

Carotech Berhad (Company no: 200964 W)

**Condensed consolidated balance sheet (unaudited)
for the financial year ended 30 June 2010**

	As at current quarter ended 30 June 2010	As at preceding financial year ended 30 June 2009 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	290,121	314,249
Prepaid lease payments	9,706	9,304
Product development expenditure	378	402
	300,205	323,955
Current assets		
Inventories	162,155	145,768
Trade receivables	14,529	15,411
Other receivables, deposits and prepayments	12,648	13,021
Amount owing by holding company	2,517	1,618
Tax recoverable	12	28
Cash and bank balances	730	5,222
	192,591	181,068
Current liabilities		
Trade payables	13,135	16,543
Other payables and accruals	28,581	31,039
Amount owing to holding company	24,609	18,164
Amount owing to a fellow subsidiary company	83	6
Loans & Borrowings	270,750	166,469
Tax payable	151	156
	337,309	232,377
Net current liabilities	(144,718)	(51,309)
Non-current liabilities		
Loans & Borrowings	136	170,659
Deferred tax liabilities	13,168	9,118
	13,304	179,777
	142,183	92,869
Financed by:		
Capital and reserves		
Share capital	91,229	45,614
Share premium	4,200	4,702
Revaluation reserve	11,598	11,598
Exchange fluctuation reserve	680	1,342
Retained earnings	34,476	29,613
	142,183	92,869
Net assets per share attributable to ordinary equity holders of the parent (sen)	15.6	20.4

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the notes to the interim financial statements



Carotech Berhad (Company no: 200964 W)

**Condensed consolidated income statement (unaudited)
for the financial year ended 30 June 2010**

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2010	2009	2010	2009
	RM '000	RM '000	RM '000	RM '000
Revenue	52,807	47,154	242,852	137,316
Other operating income	7	0	30	175
Operating expenses	(46,631)	(36,704)	(192,995)	(124,984)
Profit from operations	6,183	10,450	49,887	12,507
Depreciation & amortisation	(6,610)	(7,146)	(26,229)	(20,703)
Finance costs	(4,336)	(3,627)	(14,725)	(10,219)
Profit/ (Loss) before taxation	(4,763)	(323)	8,933	(18,415)
Taxation	(1,501)	(3,632)	(4,070)	953
Profit/ (Loss) after tax and before minority interest	(6,264)	(3,955)	4,863	(17,462)
Minority interest	-	-	-	-
Net profit/ (loss) for the period/year	(6,264)	(3,955)	4,863	(17,462)
Earnings/ (Loss) per share (sen) (Note B13)				
- Basic	(0.87)	(0.87)	0.67	(3.83)
- 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 2009 and the notes to the interim financial statements



Carotech Berhad (Company no: 200964 W)

**Condensed consolidated statement of changes in equity (unaudited)
for the financial year ended 30 June 2010**

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	Total
	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 2008	456,144	45,614	4,702	358	-	47,075	97,749
Net loss for the year						(17,462)	(17,462)
Revaluation surplus					11,598		11,598
Foreign exchange translation differences				984			984
At 30 June 2009/ 1 July 2009 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	1,342	11,598	29,613	92,869
Net profit for the year						4,863	4,863
Rights Issue	456,144	45,615					45,615
Expenses relating to Rights Issue			(502)				(502)
Foreign exchange translation differences				(662)			(662)
At 30 June 2010 (Nominal value of RM0.10 per share)	912,288	91,229	4,200	680	11,598	34,476	142,183

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the notes to the interim financial statements



Carotech Berhad (Company no: 200964 W)

**Condensed consolidated cash flow statement (unaudited)
for the financial year ended 30 June 2010**

	Cumulative 12 months ended 30 June		
	Note	2010 RM '000	2009 RM '000
Cash used in operations		(228)	(21,493)
Net cash used in investing activities		(2,008)	(22,810)
Net cash generated from financing activities		10,813	38,508
Net increase/(decrease) in cash and cash equivalents during the year		8,577	(5,795)
Effect of exchange differences		(745)	226
Cash and cash equivalents at beginning of year		(15,926)	(10,357)
Cash and cash equivalents at end of year	(I)	(8,094)	(15,926)

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	730	5,222
Bank overdrafts	(8,824)	(21,148)
	<u>(8,094)</u>	<u>(15,926)</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the notes to the interim financial statements



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 2009.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2009.

A2 Audit report of preceding annual financial statements

The auditor's report on the financial statements for the year ended 30 June 2009 was not subject to any qualification.

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.



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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		Cumulative quarter	
	30 June		30 June	
	2010 RM '000	2009 RM '000	2010 RM '000	2009 RM '000
Turnover				
Phytonutrients	12,242	5,875	38,333	25,042
Oleochemicals/bio-diesel	40,565	41,278	204,519	112,274
Total	52,807	47,153	242,852	137,316
Profit/ (Loss) before tax				
Phytonutrients	(470)	(40)	1,410	(3,358)
Oleochemicals/bio-diesel	(4,293)	(283)	7,523	(15,057)
Total	(4,763)	(323)	8,933	(18,415)
Profit/ (Loss) after tax				
Phytonutrients	(760)	(493)	768	(3,185)
Oleochemicals/bio-diesel	(5,504)	(3,462)	4,095	(14,277)
Total	(6,264)	(3,955)	4,863	(17,462)

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 the acceptance by Corporate Debt Restructuring Committee (CDRC) to mediate between the Company and its financial creditors as announced on 1 July 2010 and 2 August 2010.

A11 Changes in the composition of the group

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

A12 Contingent liabilities or assets

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



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Explanatory Notes as per FRS 134, Interim Financial Reporting

A 13 Capital commitments

Capital commitments as at 30 June 2010 are as follows:-

	RM '000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	72
Plant and machinery	65
Laboratory and office equipment, furniture & fittings	10
	<u>636</u>

A14 Significant related parties transactions

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

	Individual quarter 30 June		Cumulative quarter 30 June	
	2010 RM '000	2009 RM '000	2010 RM '000	2009 RM '000
Sales of goods	164	80	1,229	1,252
Purchase of goods	-11	-204	-330	-242
Steam service income	90	90	360	360
Interest income/(expense)	-292	-149	-1,479	-607
Reallocation of common costs	633	-182	-170	-964

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

B1 Review of performance

	Individual quarter 3 months ended 30 June		Cumulative 12 months ended 30 June	
	2010 RM '000	2009 RM '000	2010 RM '000	2009 RM '000
Revenue	52,807	47,154	242,852	137,316
EBITDA	6,183	10,450	49,887	12,507
Profit before Tax ("PBT") / Loss before Tax ("LBT")	(4,763)	(323)	8,933	(18,415)
Unrealised foreign exchange gain/(loss)	779	8,449	13,007	(13,754)
PBT / (LBT), exclude unrealised foreign exchange gain / (loss)	(5,542)	(8,772)	(4,074)	(4,661)

The Group posted a turnover of RM52.8 million in the financial quarter ended 30 June 2010, representing a 12% growth compared to the preceding corresponding quarter. The growth was mainly attributed to the increasing demand in phytonutrient products in the current quarter.

For the financial year ended 30 June 2010, the Group posted an improved EBITDA of RM49.9 million during the financial year against RM12.5 million in last financial year. The improvement was attributed to the higher sales of bio-diesel, the increasing demand in phytonutrient products and the ongoing cost containment exercises throughout the year. In relations to this, the Group registered an improved revenue and profit before tax ("PBT") of RM242.8 million and RM8.9 million respectively. Excluding the impact on unrealised gain or loss on foreign exchange in both financial years, the Group posted a lower LBT of RM4.1 million as compare to RM4.7 million in last financial year, despite the full year depreciation and interest cost recorded due to the full commencement of our Lumut plant in the financial year.

The Group recorded a loss before tax ("LBT") of RM4.8 million in the current reporting quarter compared to the LBT of RM0.3 million in the same quarter last year. The LBT in preceding correspondence quarter included an unrealised foreign exchange gain of RM8.4 million arising from the translation of US Dollar loans due to the strengthened Ringgit Malaysia at the end of that quarter. Excluding the unrealised foreign exchange gain, the Group posted a lower LBT of RM5.5 million as compared to RM8.7 million in preceding correspondence quarter due to higher revenue and ongoing cost containment efforts, despite higher depreciation and interest expense.

B2 Variation of results against the preceding quarter

	Quarter ended	
	30 June 2010 RM '000	31 March 2010 RM '000
Revenue	52,807	75,930
EBITDA	6,183	10,757
Profit before Tax ("PBT") / Loss before Tax ("LBT")	(4,763)	10,757
Unrealised foreign exchange gain	779	7,223
PBT / (LBT), exclude unrealised foreign exchange gain / (loss)	(5,542)	3,534

The Group registered a lower EBITDA of RM6.2 million for the quarter as compare to RM10.8 million in last quarter. In addition, the Group also posted a lower revenue of RM52.8 million as compared to the immediate preceding quarter of RM75.9 million, with a LBT of RM4.8 million for the quarter as compared to a PBT of RM10.8 million in the preceding quarter. The lower revenue and profit were mainly due to lower bio-diesel sales quantity and the unrealised foreign exchange gain of RM7.2 million in the pervious quarter.

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

B3 Commentary on prospects

The Board of Directors anticipates the Group's performance to be satisfactory in the coming financial year with the increasing demand in phytonutrients, coupled with the debt restructuring exercise under the mediation of CDRC in order to regularise the borrowings and improve the Group's cash position.

The Group will continue to enhance its competitive edge by continually placing emphasis in research and development and improving its' production processes to achieve better efficiency in view of the prevailing higher cost of crude palm oil, our main raw material.

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 30 June		Cumulative 12 months ended 30 June	
	2010 RM '000	2009 RM '000	2010 RM '000	2009 RM '000
Income taxation	1	21	20	130
Deferred taxation	1,500	3,611	4,050	(1,083)
	1,501	3,632	4,070	(953)

The effective tax rate of the Company for the financial period is higher than the statutory rate applicable mainly due to the adjustment to deferred taxation due to timing difference of certain expenses disallowed for tax deduction.

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:-

- (a) 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.



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- (b) 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, the Company is currently in talks with Liaoning Dayang Bio Energy Co. Ltd. and the local government to either temporarily delay the developments on the land or rescind the contract in return for payments made on the said land.

B9 Borrowings and debt securities

Details of Group's bank borrowings as at 30 June 2010 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Short term bank borrowings	12,274	-	12,274
- Hire purchases	907	136	1,043
- Term loans	182,198	0	182,198
	195,379	136	195,515
Unsecured			
- Short term bank borrowings	75,371	-	75,371
	75,371	-	75,371
Total borrowings	270,750	136	270,886

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

Denominated in US Dollar 170,175

On 1 July 2010, the Board made an announcement pursuant to the Guidance Note 5 ("GN5") of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, that the Company has defaulted its bank borrowings during the financial year and has sought the assistance of the Corporate Debt Restructuring Committee ("CDRC") to mediate with the banks on a proposed debt restructuring scheme ("The 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.

B10 Off balance sheet financial instruments

The Company entered into the following:

- (a) 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.
- (b) Commodity hedging contracts to manage exposure to fluctuations in the purchase price of crude palm oil ("CPO")

As at 26 August 2010 (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.



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

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.

B11 Material litigation

There were no material litigation up to 26 August 2010.

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 attributable to shareholders of RM4.9 million by the weighted average number of ordinary shares in issue for the current financial year ended 30 June 2010.

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2010	2009	2010	2009
Basic earnings/(loss) per share				
Net profit/(loss) attributable to shareholders (RM'000)	(6,264)	(3,955)	4,863	(17,462)
Weighted average number of ordinary shares ('000)	722,228	456,144	722,228	456,144
Basic earnings/(loss) per share (sen)	(0.87)	(0.87)	0.67	(3.83)

Authorisation for issue

On 30 August 2010, the Board of Directors authorised this report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries