)	(15,134)

33. FAIR VALUE

(a) Determination of 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 - current	16
Cash and bank balances	20
Trade and other payables - current	25
Loans and borrowings	26

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 currency 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 currency contracts are estimated by discounting future cash flows using valuation technique with market observable input.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

33. FAIR VALUE (CONT'D)

(a) Determination of fair value (Cont'd)

Fund placements with licensed financial institutions

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

Non-current other payables that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values

In prior year, the fair value of non-current other payables was measured based on discounted cash flow using the current market rate at the reporting date.

Fair value hierarchy

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

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
Total	RM'000	RM'000	RM'000

Group

At 31 December 2024

Financial assets

Fund placements with licensed financial institutions	12,748	-	12,748	-
Derivatives at fair value through profit or loss				
- Forward currency contracts	32	-	32	-

Financial liabilities

Derivatives used for hedging				
- Forward exchange contracts	(8,636)	-	(8,636)	-

At 31 December 2023

Financial assets

Fund placements with licensed financial institutions	12,506	-	12,506	-
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Financial liabilities

Derivatives at fair value through profit or loss				
- Forward currency contracts	(47)	-	(47)	-
Derivatives used for hedging				
- Forward exchange contracts	(29,675)	-	(29,675)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

34. 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	2024 RM'000	2023 RM'000
Group			
(a) Financial assets measured at amortised cost			
Trade and other receivables	16	997,407	935,452
Cash and bank balances	20	467,498	760,664
		1,464,905	1,696,116
(b) Financial instruments at fair value through profit or loss			
Fund placements with licensed financial institutions	19	12,748	12,506
Derivative assets	29	32	-
Derivative liabilities	29	-	(47)
		12,780	12,459
(c) Financial liabilities measured at amortised cost			
Trade and other payables	25	(1,109,141)	(1,337,026)
Loans and borrowings	26	(8,992,063)	(5,943,594)
		(10,101,204)	(7,280,620)
(d) Lease liabilities			
	28	(22,260)	(33,792)
(e) Derivative used for hedging			
Derivative liabilities	29	(8,636)	(29,675)
Company			
(a) Financial assets measured at amortised cost			
Trade and other receivables	16	5	67
Cash and bank balances	20	3,752	9,039
		3,757	9,106
(b) Financial liabilities measured at amortised cost			
Trade and other payables	25	(2,437)	(500,564)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

35. NET GAINS AND LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Group		Company	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	676	639	-	-
Financial liabilities at fair value through profit or loss:				
- Mandatorily required by MFRS 9	-	(47)	-	-
Financial assets at amortised cost	(24,692)	5,585	139	(1,009)
Financial liabilities at amortised cost	(34,546)	2,365	(1)	(2)
Derivative used for hedging	21,039	84,537	-	-
Lease liabilities	908	(1,089)	-	-
	(36,615)	91,990	138	(1,011)

36. 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.

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

The debt-to-equity ratio at the end of the reporting period was as follows:

	Group	
	2024 RM'000	2023 RM'000
Loans and borrowings (Note 26)	8,992,063	5,943,594
Lease liabilities (Note 28)	22,260	33,792
Less: Cash and bank balances (Note 20)	(467,498)	(760,664)
Net debt	8,546,825	5,216,722
Total equity	12,798,302	15,010,688
Debt-to-equity ratio	0.67	0.35

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

37. 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 monitors 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

37. OPERATING SEGMENTS (CONT'D)

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.

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, assets, liabilities 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 2024				
Revenue				
External customers	1,602,269	5,832,762	-	7,435,031
Inter-segment	3,274,631	-	(3,274,631)	-
Total revenue	4,876,900	5,832,762	(3,274,631)	7,435,031
Other segment information				
Depreciation of property, plant and equipment and right-of-use assets	325,131	187,733	4,102	516,966
Property, plant and equipment written off	748	189	466	1,403
Reversal of write-down of inventories to net realisable value	(14,930)	(12,634)	-	(27,564)
Impairment losses on property, plant and equipment and right-of-use assets	661,736	278,497	-	940,233
Foreign exchange gain from dissolution of a subsidiary	-	-	(469,952)	(469,952)
Segment results	(919,727)	(854,156)	204,451	(1,569,432)
31 December 2023				
Revenue				
External customers	1,437,815	6,208,355	-	7,646,170
Inter-segment	3,956,855	-	(3,956,855)	-
Total revenue	5,394,670	6,208,355	(3,956,855)	7,646,170
Other segment information				
Depreciation of property, plant and equipment and right-of-use assets	325,524	182,889	2,490	510,903
Property, plant and equipment written off	450	291	434	1,175
Reversal of write-down of inventories to net realisable value	(65,530)	(40,477)	-	(106,007)
Segment results	(104,059)	(706,780)	(188,727)	(999,566)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

37. OPERATING SEGMENTS (CONT'D)

Adjustments and eliminations

Finance income are allocated to individual segments other than finance income derived from the Company's proceeds from its initial public offering amounting to approximately RM0.4 million in 2023 which are managed on a group basis.

Foreign exchange gain/loss are allocated to individual segments other than foreign exchange gain arising from the conversion of the unutilised proceeds of the Company's initial public offering to USD amounting to approximately RM0.4 million in 2023 which are managed on a group basis.

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

Reconciliation of loss

	2024 RM'000	2023 RM'000
Segment loss of:		
- Olefins and derivative products	(919,727)	(104,059)
- Polyolefins products	(854,156)	(706,780)
Total segment loss	(1,773,883)	(810,839)
Inter-segment sales (elimination)	-	(626)
Share of results of an associate	(192,317)	(117,271)
Finance income derived from IPO proceeds	-	440
Foreign exchange gain arise as a result of converting a portion of IPO proceed to USD	-	368
Foreign exchange gain from dissolution of a subsidiary	469,952	-
Other unallocated cost	(73,184)	(71,638)
Loss before tax	(1,569,432)	(999,566)
Non-current operating assets		
Malaysia	2,832,345	4,163,606
Indonesia	14,995,893	13,007,471
	17,828,238	17,171,077

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2024

38. CONTINGENT LIABILITIES

(a) Tax litigation involving an indirect subsidiary of the Company - Malaysia

Lotte Chemical Titan International Limited (“LCTIL”), an indirect subsidiary of the Company, which is under liquidation process has filed a Judicial Review Application to the High Court, to appeal against Minister of Finance Malaysia’s decision on rejecting LCTIL’s application for a determination of the term “chargeable profit” for a Labuan entity carrying on a Labuan non-trading activity under the Labuan Business Activity Tax Act 1990 (“Decision”). The said Decision may give rise to a tax liability amounting to USD 8.5 million (equivalent to RM 37.94 million) to LCTIL. The hearing and case management took place since 21 June 2021. The High Court has allowed the Inland Revenue Board of Malaysia’s (“IRBM”) application to intervene in the Judicial Review proceedings on 16 February 2023 and approved the Judicial Review application of LCTIL on 11 January 2024.

On 11 July 2024, LCTIL informed the High court that the parties are in the process of settlement and LCTIL has submitted an application to elect taxation under the Income Tax Act 1967 to the IRBM. IRBM has confirmed the receipt of the application and indicated that they will review it and provide an update on the status. IRBM has requested additional time to review the application and finalise the settlement process during the case management sessions on 7 November 2024, 7 January 2025 and 27 February 2025, respectively. The Court has directed the parties to attend a physical case management session on 19 March 2025 to provide an update on the settlement status and, if necessary, set a hearing date. Interim stay granted until the disposal of leave hearing as instructed by Court previously remains valid and effective.

Upon consulting its tax consultant and solicitors, LCTIL is of the view that there are reasonable grounds to contest the Decision and LCTIL intends to take all steps necessary to contest the Decision.

The additional tax liability is not expected to have a material impact on the net assets or gearing of the Group for the financial year ended 31 December 2024.

(b) Tax litigation involving an indirect subsidiary of the Company - Indonesia

Lotte Chemical Titan Tbk (“LCTBK”), a subsidiary of the Company, received an assessment letter in April 2022 indicating an underpayment of withholding income tax amounting to Rp9.1 billion (equivalent to RM2,520,700) in relation to the transfer of shares from its subsidiary, Chemical Brothers Limited, which was liquidated on 24 June 2022 (“Assessment”). Under Indonesian tax regulations, share transfers are subject to a 5% withholding tax based on the transaction value. The Indonesian Tax Office, however, disagreed with the market value determined by the Independent Appraiser engaged by LCTBK and has requested the payment of additional tax with a penalty.

LCTBK filed an objection to the Assessment, which was rejected by Indonesia Tax Office in March 2023. Subsequently, LCTBK filed an appeal with the Tax Court in June 2023. As of 31 December 2024, the Tax Court has not issued a decision regarding the appeal.

LCTBK is of the view that it has reasonable grounds to defend its position and is committed to pursuing all necessary measures to contest the Assessment.

The additional tax liability is not expected to have a material impact on the Group’s net assets or gearing for the financial year ended 31 December 2024.

39. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 11 March 2025.



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