

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Quarterly Announcement - BURSA MALAYSIA

QUARTER 2

FINANCIAL PERIOD ENDED

@ 31 DECEMBER 2011

Carotech

Berhad
Carotech Berhad (Company no: 200964 W)

**Condensed consolidated statement of financial position (unaudited)
for the second quarter ended 31 December 2011**

	As at current quarter ended 31 December 2011	As at preceding financial year ended 30 June 2011 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	282,216	288,657
Product development expenditure	343	354
	282,559	289,011
Current assets		
Inventories	27,018	36,924
Trade receivables	5,423	5,426
Other receivables, deposits and prepayments	3,737	1,759
Amount owing by related companies	-	2,517
Tax recoverable	16	14
Cash and bank balances	3,616	6,134
	39,810	52,774
Current liabilities		
Trade payables	98	2,558
Other payables and accruals	42,839	22,831
Amount owing to related companies	-	25,344
Loans & Borrowings	275,006	262,296
Tax payable	154	151
	318,097	313,180
Net current assets	(278,287)	(260,406)
Non-current liabilities		
Loans & Borrowings	9	9
	9	9
	4,263	28,596
Financed by:		
Capital and reserves		
Share capital	91,229	91,229
Share premium	4,200	4,200
Revaluation reserve	17,009	17,009
Exchange fluctuation reserve	307	392
Retained earnings	(108,482)	(84,234)
	4,263	28,596
Net assets per share attributable to ordinary equity holders of the parent (sen)	0.5	3.1

The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 June 2011 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 2011

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2011 RM '000	2010 RM '000	2011 RM '000	2010 RM '000
Revenue	17,986	10,401	30,974	20,820
Other operating income	(595)	0	2,165	(1)
Operating expenses	(18,367)	(14,505)	(43,460)	(14,015)
(Loss)/Profit from operations	(976)	(4,104)	(10,321)	6,804
Depreciation & amortisation	(3,265)	(2,658)	(6,514)	(6,869)
Finance costs	(3,774)	(3,654)	(7,413)	(7,548)
Loss before taxation	(8,015)	(10,416)	(24,248)	(7,613)
Taxation	-	-	(0)	(14)
Loss after tax and before minority interest	(8,015)	(10,416)	(24,248)	(7,627)
Net loss for the period/year	(8,015)	(10,416)	(24,248)	(7,627)
Loss per share (sen) (Note B14)				
- Basic	(0.88)	(1.14)	(2.66)	(0.84)
- 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 2011 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 2011**

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2011 RM '000	2010 RM '000	2011 RM '000	2010 RM '000
Net loss for the period/year	(8,015)	(10,416)	(24,248)	(7,627)
Foreign exchange translation	-	-	(85)	3
Other comprehensive (loss)/income for the period, net of tax	-	-	(85)	3
Total comprehensive loss for the period	(8,015)	(10,416)	(24,333)	(7,624)
Total comprehensive loss attributable to:				
Equity holders of the Company	(8,015)	(10,416)	(24,333)	(7,624)
Minority interest	-	-	-	-
Total comprehensive loss for the period	(8,015)	(10,416)	(24,333)	(7,624)

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the notes to the interim financial statements

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated statement of changes in equity (unaudited) for the second quarter ended 31 December 2011

	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 2010	912,288	91,229	4,200	681	11,598	(61,064)	46,644
Total comprehensive loss for the period				(289)		(23,170)	(23,459)
Revaluation surplus					5,411		5,411
At 30 June 2011/ 1 July 2011 (Nominal value of RM0.10 per share)	912,288	91,229	4,200	392	17,009	(84,234)	28,596
Total comprehensive loss for the period				(85)		(24,248)	(24,333)
At 31 December 2011 (Nominal value of RM0.10 per share)	912,288	91,229	4,200	307	17,009	(108,482)	4,263

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the notes to the interim financial statements

Carotech

Berhad
Carotech Berhad (Company no: 200964 W)

**Condensed consolidated cash flow statement (unaudited)
for the second quarter ended 31 December 2011**

	Cumulative 6 months ended 31 December		
	Note	2011 RM '000	2010 RM '000
Cash flows from operating activities			
Loss before taxation		(24,248)	(7,613)
Adjustments for:-			
Amortisation of intangibles assets		12	12
Depreciation of property, plant and equipment		6,502	6,857
Interest expense		1,348	7,548
Interest capitalised		6,064	-
Loss on disposal of property, plant and equipment		-	2
Interest income		(2)	(1)
Unrealised foreign exchange loss/(gain)		6,824	(7,938)
Operating loss before changes in working capital		(3,500)	(1,133)
Decrease in inventories		9,907	10,098
(Increase)/Decrease in receivables, deposits & prepayment		(1,976)	10,460
Decrease in payables & accruals		(5,359)	(5,982)
Decrease in intercompany balances		-	62
Cash (used in)/generated from operations		(928)	13,505
Interest received		2	1
Interest paid		(1,348)	(7,548)
Tax refund/(paid)		79	(16)
Net cash (used in)/generated from operating activities		(2,195)	5,942
Cash flows from Investing Activities			
Acquisition of property, plant and equipment		(59)	(161)
Proceeds from disposal of plant and equipment		-	19
Net cash used in investing activities		(59)	(142)
Cash flows from financing activities			
Repayment of bank borrowings		(80)	(7,551)
Repayment to hire purchase financing		(98)	(463)
Net cash used in financing activities		(178)	(8,014)
Net decrease in cash and cash equivalents		(2,432)	(2,214)
Effect of exchange rate fluctuation on cash held		(86)	1
Cash and cash equivalents at beginning of period		6,134	(8,094)
Cash and cash equivalents at end of period	(I)	3,616	(10,307)

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	3,616	1,532
Bank overdrafts	0	(11,839)
	3,616	(10,307)

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2011 and the notes to the interim financial statements

Carotech

Berhad

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 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2011.

The significant accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for those standards, amendments and interpretations which are effective for financial periods beginning on or after 1 July 2011. The adoption of these standards, amendments and interpretations have no material impact to these interim financial statements.

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 2011.

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 Board had announced on 4 April 2011 that the Company had executed a conditional debt restructuring agreement with its financiers and a debenture between the Company and Malaysian Trustees Berhad as agent and trustee for the financiers on 1 April 2011 in relation to the Proposed Scheme.

On 28 October 2011, the Board announced that the Company submitted the application to Bursa Malaysia Securities Berhad for an extension of time of 4 months to 28th February 2012 for the Company to submit its regularization plan pursuant to Rule 4.1(b) of GN3 of the Bursa Securities ACE Market Listing Requirements.

The audited report on the financial statements for the year ended 30 June 2011 was subjected to qualifications.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

Basis for Disclaimer of opinion

The auditors' report for Financial Year Ended 30 June 2011 disclaimed the following :-

- (i) The Carotech group of companies ("Carotech Group" or the "Group") and the Company incurred a net loss of RM23,170,000 and RM23,133,000 respectively for the year ended 30 June 2011 and, as of that date, the current liabilities of the Group and the Company exceeded their current assets by RM260,406,000 and RM259,715,000 respectively.
- (ii) On 29 October 2010, the Board made an announcement that the Company is an Affected Listed Company pursuant to Guidance Note 3 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements ("GN3 LR"), based on the criteria as prescribed under Rule 2.1(b), (c) and (f) of the GN3 LR.
- (iii) As disclosed in Note 11 to the financial statements, as at 30 June 2010, the Group and the Company defaulted on the repayment of certain borrowings which were due during the previous financial year. On 1 July 2010, the Board made an announcement pursuant to Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements, regarding the defaults on repayment and has 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. 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 financiers until 1 March 2011.

On 1 April 2011, the Company entered into a conditional Debt Restructuring Agreement ("DRA") with its financiers and a Debenture with Malaysian Trustees Berhad as agent and trustee for the financiers in relation to the proposed debt restructuring undertaken by the Company. The Company is required to fulfill all conditions precedent as set out in the DRA within the conditional period of 6 months from 1 April 2011. At the date of this report, the Company has yet to fulfill the said conditions precedent. On 7 October 2011, the Company presented to the financiers its revised scheme on the debt restructuring as mediated by the CDRC. At the date of this report, the Company has yet to receive the financiers' approval on the revised scheme to enable the Company to formulate its regularisation plan which is due for submission to Bursa Securities for approval by 28 October 2011.

- (iv) The above events raise significant uncertainty on the ability of the Group and the Company to obtain continued financial support from the financiers and also to attain sufficient positive cash flows in the foreseeable 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 concerns, this cannot be assured.
- (v) In view of the matters set out in the preceding paragraphs, there are material uncertainties on the ability of the Group and the Company to continue as 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.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

- (vi) 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 bankers and creditors, the timely successful implementation of an approved debt restructuring scheme and regularisation plan and the ability of the Group and the Company to attain sufficient positive cash flows in the future.
- (vii) Accordingly, the financial statements of the Group and the Company do not include any adjustments relating to the recoverability and classification of assets and to the classification and additional amounts of liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.
- (viii) Included in the Group's and Company's inventories at 30 June 2011 as shown in Note 6 to the financial statements were work-in-progress and finished goods relating to phytonutrient products of RM17,147,000 and RM11,196,000 respectively, of which allowance for slow-moving inventories amounting to RM41,784,000 and RM5,908,000 respectively were made. The corresponding allowance amounts at 30 June 2010 were RM91,677,000 and RM6,061,000 respectively. The decrease in allowance for slow-moving inventories during the financial year was due to the write-off of low concentration work-in-progress inventories against allowance for slow-moving work-in-progress inventories totalling RM41,533,000, and the reversal of allowance for slow-moving work-in-progress and finished goods inventories amounting to RM8,360,000 and RM153,000 respectively as a result of the processing and sales of low concentration inventories.

In view of the material uncertainties on the ability of the Group and the Company to continue as going concerns as set out above and based on the conditions stated in Note 6 to the financial statements as well as the information available to date, KPMG was unable to ascertain the appropriateness of the allowance for slow-moving work-in-progress and finished goods inventories as at 30 June 2011 amounting to RM41,784,000 and RM5,908,000 respectively.

- (ix) As a result of the above matters, the Group and the Company have also scaled back their production, leading to significantly lower operations during the year. Consequently, the carrying amount of the property, plant and equipment of the Group and the Company as shown in Note 3 to the financial statements of RM288,657,000 and RM288,613,000 respectively may be impaired.

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

There were no 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.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

A7 Dividends

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

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	
	2011 RM '000	2010 RM '000	2011 RM '000	2010 RM '000
Turnover				
Phytonutrients	8,579	9,992	16,979	20,191
Oleochemicals/bio-diesel	9,407	409	13,995	629
Total	17,986	10,401	30,974	20,820
Loss before tax				
Phytonutrients	(2,481)	(10,007)	(11,168)	(7,383)
Oleochemicals/bio-diesel	(5,534)	(409)	(13,080)	(230)
Total	(8,015)	(10,416)	(24,248)	(7,613)
Loss after tax				
Phytonutrients	(2,481)	(10,007)	(11,168)	(7,397)
Oleochemicals/bio-diesel	(5,534)	(409)	(13,080)	(230)
Total	(8,015)	(10,416)	(24,248)	(7,627)

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 2011 until the date of this report except for :-

- (i) On 28 October 2011, the Board announced that the Company submitted the application to Bursa Malaysia Securities Berhad for an extension of time of 4 months to 28th February 2012 for the Company to submit its regularization plan pursuant to Rule 4.1(b) of GN3 of the Bursa Securities ACE Market Listing Requirements.
- (ii) On 31 January 2012, the Board announced that the Company is proposing to undertake a series of corporate exercises under the regularisation plan to regularise its financial condition and level of operations, with the intention that the Company would cease to trigger any of the prescribed criteria under Rule 2.1 of GN3.

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

Berhad

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 Dec 2011 are as follows:-

	RM '000
<u>Authorised and contracted :</u>	
Building	72
Plant and machinery	64
Laboratory and office equipment, furniture & fittings	10
	146

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		Cumulative quarter	
	31 December		31 December	
	2011	2010	2011	2010
	RM '000	RM '000	RM '000	RM '000
Sales of goods	482	255	861	761
Purchase of goods	(4)	-	(45)	-
Reallocation of steam cost	90	90	180	180
Interest expense	(466)	(444)	(922)	(795)
Reallocation of common costs	(94)	(128)	(186)	(177)

Carotech

Berhad

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	
	2011 RM '000	2010 RM '000	2011 RM '000	2010 RM '000
Revenue	17,986	10,401	30,974	20,820
EBITDA	(976)	(4,104)	(10,321)	6,804
Loss before Tax ("LBT")	(8,015)	(10,416)	(24,248)	(7,613)
Unrealised foreign exchange gain / (loss)	620	(199)	(6,833)	7,968
LBT, exclude unrealised foreign exchange gain / (loss)	(8,635)	(10,217)	(17,415)	(15,581)

Compared to the preceding year's corresponding quarter, the Group's posted an improved revenue of RM18 million as compared to RM10.4 million previously recorded. The improvement in revenue was partly due to increase in bio-diesel sales. Consequently, the Group has also recorded a lower loss before tax ("LBT") of RM8 million compared to RM10.4 million for the preceding year's corresponding quarter. The Group recorded a LBT excluding the impact of unrealised loss and gain on foreign exchange of RM8.6 million in the current reporting quarter compared to RM10.2 million in the same quarter last year.

The loss recorded in the current reporting quarter was mainly due to production cost incurred to further process existing work-in-progress stocks into the required concentration for sales, unabsorbed production overheads due to low utilisation and the impact of unrealised loss and gain on foreign exchange in current reporting quarter.

B2 Variation of results against the preceding quarter

	Quarter ended	
	31 December 2011 RM '000	30 September 2011 RM '000
Revenue	17,986	12,988
EBITDA	(976)	(9,344)
Loss before Tax ("LBT")	(8,015)	(16,233)
Unrealised foreign exchange gain/ (loss)	620	(7,452)
LBT, exclude unrealised foreign exchange gain/ (loss)	(8,635)	(8,781)

The Group revenue rose 38% to RM18 million in the current reporting quarter from RM13 million in the immediate preceding quarter. The revenue were mainly attributed to increased sale of biodiesel.

The Group recorded a LBT of RM8 million in the current reporting quarter, against a loss of RM16.2 million reported in the immediate preceding quarter.

B3 Commentary on prospects

The Board of Directors anticipates the coming financial year will be challenging with the debt restructuring exercise pending 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.

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 Loss before tax

	Individual quarter	Cumulative quarter
	31 December 2011 RM '000	31 December 2011 RM '000
Loss before tax is arrived at after charging/(crediting) :-		
Interest income	(1)	(2)
Other income including investment income	(2)	(6)
Interest expense	3,774	7,413
(Reversal of)/allowance of provision for doubtful debts	598	(2,157)
Foreign exchange (gain)/loss	(822)	6,650

Carotech Berhad

Carotech Berhad (Company no: 200964 W)

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

B6 Taxation

	Individual quarter 3 months ended 31 December		Cumulative 6 months ended 31 December	
	2011 RM '000	2010 RM '000	2011 RM '000	2010 RM '000
Income taxation	-	-	0	14
Deferred taxation	-	-	-	-
	-	-	0	14

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

B7 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.

B8 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.

B9 Status of corporate proposal as at 15 February 2012

(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:-

- (a) 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 13 January 2012, the Board announced that Carotech Yangzhou Biofuel Co. Ltd ("CYB") will be wound up by way of members' voluntary winding-up pursuant to The People's Republic of China Company Law.

On 16 January 2012, the Board announced that LC has been dissolved pursuant to The People's Republic of China Company Law.

- (b) 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.
- (c) On 4 April 2011, the Board announced that the Company had executed a conditional debt restructuring agreement with its financiers and a debenture between the Company and Malaysian Trustees Berhad as agent and trustee for the financiers on 1 April 2011 in relation to the proposed debt restructuring of the Company.
- (d) On 28 October 2011, the Board announced that the Company submitted the application to Bursa Malaysia Securities Berhad for an extension of time of 4 months to 28th February 2012 for the Company to submit its regularization plan pursuant to Rule 4.1(b) of GN3 of the Bursa Securities ACE Market Listing Requirements.
- (e) On 31 January 2012, the Board announced that the Company is proposing to undertake a series of corporate exercises under the regularisation plan to regularise its financial condition and level of operations, with the intention that the Company would cease to trigger any of the prescribed criteria under Rule 2.1 of GN3.

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

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

B10 Borrowings and debt securities

Details of Group's bank borrowings as at 31 Dec 2011 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Hire purchases	29	9	38
- Term loans	274,977	0	274,977
	275,006	9	275,015
Total borrowings	275,006	9	275,015

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

Denominated in US Dollar	<u>138,472</u>
--------------------------	----------------

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 an 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. A further extension of time was announced on 1 March 2011.

On 4 April 2011, the Board announced that the Company had executed a conditional debt restructuring agreement with its financiers and a debenture between the Company and Malaysian Trustees Berhad as agent and trustee for the financiers on 1 April 2011 in relation to the proposed debt restructuring of the Company.

On 28 October 2011, the Board announced that the Company submitted the application to Bursa Malaysia Securities Berhad for an extension of time of 4 months to 28th February 2012 for the Company to submit its regularization plan pursuant to Rule 4.1(b) of GN3 of the Bursa Securities ACE Market Listing Requirements.

On 31 January 2012, the Board announced that the Company is proposing to undertake a series of corporate exercises under the regularisation plan to regularise its financial condition and level of operations, with the intention that the Company would cease to trigger any of the prescribed criteria under Rule 2.1 of GN3.

B11 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 15 February 2012 (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 Berhad

Carotech Berhad (Company no: 200964 W)

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

B12 Material litigation

There were no material litigation up to 15 February 2012.

B13 Dividend

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

B14 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 Dec 2011.

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2011	2010	2011	2010
Basic (loss)/ earnings per share				
Net loss attributable to shareholders (RM'000)	(8,015)	(10,416)	(24,248)	(7,627)
Weighted average number of ordinary shares ('000)	912,288	912,288	912,288	912,288
Basic loss per share (sen)	(0.88)	(1.14)	(2.66)	(0.84)

B15 Realised and unrealised profits and losses

	Quarter ended	
	31 December 2011 RM '000	30 September 2011 RM '000
Total (accumulated losses) / retained earnings		
<i>Realised</i>	(101,328)	(92,694)
<i>Unrealised</i>	(6,833)	(7,452)
Consolidation adjustments	(108,161)	(100,146)
	(321)	(321)
<i>Total group accumulated losses</i>	(108,482)	(100,467)

Authorisation for issue

On 20 February 2012, the Board of Directors authorised this report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries