

# Carotech

**Berhad**

**Carotech Berhad** (Company no: 200964 W)

## Condensed consolidated balance sheet (unaudited) for the first financial quarter ended 30 September 2006

	As at current quarter ended 30 Sept 2006	As at preceding financial year ended 30 June 2006 (Audited)
	RM '000	RM '000
<b>Non-current assets</b>		
Property, plant and equipment	101,587	99,986
Product development expenditure	433	444
	<b>102,020</b>	<b>100,430</b>
<b>Current assets</b>		
Inventories	37,890	29,658
Trade receivables	9,255	10,750
Other receivables, deposits and prepayments	970	492
Tax recoverable	297	313
Cash and bank balances	-	1,180
	<b>48,412</b>	<b>42,393</b>
<b>Current liabilities</b>		
Trade payables	4,612	3,855
Other payables and accruals	6,680	12,785
Amount owing to holding company	1,407	1,440
Amount owing to a fellow subsidiary company	3	5
Bankers' acceptances	16,114	12,287
Bank overdrafts	901	-
Hire purchase creditors	733	101
Term loan	682	620
Tax payable	-	6
	<b>31,132</b>	<b>31,099</b>
<b>Net current assets</b>	<b>17,280</b>	<b>11,294</b>
<b>Non-current liabilities</b>		
Hire purchase creditors	3,342	489
Term loan	30,686	30,928
Deferred tax liabilities	5,128	4,207
	<b>39,156</b>	<b>35,624</b>
	<b>80,144</b>	<b>76,100</b>
Financed by:		
<b>Capital and reserves</b>		
Share capital	45,614	45,614
Share premium	4,702	4,702
Retained earnings	29,828	25,784
	<b>80,144</b>	<b>76,100</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<b>17.5</b>	<b>16.6</b>

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year

# Carotech

**Berhad**

**Carotech Berhad** (Company no: 200964 W)

## Condensed consolidated income statement (unaudited) for the first financial quarter ended 30 September 2006

	Individual quarter 3 months ended 30 September		Cumulative quarter 3 months ended 30 September	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Revenue	20,652	12,271	20,652	12,271
Other operating income	63	48	63	48
Operating expenses	(14,108)	(8,153)	(14,108)	(8,153)
<b>Profit from operations</b>	<b>6,607</b>	<b>4,166</b>	<b>6,607</b>	<b>4,166</b>
Depreciation & Amortisation	(1,307)	(740)	(1,307)	(740)
Finance costs	(320)	(86)	(320)	(86)
<b>Profit before taxation</b>	<b>4,980</b>	<b>3,340</b>	<b>4,980</b>	<b>3,340</b>
Taxation	(936)	(465)	(936)	(465)
<b>Profit after tax before minority interest</b>	<b>4,044</b>	<b>2,875</b>	<b>4,044</b>	<b>2,875</b>
Minority interest	-	-	-	-
<b>Net profit for the period</b>	<b>4,044</b>	<b>2,875</b>	<b>4,044</b>	<b>2,875</b>
<b>Earnings per share (sen) #</b>				
- Basic	0.89	0.63	0.89	0.63
- Diluted	n/a	n/a	n/a	n/a

# The comparative basic earnings per share is computed to reflect the bonus issue exercise in the 3rd quarter of financial year 2006

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the notes to the interim financial statements

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Carotech Berhad (Company no: 200964 W)

## Condensed consolidated statement of changes in equity (unaudited) for the first financial quarter ended 30 September 2006

	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	Retained earnings RM '000	RM '000
At 1 July 2006	456,140	45,614	4,702	25,784	76,100
Net profit for the period				4,044	4,044
At 30 Sept 2006 (Nominal value of RM0.10 per share)	456,140	45,614	4,702	29,828	80,144

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year

# Carotech

**Berhad**

**Carotech Berhad** (Company no: 200964 W)

## Condensed consolidated cash flow statement (unaudited) for the first financial quarter ended 30 September 2006

	Cumulative 3 months ended 30 September		
	Note	2006 RM '000	2005 RM '000
Cash generated from/(used in) operations		(6,607)	(1,540)
Net cash generated from/(used in) investing activities		(2,606)	2,823
Net cash generated from/(used in) financing activities		7,132	939
Net increase in cash and cash equivalents during the period		(2,081)	2,222
Cash and cash equivalents at beginning of period		1,180	(588)
Cash and cash equivalents at end of period	(I)	(901)	1,634

**Note:**

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	-	1,634
Bank overdrafts	(901)	-
	<u>(901)</u>	<u>1,634</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year

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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 MESDAQ Market.

The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 30 June 2006.

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 2006 except for the adoption of the new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1st July 2006.

The adoption of FRS's does not have any significant financial impact on the Group.

### **A2 Audit report of preceding annual financial statements**

The auditor's report on the financial statements for the year ended 30 June 2006 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**

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 to date.

### **A7 Dividends**

An interim tax exempt dividend of 0.75 sen per share or 7.5% (2005 : Nil) has been declared 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 Sept		30 Sept	
	2006	2005	2006	2005
	RM '000	RM '000	RM '000	RM '000
Turnover				
Phytonutrients	4,369	4,540	4,369	4,540
Oleochemicals/bio-diesel	16,283	7,731	16,283	7,731
Total	20,652	12,271	20,652	12,271
	-		-	
Profit before tax				
Phytonutrients	1,054	1,236	1,054	1,236
Oleochemicals/bio-diesel	3,926	2,104	3,926	2,104
Total	4,980	3,340	4,980	3,340
	-		-	
Profit after tax				
Phytonutrients	856	1,064	856	1,064
Oleochemicals/bio-diesel	3,188	1,811	3,188	1,811
Total	4,044	2,875	4,044	2,875
	-		-	

### A9 Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the reporting quarter and financial year-to-date.

### A10 Material subsequent events

There were no material subsequent events since 30 June 2006 until the date of this report.

### A11 Changes in the composition of the group

A wholly owned subsidiary, Yingkou Carotech Bio Energy Company Limited was incorporated on 14 September 2006 in China with a registered capital of USD12 million. The Company intends to subscribe for USD500,000 of the paid-up capital in the subsidiary.

Save for Yingkou Carotech Bio Energy Company Limited, there are no other changes to the composition of the Group

### 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 30 Sept 2006 are as follows:-

	RM'000
<u>Authorised and contracted :</u>	
Leasehold land	524
Building	2
Plant and machinery	10,606
Laboratory and office equipment, furniture & fittings	196
	<u>11,329</u>
	-

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Carotech Berhad (Company no: 200964 W)

### Explanatory Notes as per FRS 134, Interim Financial Reporting

#### 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		Cumulative quarter	
	30 Sept		30 Sept	
	2006	2005	2006	2005
	RM '000	RM '000	RM '000	RM '000
Sales of goods	325	-	325	-
Purchase of goods	-	-	-	-
Steam service income	90	90	90	90
Interest income	-	38	-	38
Reallocation of common costs	(115)	(150)	(115)	(150)

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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

The Group's revenue for the current financial quarter ended 30 September 2006 of RM20.7 million was 68% higher compared with the same period for the financial year 2006 of RM12.3 million. Profit before taxation increased by 49% for the current financial quarter ended 30 September 2006 to RM5.0 million compared with RM3.3 million in the same period for the financial year 2005. The better revenue and profit before taxation for the current financial quarter were mainly due to the increase in the production capacity by 100% to 32,000 metric tonnes since August 2006.

#### B2 Variation of results against the preceding quarter

	Quarter ended	
	30 June 2006 RM '000	30 Sept 2006 RM '000
Turnover	18,660	20,652
Profit before taxation	4,351	4,980

The Group recorded a turnover and profit before tax ("PBT") of RM20.7 million and RM5.0 million respectively for the current financial quarter. Turnover has increased by 11.1% compared to the previous quarter due to higher production capacity since August 2006. PBT was higher by 14.5% in comparison due to lower distribution and marketing expenses.

#### B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the financial year ending 30 June 2007 to improve.

The production capacity of the Company has increased by 100% to 32,000 metric tonnes per annum since August 2006 to meet the current high demand for its products.

The Group will further enhance its competitive edge by continually placing emphasis in research and development and improve its' production processes.

#### B4 Taxation

	Individual quarter 3 months ended 30 Sept		Cumulative quarter 3 months ended 30 Sept	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Income taxation	15	15	15	15
Deferred taxation	921	450	921	450
	936	465	936	465

The effective tax rate of the Company is lower than the statutory rate applicable mainly due to the tax incentive granted under the Promotion of Investment Act, 1986 for High Technology Companies.

#### B5 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 to date.



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Carotech Berhad (Company no: 200964 W)

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

#### B6 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 to date.

#### B7 a) Status of corporate proposal as at 13 November 2006 (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:-

- i) Establishment of an Employees' Share Option Scheme (ESOS) for eligible employees and directors of the Group up to a maximum of ten percent (10%) of the issued and paid up share capital of the Company.

On 24 October 2005, the Company had announced that the directors have decided to keep the proposed ESOS in abeyance pending the issuance of the new accounting standard on Share-based Payment, which came into effect in 2006; and

- ii) On 6 February 2006, the Company entered into a Sale and Purchase Agreement ("SPA") 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 despatched to shareholders on 5 April 2006. The final proceeds of 5% is not paid pending the issuance of qualified individual document of title, and obtaining the consent of Menteri Besar of Perak to the transfer of the plots of land purchased.

#### B8 Borrowings and debt securities

Details of Group's bank borrowings as at 30 Sept 2006 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM'000
Secured			
- Bank overdraft	901	-	901
- Hire purchase	733	3,342	4,075
- Term loans	682	30,686	31,368
	2,316	34,028	36,344
Unsecured			
- Bankers acceptances	16,114		16,114
	16,114	-	16,114
<b>Total borrowings</b>	<b>18,430</b>	<b>34,028</b>	<b>52,458</b>

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

Denominated in US Dollar

28,721

#### B9 Off balance sheet financial instruments

Foreign currency forward contracts are entered into by the Company 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.

As at 13 November 2006 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report), the Company had entered into foreign currency forward contracts with the following notional amounts and maturities:-

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

#### B9 Off balance sheet financial instruments (cont'd)

	<u>Currency</u>	Amount in <u>foreign currency</u> '000	Notional <u>Amount</u> RM'000
Foreign currency forward contracts:			
Within 1 year	USD	13,900	50,248

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 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 as its hedging instrument.

#### B10 Material litigation

There were no material litigation up to 13 November 2006

#### B11 Dividend Payable

An interim tax exempt dividend of 0.75 sen per share or 7.5% (2005 : Nil) has been declared in respect of the financial period under review.

#### B12 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM4.044 million by the weighted average number of ordinary shares in issue for current financial period to date at 30 September 2006.

	Individual quarter 3 months ended 30 Sept		Cumulative quarter 3 months ended 30 Sept	
	2006	2005	2006	2005
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	4,044	2,875	4,044	2,875
Weighted average number of ordinary shares ('000)	456,140	285,090	456,140	285,090
Basic earnings per share (sen) #	0.89	0.63	0.89	0.63

# The comparative basic earnings per share is computed to reflect the bonus issue exercise in the 3rd quarter of financial year 2006

#### Authorisation for issue

On 20 November 2006, the Board of Directors authorised this interim report for issue.

By Order of the Board

**Goh Tian Hock**  
**Ng Yuet Seam**  
Joint Secretaries