

# Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

## Condensed consolidated balance sheet (unaudited) for the third financial quarter ended 31 March 2007

	As at current quarter ended 31 March 2007	As at preceding financial year ended 30 June 2006 (Audited)
	RM '000	RM '000
<b>Non-current assets</b>		
Property, plant and equipment	118,413	99,986
Product development expenditure	524	444
	<b>118,937</b>	<b>100,430</b>
<b>Current assets</b>		
Inventories	60,355	29,658
Trade receivables	2,966	10,750
Other receivables, deposits and prepayments	6,392	492
Tax recoverable	269	313
Cash and bank balances	-	1,180
	<b>69,982</b>	<b>42,393</b>
<b>Current liabilities</b>		
Trade payables	8,190	3,855
Other payables and accruals	7,429	12,785
Amount owing to holding company	1,497	1,440
Amount owing to a fellow subsidiary company	1	5
Bankers' acceptances	25,260	12,287
Bank overdrafts	2,802	-
Hire purchase creditors	760	101
Term loan	3,651	620
Tax payable	-	6
	<b>49,590</b>	<b>31,099</b>
<b>Net current assets</b>	<b>20,392</b>	<b>11,294</b>
<b>Non-current liabilities</b>		
Hire purchase creditors	2,955	489
Term loan	44,837	30,928
Deferred tax liabilities	7,004	4,207
	<b>54,796</b>	<b>35,624</b>
	<b>84,533</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	34,217	25,784
	<b>84,533</b>	<b>76,100</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<b>18.4</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 third financial quarter ended 31 March 2007

	Individual quarter 3 months ended 31 March		Cumulative quarter 9 months ended 31 March	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Revenue	16,912	15,505	62,449	41,967
Other operating income	1,473	39	1,526	131
Operating expenses	(12,147)	(10,647)	(43,255)	(28,750)
<b>Profit from operations</b>	<b>6,238</b>	<b>4,897</b>	<b>20,720</b>	<b>13,348</b>
Depreciation & amortisation	(1,571)	(797)	(4,407)	(2,330)
Finance costs	(625)	41	(1,617)	(134)
<b>Profit before taxation</b>	<b>4,042</b>	<b>4,141</b>	<b>14,696</b>	<b>10,884</b>
Taxation	(968)	(915)	(2,842)	(1,698)
<b>Profit after tax before minority interest</b>	<b>3,074</b>	<b>3,226</b>	<b>11,854</b>	<b>9,186</b>
Minority interest	-	-	-	-
<b>Net profit for the period</b>	<b>3,074</b>	<b>3,226</b>	<b>11,854</b>	<b>9,186</b>
<b>Earnings per share (sen)</b>				
- Basic	0.67	0.71	2.60	2.01
- 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 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 third financial quarter ended 31 March 2007

	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>456,140</b>	<b>45,614</b>	<b>4,702</b>	<b>25,784</b>	<b>76,100</b>
Net profit for the period				11,854	11,854
Interim dividend paid				(3,421)	(3,421)
<b>At 31 March 2007</b> (Nominal value of RM0.10 per share)	<b>456,140</b>	<b>45,614</b>	<b>4,702</b>	<b>34,217</b>	<b>84,533</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 third financial quarter ended 31 March 2007

	Cumulative 9 months ended 31 March		
	Note	2007 RM '000	2006 RM '000
Cash generated from/(used in) operations		(11,446)	10,265
Net cash generated from/(used in) investing activities		(22,153)	(8,264)
Net cash generated from/(used in) financing activities		29,617	383
Net increase in cash and cash equivalents during the period		(3,982)	2,384
Cash and cash equivalents at beginning of period		1,180	(588)
Cash and cash equivalents at end of period	(I)	(2,802)	1,796

**Note:**

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	-	1,796
Bank overdrafts	(2,802)	-
	<u>(2,802)</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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## 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 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**

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

For the financial period to-date, an interim dividend of 0.75 sen per share or 7.5% (2005: Nil) was declared on 20 November 2006 and 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 31 March		Cumulative quarter 31 March	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Turnover				
Phytonutrients	5,166	4,765	15,649	14,022
Oleochemicals/bio-diesel	11,746	10,740	46,800	27,945
Total	16,912	15,505	62,449	41,967
Profit before tax	-	-	-	-
Phytonutrients	1,235	1,273	3,683	3,638
Oleochemicals/bio-diesel	2,807	2,868	11,013	7,246
Total	4,042	4,141	14,696	10,884
Profit after tax	-	-	-	-
Phytonutrients	939	991	2,970	3,070
Oleochemicals/bio-diesel	2,135	2,235	8,884	6,116
Total	3,074	3,226	11,854	9,186

#### 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. The Company intends to subscribe for USD500,000 as paid-up capital of the subsidiary.

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 March 2007 are as follows:-

	RM'000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	5,202
Plant and machinery	130,620
Laboratory and office equipment, furniture & fittings	201
	<u>136,513</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 March		31 March	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Sales of goods	302	446	828	583
Purchase of goods	(5)	(2)	(63)	(2)
Steam service income	90	90	270	270
Interest income/(expense)	(35)	-	(58)	63
Reallocation of common costs	(102)	(187)	(523)	(403)

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

#### B1 Review of performance

The Group's revenue for the current financial quarter ended 31 March 2007 of RM16.9 million was 9% higher compared with the same period for the financial year 2006 of RM15.5 million, even though there was a delay in bulk shipment of biodiesel to 4th quarter as requested by customers. The better revenue was mainly contributed by higher sales from the 100% increase in production capacity since August 2006.

Profit before taxation ("PBT") of RM4.0 million however, was marginally lower compared with RM4.1 million in the same period for the financial year 2006 also due to the delayed bulk shipment as mentioned in paragraph one. Higher operating and financial expenses in tandem with the increase in production capacity, higher raw material cost in crude palm oil and methanol, and the delay in the full commissioning of phytonutrient plant to April 2007 that had strained our phytonutrient production are also contributing factors for the lower PBT. The delay in phytonutrient production has also inadvertently resulted in higher work-in-progress stocks.

Despite the lower quarter profit, Group revenue for the cumulative nine (9)-month ended 31 March 2007 increased by 49% to RM62.4 million compared to the preceding cumulative nine (9)-month ended 31 March 2006 of RM41.9 million. The Group PBT increased to RM14.7 million for the cumulative nine (9)-month ended 31 March 2007, an increase of 35% compared to the preceding cumulative nine (9)-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.

The unfavourable cash generated from operations for the cumulative nine (9)-month ended 31 March 2007 of 11.5 million compared to the cash surplus of RM10.3 million for the same period in the preceding financial year was mainly due to the deferment in bulk shipment of biodiesel as mentioned in paragraph one, and the additional working capital requirements for the expanded production capacity.

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

	Quarter ended	
	31 Dec 2006 RM '000	31 Mar 2007 RM '000
Turnover	24,885	16,912
Profit before taxation	5,674	4,043

The Group recorded a turnover and PBT of RM16.9 million and RM4.0 million respectively for the current financial quarter. Turnover was lower by 32.0% compared to the previous quarter due to the delay in bulk shipment of biodiesel to the 4th quarter as requested by the customers. PBT of RM4.0 million was lower by 28.7% due mainly to lower turnover and 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 to accomodate higher cost of crude palm oil and methanol.

#### 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.



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

### B5 Taxation

	Individual quarter 3 months ended 31 March		Cumulative quarter 9 months ended 31 March	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Income taxation	13	15	45	48
Deferred taxation	955	900	2,797	1,650
	968	915	2,842	1,698

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.

### 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 to date.

### 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 to date.

### B8 a) Status of corporate proposal as at 22 May 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 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.

### B9 Borrowings and debt securities

Details of Group's bank borrowings as at 31 Mar 2007 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM'000
Secured			
- Hire purchase	760	2,955	3,715
- Term loans	3,651	44,837	48,488
	4,411	47,792	52,203
Unsecured			
- Bankers acceptances	25,260	-	25,260
- Bank overdraft	2,802	-	2,802
	28,062	-	28,062
Total borrowings	32,473	47,792	80,265

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

Denominated in US Dollar

46,150

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

### 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 22 May 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 and commodity hedging contracts with the following notional amounts and maturities:-

	<u>Currency</u>	<u>Amount in foreign currency</u>	<u>Notional Amount</u>
Within 1 year		'000	RM'000
Foreign currency forward contracts	USD	8,700	30,220
Commodity hedging contracts	RM	n/a	4,413

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 22 May 2007

### B12 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 Securitites Berhad

### B13 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM3.074 million by the weighted average number of ordinary shares in issue for current financial period as at 31 March 2007.

	Individual quarter 3 months ended 31 March		Cumulative quarter 9 months ended 31 March	
	2007	2006	2007	2006
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	3,074	3,226	11,854	9,186
Weighted average number of ordinary shares ('000)	456,140	456,140	456,140	456,140
Basic earnings per share (sen)	0.67	0.71	2.60	2.01

### Authorisation for issue

On 28 May 2007, the Board of Directors authorised this interim report for issue.

By Order of the Board

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