

# Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

## Condensed consolidated balance sheet (unaudited) for the second financial quarter ended 31 December 2006

	As at current quarter ended 31 Dec 2006	As at preceding financial year ended 30 June 2006 (Audited)
	RM '000	RM '000
<b>Non-current assets</b>		
Property, plant and equipment	103,752	99,986
Product development expenditure	460	444
	<b>104,212</b>	<b>100,430</b>
<b>Current assets</b>		
Inventories	44,574	29,658
Trade receivables	11,131	10,750
Other receivables, deposits and prepayments	1,612	492
Tax recoverable	284	313
Cash and bank balances	6,117	1,180
	<b>63,718</b>	<b>42,393</b>
<b>Current liabilities</b>		
Trade payables	4,925	3,855
Other payables and accruals	4,322	12,785
Amount owing to holding company	1,349	1,440
Amount owing to a fellow subsidiary company	1	5
Dividend payable	3,421	-
Bankers' acceptances	19,158	12,287
Hire purchase creditors	747	101
Term loan	1,948	620
Tax payable	-	6
	<b>35,871</b>	<b>31,099</b>
<b>Net current assets</b>	<b>27,847</b>	<b>11,294</b>
<b>Non-current liabilities</b>		
Hire purchase creditors	3,150	489
Term loan	41,400	30,928
Deferred tax liabilities	6,050	4,207
	<b>50,600</b>	<b>35,624</b>
	<b>81,459</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	31,143	25,784
	<b>81,459</b>	<b>76,100</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<b>17.8</b>	<b>16.6</b>

The Condensed Consolidated Balance Sheet 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

# Carotech

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

## Condensed consolidated income statement (unaudited) for the second financial quarter ended 31 December 2006

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Revenue	24,885	14,191	45,537	26,462
Other operating income	(10)	44	53	92
Operating expenses	(17,000)	(9,950)	(31,108)	(18,103)
<b>Profit from operations</b>	<b>7,875</b>	<b>4,285</b>	<b>14,482</b>	<b>8,451</b>
Depreciation & Amortisation	(1,529)	(793)	(2,836)	(1,533)
Finance costs	(672)	(89)	(992)	(175)
<b>Profit before taxation</b>	<b>5,674</b>	<b>3,403</b>	<b>10,654</b>	<b>6,743</b>
Taxation	(938)	(318)	(1,874)	(783)
<b>Profit after tax before minority interest</b>	<b>4,736</b>	<b>3,085</b>	<b>8,780</b>	<b>5,960</b>
Minority interest	-	-	-	-
<b>Net profit for the period</b>	<b>4,736</b>	<b>3,085</b>	<b>8,780</b>	<b>5,960</b>
<b>Earnings per share (sen) #</b>				
- Basic	1.04	0.68	1.92	1.31
- 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 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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## Condensed consolidated statement of changes in equity (unaudited) for the second financial quarter ended 31 December 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
<b>At 1 July 2006</b>	<b>456,144</b>	<b>45,614</b>	<b>4,702</b>	<b>25,784</b>	<b>76,100</b>
Net profit for the period				8,780	8,780
Interim dividend payable				(3,421)	(3,421)
<b>At 31 Dec 2006</b> (Nominal value of RM0.10 per share)	<b>456,144</b>	<b>45,614</b>	<b>4,702</b>	<b>31,143</b>	<b>81,459</b>

The Condensed Consolidated Statement Of Changes In Equity 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 cash flow statement (unaudited) for the second financial quarter ended 31 December 2006

	Cumulative 6 months ended 31 December		
	Note	2006 RM '000	2005 RM '000
Cash generated (used in)/ from operations		(10,918)	10,265
Net cash used in investing activities		(6,123)	(8,264)
Net cash generated from financing activities		21,978	383
Net increase in cash and cash equivalents during the period		4,937	2,384
Cash and cash equivalents at beginning of period		1,180	(588)
Cash and cash equivalents at end of period	(I)	6,117	1,796

**Note:**

(I) Cash and cash equivalents comprises:

	<b>RM '000</b>	<b>RM '000</b>
Cash and bank balances	6,117	1,796
Bank overdrafts	-	-
	<u>6,117</u>	<u>1,796</u>

The Condensed Consolidated Cash Flow Statement 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)

### 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 Financial Reporting Standards ("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 FRS's 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 Dividend**

An interim dividend of 0.75 sen per share or 7.5% (2005: Nil) was declared on 20 November 2006 and was paid on 22 January 2007.

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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	
	31 Dec		31 Dec	
	2006	2005	2006	2005
	RM '000	RM '000	RM '000	RM '000
Turnover				
Phytonutrients	6,115	4,717	10,484	9,257
Oleochemicals/bio-diesel	18,770	9,474	35,053	17,205
Total	24,885	14,191	45,537	26,462
	-		-	
Profit before tax				
Phytonutrients	1,394	1,131	2,453	2,359
Oleochemicals/bio-diesel	4,280	2,272	8,201	4,384
Total	5,674	3,403	10,654	6,743
	-		-	
Profit after tax				
Phytonutrients	1,164	1,025	2,021	2,085
Oleochemicals/bio-diesel	3,572	2,060	6,759	3,875
Total	4,736	3,085	8,780	5,960

#### 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, Carotech Yangzhou Biofuel Company Limited was incorporated on 21 December 2006 in China with a registered capital of USD30 million.

Save for the above, 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 31 December 2006 are as follows:-

	RM'000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	2
Plant and machinery	75,408
Laboratory and office equipment, furniture & fittings	1,747
	<u>77,646</u>
	-

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### 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	
	31 Dec		31 Dec	
	2006	2005	2006	2005
	RM '000	RM '000	RM '000	RM '000
Sales of goods	302	137	628	137
Purchase of goods	(5)	-	(5)	-
Steam service income	90	90	180	180
Interest income/(expense)	(35)	25	(35)	63
Reallocation of common costs	(102)	(156)	(217)	(216)

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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 31 December 2006 of RM24.9 million was 75% higher compared with the same period for the financial year 2006 of RM14.2 million. Profit before taxation ("PBT") increased by 67% for the current financial quarter ended 31 December 2006 to RM5.7 million compared with RM3.4 million in the same period for the financial year 2006. The better revenue and PBT for the current financial quarter was mainly contributed by the increase in its new production capacity to 32,000 metric tonnes since August 2006.

The increase in PBT was not in tandem with the rise in revenue mainly due to higher raw material cost in crude palm oil and methanol, and the delay in the commissioning of phytonutrient plant that constraint our phytonutrient production. This delay has inadvertently resulted in higher work-in-progress stocks. The phytonutrient plant is expected to be fully commissioned by end of April 2007.

The revenue for the Group for the cumulative six (6)-month ended 31 December 2006 increased by 72% to RM 45.5 million compared to the preceding cumulative six (6)-month ended 31 December 2005 of RM26.5 million. PBT for the Group increased to RM10.7 million for the cumulative six (6)-month ended 31 December 2006, an increase of 58% compared to the preceding cumulative six (6)-month. The higher revenue and PBT is mainly due to the increase in its new production capacity to 32,000 metric tonnes since August 2006.

### B2 Variation of results against the preceding quarter

	Quarter ended	
	30 Sept 2006	31 Dec 2006
	RM '000	RM '000
Revenue	20,652	24,885
PBT	4,980	5,674

The Group recorded a revenue and profit before tax ("PBT") of RM24.9 million and RM5.7million respectively for the current financial quarter. Revenue has increased by 20.5% compared to the previous quarter due to higher sale of both phytonutrient products and biodiesel. The PBT increased by 13.9 % to RM5.7 million in this quarter mainly due to increased revenue which is offset by lower margin as a result of higher raw material cost, especially the crude palm oil and methanol.

### 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, given the 100% increase in production capacity 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 to achieve better efficiency with the prevailing higher cost of crude palm oil and methanol.



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

### B4 Taxation

	Individual quarter 3 months ended 31 Dec		Cumulative quarter 6 months ended 31 Dec	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Income taxation	17	18	31	33
Deferred taxation	921	300	1,843	750
	938	318	1,874	783

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.

### 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 22 February 2007

**(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) 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 31 Dec 2006 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM'000
Secured			
- Hire purchase	747	3,150	3,897
- Term loans	1,948	41,400	43,348
	2,695	44,550	47,245
Unsecured			
- Bankers acceptances	19,158	-	19,158
	19,158	-	19,158
Total borrowings	21,853	44,550	66,403

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

Denominated in US Dollar

40,854

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

### **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 22 February 2007 (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:-

	<u>Currency</u>	<u>Amount in foreign currency '000</u>	<u>Notional Amount RM'000</u>
Foreign currency forward contracts:			
Within 1 year	USD	12,500	44,388

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 it is a hedging instrument.

### **B10 Material litigation**

There is no material litigation up as at 22 February 2007.

### **B11 Dividend**

An interim tax exempt dividend of 0.75 sen per share was declared on 20 November 2006 and paid on 22 January 2007. The entitlement date for the dividend was 5 January 2007. There was no dividend declared for the previous corresponding financial period. The total dividend for the current financial year-to-date is 0.75 sen.

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

### B12 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM4.736 million by the weighted average number of ordinary shares in issue for current financial period to date as at 31 December 2006.

	Individual quarter 3 months ended 31 Dec		Cumulative quarter 6 months ended 31 Dec	
	2006	2005	2006	2005
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	4,736	3,085	8,780	5,960
Weighted average number of ordinary shares ('000) #	456,144	456,144	456,144	456,144
Basic earnings per share (sen) #	1.04	0.68	1.92	1.31

# The comparative basic earnings per share and the weighted average number of ordinary shares are computed to reflect the bonus issue exercise in the financial year 2006

### Authorisation for issue

On 26 February 2007, the Board of Directors authorised this interim report for issue.

By Order of the Board

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