

Carotech
Berhad

Carotech Berhad (Company no: 200964 W)

Quarterly Announcement - BURSA MALAYSIA

QUARTER 2

FINANCIAL PERIOD ENDED

@ 31 DECEMBER 2010

Carotech

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Carotech Berhad (Company no: 200964 W)

Condensed consolidated statement of financial position (unaudited) for the second quarter ended 31 December 2010

| | As at current quarter ended 31 December 2010 | As at preceding financial year ended 30 June 2010 (Audited) |
|---|--|--|
| | RM '000 | RM '000 |
| Non-current assets | | |
| Property, plant and equipment | 288,473 | 295,189 |
| Product development expenditure | 367 | 378 |
| | 288,840 | 295,567 |
| Current assets | | |
| Inventories | 52,723 | 62,821 |
| Trade receivables | 4,668 | 14,532 |
| Other receivables, deposits and prepayments | 2,015 | 2,612 |
| Amount owing by holding company | - | 2,517 |
| Amount owing by a related company | 2,517 | - |
| Tax recoverable | 2 | - |
| Cash and bank balances | 1,532 | 730 |
| | 63,457 | 83,212 |
| Current liabilities | | |
| Trade payables | 5,358 | 13,135 |
| Other payables and accruals | 26,858 | 25,063 |
| Amount owing to holding company | | 24,609 |
| Amount owing to a fellow subsidiary company | | 83 |
| Amount owing by related companies | 24,754 | - |
| Loans & Borrowings | 257,948 | 270,750 |
| Tax payable | 162 | 162 |
| | 315,080 | 333,802 |
| Net current liabilities | (251,623) | (250,590) |
| Non-current liabilities | | |
| Loans & Borrowings | - | 136 |
| | - | 136 |
| | 37,217 | 44,841 |
| Financed by: | | |
| Capital and reserves | | |
| Share capital | 91,229 | 91,229 |
| Share premium | 4,200 | 4,200 |
| Revaluation reserve | 11,598 | 11,598 |
| Exchange fluctuation reserve | 684 | 681 |
| Retained earnings | (70,494) | (62,867) |
| | 37,217 | 44,841 |
| Net assets per share attributable to ordinary equity holders of the parent (sen) | 4.1 | 4.9 |

The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the audited financial statements for year ended 30 June 2010 and the notes to the interim financial statements

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated income statement (unaudited) for the second quarter ended 31 December 2010

| | Individual quarter 3 months ended 31 December | | Cumulative quarter 6 months ended 31 December | |
|--|---|-----------------|---|-----------------|
| | 2010 RM '000 | 2009 RM '000 | 2010 RM '000 | 2009 RM '000 |
| Revenue | 10,401 | 46,593 | 20,820 | 114,114 |
| Other operating income | 0 | 14 | (1) | 14 |
| Operating expenses | (14,505) | (40,039) | (14,015) | (91,062) |
| Profit from operations | (4,104) | 6,568 | 6,804 | 23,066 |
| Depreciation & amortisation | (2,658) | (6,598) | (6,869) | (13,021) |
| Finance costs | (3,654) | (3,270) | (7,548) | (7,106) |
| Profit/ (Loss) before taxation | (10,416) | (3,300) | (7,613) | 2,939 |
| Share of loss in jointly controlled entity | - | - | - | - |
| Taxation | - | (576) | (14) | (1,152) |
| Profit/ (Loss) after tax and before minority interest | (10,416) | (3,876) | (7,627) | 1,787 |
| Minority interest | - | - | - | - |
| Net profit/ (loss) for the period/year | (10,416) | (3,876) | (7,627) | 1,787 |
| Earnings/ (Loss) per share (sen) (Note B13) | | | | |
| - Basic | (1.14) | (0.73) | (0.84) | 0.34 |
| - Diluted | n/a | n/a | n/a | n/a |

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the notes to the interim financial statements

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated statement of comprehensive income (unaudited for the second quarter ended 31 December 2010)

| | Individual quarter 3 months ended 30 December | | Cumulative quarter 6 months ended 30 December | |
|--|---|-----------------|---|-----------------|
| | 2010 RM '000 | 2009 RM '000 | 2010 RM '000 | 2009 RM '000 |
| Net profit for the period/year | (10,416) | (3,876) | (7,627) | 1,787 |
| Foreign exchange translation | - | - | 3 | - |
| Other comprehensive income for the period, net of tax | - | - | 3 | - |
| Total comprehensive income for the period | (10,416) | (3,876) | (7,624) | 1,787 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | (10,416) | (3,876) | (7,624) | 1,787 |
| Minority interest | - | - | - | - |
| Total comprehensive income for the period | (10,416) | (3,876) | (7,624) | 1,787 |
| | | | | |

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the notes to the interim financial statements

Carotech

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Carotech Berhad (Company no: 200964 W)

Condensed consolidated statement of changes in equity (unaudited) for the second quarter ended 31 December 2010

| | Issued and fully paid ordinary shares of RM0.10 each | | Non-distributable | | | Distributable | Total Equity |
|--|--|--------------------------|--------------------------|--------------------------------|--------------------------------|------------------------------|---------------|
| | Number of shares 000 | Nominal value RM '000 | Share premium RM '000 | Translation reserve RM '000 | Revaluation reserve RM '000 | Retained earnings RM '000 | RM '000 |
| At 1 July 2009 | 456,144 | 45,614 | 4,702 | 1,342 | 11,598 | 29,613 | 92,869 |
| Total comprehensive income for the period | | | | (661) | | (92,480) | (93,141) |
| Rights Issue | 456,144 | 45,615 | | | | | 45,615 |
| Expenses relating to Rights Issue | | | (502) | | | | (502) |
| At 30 June 2010/ 1 July 2010 (Nominal value of RM0.10 per share) | 912,288 | 91,229 | 4,200 | 681 | 11,598 | (62,867) | 44,841 |
| Total comprehensive income for the period | | | | 3 | | (7,627) | (7,624) |
| At 31 December 2010 (Nominal value of RM0.10 per share) | 912,288 | 91,229 | 4,200 | 684 | 11,598 | (70,494) | 37,217 |
| | | | | | | | |

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the notes to the interim financial statements

Carotech

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Carotech Berhad (Company no: 200964 W)

Condensed consolidated cash flow statement (unaudited) for the second quarter ended 31 December 2010

| | Cumulative 6 months ended 31 December | | |
|--|---|-----------------|-----------------|
| | Note | 2010 RM '000 | 2009 RM '000 |
| Cash used in operations | | 5,942 | (4,572) |
| Net cash used in investing activities | | (142) | (294) |
| Net cash generated from financing activities | | (8,014) | 18,169 |
| Net increase/(decrease) in cash and cash equivalents during the year | | (2,214) | 13,303 |
| Effect of exchange differences | | 1 | - |
| Cash and cash equivalents at beginning of year | | (8,094) | (15,926) |
| Cash and cash equivalents at end of year | (I) | (10,307) | (2,623) |

Note:

(I) Cash and cash equivalents comprises:

| | RM '000 | RM '000 |
|------------------------|-----------------|----------------|
| Cash and bank balances | 1,532 | 6,424 |
| Bank overdrafts | (11,839) | (9,047) |
| | <u>(10,307)</u> | <u>(2,623)</u> |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2010 and the notes to the interim financial statements

Carotech

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134, Interim Financial Reporting and Chapter 9 Part K 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad for the ACE Market. The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 30 June 2010.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the annual audited financial statements for the year ended 30 June 2010 except for the adoption of the following new /revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 July 2010:-

(a) FRS 101 (revised) - Presentation of Financial Statements

This standard requires changes in the format and content of the financial statements and prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' is required to be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to show other comprehensive income in a separate statement from the income statement. The adoption of this standard does not have any impact on the financial position and results of the Group.

(b) Amendments to FRS 117 - Leases

The amendments to FRS 117 clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease.

The Group has reassessed and determined that all leasehold land are in substance of finance lease and has reclassified the leasehold land to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions and has no effect on reported profit or equity.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

| | As previously reported | Adoption of FRS 117 | As restated at 30 June 2010 |
|--------------------------------|---------------------------|------------------------|--------------------------------|
| | RM '000 | RM '000 | RM '000 |
| Property, plant and equipment | 285,483 | 9,706 | 295,189 |
| Prepaid interest in lease land | 9,706 | (9,706) | - |

(c) FRS 139 - Financial Instruments : Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the reporting date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when the Group becomes a party to the contractual provisions of the instruments. The recognition, derecognition and measurement are applied prospectively from 1 July 2010.

The applications of the other new and revised FRSs, IC Interpretations and Amendments do not have significant impact on the Group's consolidated financial statements for the current quarter or the comparative consolidated financial statements for the prior financial year.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

A2 Status of financial statements qualification

The Company's auditors, Messrs KPMG have expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 30 June 2010.

Prior to this, the Board of Directors of Carotech Berhad ("Board") had announced on 1 July 2010, pursuant to the Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements ("ACE LR") that the Company have defaulted on the repayment of certain borrowings which were due for payment during the financial year ended 30 June 2010. The Company also sought the assistance of Corporate Debt Restructuring Committee ("CDRC") to mediate between the Company and its lenders on its Proposed Debt Restructuring scheme ("the Proposed Scheme"). The CDRC has agreed to mediate and allowed a period of 6 months from 1 July 2010 to complete the proposed scheme. The CDRC had via its letter dated 9 February 2011 informed that a further extension of time had been granted for the execution of the Debt Restructuring Agreement with its major lenders until 1 March 2011 which the Board had announced on the same date.

On 29 October 2010, the Board announced that the Company is an affected listed company pursuant to the Guidance Note 3 ("GN3") of the ACE LR of Bursa Securities based on the criteria as prescribed under Rule 2.1(b), (c) and (f).

The audited report on the financial statements for the year ended 30 June 2010 was subjected to qualifications.

Basis for Disclaimer of opinion

The auditors' report for Financial Year Ended 30 June 2010 disclaimed the following :-

- (i) The Group and the Company incurred a net loss of RM92,480,000 and RM93,021,000 respectively for the year ended 30 June 2010 and, as of that date, the current liabilities of the Group and the Company exceeded their current assets by RM250,590,000 and RM250,213,000 respectively.
- (ii) As disclosed in Note 13 to the financial statements, as at 30 June 2010, the Group and the Company have defaulted on the repayment of certain borrowings which were due for payment during the financial year. On 1 July 2010, the Board made an announcement pursuant to the GN5 of Bursa Securities ACE Market Listing Requirements, regarding the defaults on repayment and has sought the assistance of CDRC to mediate between the Company and its lenders on its Proposed Debt Restructuring scheme ("the proposed scheme"). The CDRC has agreed to mediate and allowed a period of 6 months from 1 July 2010 to complete the proposed scheme. The lenders are currently reviewing and considering the proposed scheme but no decision has been made as at the date of this report.
- (iii) The above events may affect the ability of the Group and the Company to obtain continued financial support from the lenders and also to attain sufficient positive cash flows in the future to fulfill their obligations as and when they fall due. Although it is the intention of the Directors to continue operating the Group and the Company as going concern, this cannot be assured.
- (iv) In view of the matters set out in the preceding paragraphs, there are significant material uncertainties on the ability of the Group and the Company to continue as a going concerns and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.
- (v) The appropriateness of using the going concern assumption for the preparation of the financial statements is therefore highly dependent upon the continuing financial support from its holding company, bankers and creditors, the timely successful implementation of an approved debt restructuring scheme and the ability of the Group and the Company to attain sufficient positive cash flow in the future.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

- (vi) Accordingly, the financial statements of the Group and the Company do not include any adjustments relating to the recoverability and classification of assets and the classification of liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.
- (vii) The appropriateness of the quantum of allowance for slow-moving work-in-progress and finished goods inventories of RM91,677,000 and RM6,061,000 respectively made by the Group and the Company as disclosed in Note 8 of the financial statements.
- (viii) The Group and the Company have also temporarily scaled back their biodiesel production, leading to significantly lower operations in their Lumut facility subsequent to the year end. Consequently, the carrying amount of the property, plant and equipment of the Group and the Company of RM285,483,000 and RM285,427,000 respectively may be impaired because of uncertainty in their recoverable amounts.

A3 Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the quarter under review.

A4 Unusual items affecting assets, liabilities, equities, net income or cash flow

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5 Material changes in estimates

There were no changes in estimates that have had material effect in the current quarter under review.

A6 Debt and equity securities

In December 2009, the Company issued 456,144,000 new ordinary shares of RM0.10 each on the basis of one (1) Rights Share for every one (1) existing Carotech Share held. The Company's issued and paid up capital was thus increased to RM91.2 million comprising 912,288,000 ordinary shares of RM0.10 each.

There were no other issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year.

A7 Dividends

No dividend has been declared or recommended in respect of the financial period under review.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

A8 Segment information

The Group's primary reporting format is based on business segment, and is operating in the phytonutrients and oleochemicals / bio-diesel industries.

| | Individual quarter 31 December | | Cumulative quarter 31 December | |
|---------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | 2010 RM '000 | 2009 RM '000 | 2010 RM '000 | 2009 RM '000 |
| Turnover | | | | |
| Phytonutrients | 9,992 | 9,284 | 20,191 | 17,342 |
| Oleochemicals/bio-diesel | 409 | 37,309 | 629 | 96,772 |
| Total | 10,401 | 46,593 | 20,820 | 114,114 |
| Profit/ (Loss) before tax | | | | |
| Phytonutrients | (10,007) | (658) | (7,383) | 447 |
| Oleochemicals/bio-diesel | (409) | (2,642) | (230) | 2,492 |
| Total | (10,416) | (3,300) | (7,613) | 2,939 |
| Profit/ (Loss) after tax | | | | |
| Phytonutrients | (10,007) | (772) | (7,397) | 272 |
| Oleochemicals/bio-diesel | (409) | (3,104) | (230) | 1,515 |
| Total | (10,416) | (3,876) | (7,627) | 1,787 |

A9 Valuation of property, plant and equipment

The company did not carry out any revaluation on its property, plant and equipment in the reporting quarter.

A10 Material subsequent events

There were no material subsequent events since 30 June 2010 until the date of this report except for (i) the announcement on 1 July 2010 pursuant to GN5 of the Bursa Securities ACE LR and the acceptance by the CDRC to mediate between the Company and its financial creditors; and

(ii) On 29 October 2010, the Board announced that the Company is an affected listed company pursuant to the GN3 Bursa Securities ACE LR based on the criteria as prescribed under Rule 2.1(b), (c) and (f) of GN3.

(iii) On 10 January 2011, the Board announced that Liaoning Carotech Bio Energy Co. Ltd, a wholly-owned subsidiary of CAROTECH which is incorporated in China, will be wound up by way of members' voluntary winding-up pursuant to The People's Republic of China Company Law.

A11 Changes in the composition of the group

There are no changes to the composition of the Group for the financial period under review.

Carotech

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

A12 Contingent liabilities or assets

There were no material contingent liabilities as at the date of this report.

A 13 Capital commitments

Capital commitments as at 31 December 2010 are as follows:-

| | RM '000 |
|---|------------|
| <u>Authorised and contracted :</u> | |
| Leasehold land | - |
| Building | 72 |
| Plant and machinery | 65 |
| Laboratory and office equipment, furniture & fittings | 10 |
| | <u>146</u> |

A14 Significant related parties transactions

The group has the following significant transactions with its related company, Hovid Berhad, based on terms agreed between the parties:-

| | Individual quarter 31 December | | Cumulative quarter 31 December | |
|------------------------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | 2010 RM '000 | 2009 RM '000 | 2010 RM '000 | 2009 RM '000 |
| Sales of goods | 255 | 299 | 761 | 730 |
| Purchase of goods | 0 | (226) | 0 | (319) |
| Steam service income | 90 | 90 | 180 | 180 |
| Interest income/(expense) | (444) | (528) | (795) | (753) |
| Reallocation of common costs | (128) | (293) | (177) | (537) |

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes Pursuant to the Listing Requirement of Bursa Malaysia Securities Berhad

B1 Review of performance

| | Individual quarter 3 months ended 31 December | | Cumulative 6 months ended 31 December | |
|--|---|-----------------|---|-----------------|
| | 2010 RM '000 | 2009 RM '000 | 2010 RM '000 | 2009 RM '000 |
| Revenue | 10,401 | 46,593 | 20,820 | 114,114 |
| EBITDA | (4,104) | 6,568 | 6,804 | 23,066 |
| Loss before Tax ("LBT") / Profit before Tax ("PBT") | (10,416) | (3,300) | (7,613) | 2,939 |
| Unrealised foreign exchange (loss) / gain | (199) | 2,520 | 7,968 | 5,004 |
| LBT, exclude unrealised foreign exchange (loss) / gain | (10,217) | (5,820) | (15,581) | (2,065) |

Compared to the preceding year's corresponding quarter, the Group's revenue decreased by 77.7% to RM10.4 million as compared to RM46.6 million previously recorded. The Group has also recorded a loss before tax ("LBT") of RM10.4 million in the current reporting quarter compared to LBT of RM3.3 million in the same quarter last year.

The loss recorded in current reporting quarter was mainly due to production cost incurred in further processed existing work-in-progress stock into required concentration for sales and being expense off in the same quarter. Excluding the impact on unrealised loss and gain on foreign exchange in both financial quarters, the Group posted a LBT of RM10.2 million as compare to a RM5.8 million in the preceding year's corresponding quarter.

The significant reduction in revenue and operation was due to the lack of working capital while the debts in the Company is being restructured with the lenders of the Company. With the lack of working capital, the Company has not been able to keep its operations at an optimal level and therefore, has not been able to process fresh raw materials and is highly dependent on the sale of its nutrient stocks in the quarter ended 31st December 2010.

B2 Variation of results against the preceding quarter

| | Quarter ended | |
|--|------------------------|-------------------------|
| | 31 Dec 2010 RM '000 | 30 Sept 2010 RM '000 |
| Revenue | 10,401 | 10,420 |
| EBITDA | (4,104) | 10,991 |
| Loss before Tax ("LBT") / Profit before Tax ("PBT") | (10,416) | 2,887 |
| Unrealised foreign exchange (loss) / gain | (199) | 8,166 |
| PBT / (LBT), exclude unrealised foreign exchange gain / (loss) | (10,217) | (5,279) |

The Group registered a loss of RM4 million for the quarter as compared to a higher EBITDA of RM11 million in the last quarter. However, the Group posted a consistent revenue of RM10.4 million as compared to the same of that reported in immediate preceding quarter. The revenue were mainly attributed to phytonutrients sales quantity arising from existing stock.

B3 Commentary on prospects

The Board of Directors anticipates the coming financial year will be challenging with the debt restructuring exercise under the mediation of CDRC presently in progress and the continued poor economic sentiments globally.

Nevertheless, the Group will continue to work with its lenders and the CDRC to arrive at an amicable solution for the debt restructuring.

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes Pursuant to the Listing Requirement of Bursa Malaysia Securities Berhad

B4 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcements made.

B5 Taxation

| | Individual quarter 3 months ended 31 December | | Cumulative 6 months ended 31 December | |
|-------------------|---|---------|---|---------|
| | 2010 | 2009 | 2010 | 2009 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Income taxation | - | 2 | 14 | 2 |
| Deferred taxation | - | 574 | - | 1,150 |
| | - | 576 | 14 | 1,152 |

The effective tax rate of the Company for the financial period is lower than the statutory rate applicable mainly due to unutilised tax allowances.

B6 Profit/(Loss) on sale of unquoted investments and/or properties

There was no disposal of unquoted investments and/ or properties for the current quarter and financial year.

B7 Particulars on quoted securities

(other than securities in existing subsidiaries and associated companies)

There was no purchase or disposal of quoted securities for the current quarter and financial year.

B8 Status of corporate proposal as at 26 August 2010

(being the latest practicable date prior to the quarterly report announcement)

There are no corporate proposals announced but not completed for the quarter under review other than the following:-

- On 6 February 2006, the Company entered into a Sale and Purchase Agreement with Lumut Maritime Terminal Sdn Bhd to acquire four (4) plots of land for a cash consideration of RM9,785,230. An information circular was dispatched to shareholders on 5 April 2006. The final proceeds of 5% is not paid pending the perfection of land purchase documentation.
- On 24 December 2007, the Company's wholly owned subsidiary, Liaoning Carotech Bio Energy Co. Ltd ("LC") (formerly known as Ying Kou Carotech Bio Energy Co. Ltd) entered into a Sale and Purchase Agreement with Liaoning Dayang Bio Energy Co. Ltd. to acquire an industrial land in Ying Kou, Liaoning Province, China for a consideration of Renminbi (RMB) 14,666,740 (equivalent to approximately RM6,670,000). An announcement was made to the Bursa Malaysia on 26 December 2007. The balance proceeds of 50% is not paid pending the issuance of qualified individual document of title and the finalisation of shareholders agreement for the issue of ordinary shares in LC for the settlement of balance proceeds of 50%.

Due to the delay in the enactment of the biodiesel policy in the People's Republic of China and despite the Company is negotiating with both the local provincial government and industrial park on returning the land, the Directors have adopted a prudent view by making an allowance for the recovery of the amounts paid.

On 10 January 2011, the Board announced that LC will be wound up by way of members' voluntary winding-up pursuant to The People's Republic of China Company Law.

- On 29 October 2010, the Board announced that the Company is an affected listed company pursuant to GN3 of the Bursa Securities ACE LR based on the criteria as prescribed under Rule 2.1(b), (c) and (f). The Company has yet to formalise a regularisation plan to address its GN3 status, save to the Proposed Scheme currently being reviewed and considered by the lenders of the Company. Appropriate announcements on the regularisation plan shall be announced by the Company in due course.

Carotech

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes Pursuant to the Listing Requirement of Bursa Malaysia Securities Berhad

B9 Borrowings and debt securities

Details of Group's bank borrowings as at 31 December 2010 are as follows :-

| | Current | Non-current | Total |
|------------------------------|---------|-------------|---------|
| | RM '000 | RM '000 | RM '000 |
| Secured | | | |
| - Short term bank borrowings | 19,564 | - | 19,564 |
| - Hire purchases | 581 | (0) | 581 |
| - Term loans | 174,758 | 0 | 174,758 |
| | 194,903 | (0) | 194,903 |
| Unsecured | | | |
| - Short term bank borrowings | 63,045 | - | 63,045 |
| | 63,045 | - | 63,045 |
| Total borrowings | 257,948 | (0) | 257,948 |

The bank borrowings denominated in foreign currency is as follows:-

Denominated in US Dollar

161,661

On 1 July 2010, the Board made an announcement pursuant to the GN5 of the Bursa Securities ACE LR, that the Company has defaulted on its bank borrowings during the financial year and has sought the assistance of the CDRC to mediate with the banks on a proposed debt restructuring scheme ("Proposed Scheme") to regularise its borrowings.

Despite the involvement of CDRC to mediate with a timeframe of six (6) months from 1 July 2010 to complete the proposed scheme, the Company has reclassified the non-current portion of its term loans as current liability in compliance with the provision under FRS 101, Presentation of Financial Statements, pending the finalisation of the Proposed Scheme.

Subsequently, on 29 October 2010, the Board made an announcement pursuant to the GN3 of the Bursa Securities ACE LR, that the Company is an Affected Listed Company based on the criteria as prescribed under Rule 2.1(b), (c) and (f) of GN3 in the ACE LR.

On 9 February 2011, the CDRC had via its letter informed that a further extension of time had been granted for the execution of the Debt Restructuring Agreement with its major lenders until 1st March 2011 which the Board had announced on the same date.

B10 Off balance sheet financial instruments

The Company entered into the following:

- Foreign currency forward contracts in currencies other than its functional currency to manage exposure to fluctuations in foreign currency exchange rates for receivables, sale contracts and term loan commitments.
- Commodity hedging contracts to manage exposure to fluctuations in the purchase price of crude palm oil ("CPO")

As at 23 February 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report), the Company had no outstanding foreign currency forward and commodity hedging contracts.

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates ruling at the balance sheet date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities, and the gain or loss arising from commodity hedging are included in the income statement.

The Company does not foresee any significant credit and market risks posed by the above off balance sheet financial instruments.

There is no cash requirement as the Company uses fixed forward foreign exchange contracts and commodity hedging contracts as its hedging instruments.

Carotech

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Carotech Berhad (Company no: 200964 W)

Explanatory Notes Pursuant to the Listing Requirement of Bursa Malaysia Securities Berhad

B11 Material litigation

There were no material litigation up to 23 February 2011.

B12 Dividend

No dividend has been declared or recommended in respect of the financial period under review.

B13 Earnings/(Loss) per share

The basic earnings per share of the Group is calculated by dividing the net profit/ (loss) attributable to shareholders by the weighted average number of ordinary shares in issue for the current financial year ended 31 December 2010.

| | Individual quarter 3 months ended 31 December | | Cumulative quarter 6 months ended 31 December | |
|---|---|---------|---|---------|
| | 2010 | 2009 | 2010 | 2009 |
| Basic earnings/(loss) per share | | | | |
| Net profit/(loss) attributable to shareholders (RM'000) | (10,416) | (3,876) | (7,627) | 1,787 |
| Weighted average number of ordinary shares ('000) | 912,288 | 532,168 | 912,288 | 532,168 |
| Basic earnings/(loss) per share (sen) | (1.14) | (0.73) | (0.84) | 0.34 |

B14 Realised and unrealised profits and losses

| | Quarter ended | |
|--|---------------|--------------|
| | 31 Dec 2010 | 30 Sept 2010 |
| | RM '000 | RM '000 |
| Total retained earnings/ (accumulated losses) | | |
| <i>Realised</i> | (77,469) | (67,167) |
| <i>Unrealised</i> | 7,968 | 8,166 |
| Consolidation adjustments | (69,501) | (59,001) |
| | (993) | (993) |
| <i>Total group retained earnings/ (accumulated losses)</i> | (70,494) | (59,994) |

Authorisation for issue

On 25 February 2011, the Board of Directors authorised this report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries