

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the first financial quarter ended 30 September 2007

	As at current quarter ended 30 Sept 2007	As at preceding financial year ended 30 June 2007 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	211,554	179,835
Investment in jointly controlled entity	86	-
Product development expenditure	443	457
	212,083	180,292
Current assets		
Inventories	79,333	64,122
Trade receivables	13,610	4,339
Other receivables, deposits and prepayments	3,824	4,125
Tax recoverable	-	254
Cash and bank balances	6,388	10,104
	103,155	82,944
Current liabilities		
Trade payables	4,800	2,647
Other payables and accruals	28,356	25,426
Amount owing to holding company	7,972	2,256
Amount owing to a fellow subsidiary company	7	4
Bankers' acceptances	35,777	37,002
Bank overdrafts	1,975	3,295
Hire purchase creditors	788	774
Term loan	3,877	4,405
Tax payable	23	8
	83,575	75,817
Net current assets	19,580	7,127
Non-current liabilities		
Hire purchase creditors	2,554	2,757
Term loan	127,717	85,971
Deferred tax liabilities	9,020	8,508
	139,291	97,236
	92,372	90,183
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Retained earnings	42,056	39,867
	92,372	90,183
Net assets per share attributable to ordinary equity holders of the parent (sen)	20.2	19.7

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the notes to the interim financial statements

Carotech Berhad (Company no: 200964 W)

**Condensed consolidated income statement (unaudited)
for the first financial quarter ended 30 September 2007**

	Individual quarter 3 months ended 30 September		Cumulative quarter 3 months ended 30 September	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Revenue	16,889	20,652	16,889	20,652
Other operating income	92	63	92	63
Operating expenses	(11,158)	(14,108)	(11,158)	(14,108)
Profit from operations	5,823	6,607	5,823	6,607
Depreciation & amortisation	(2,045)	(1,307)	(2,045)	(1,307)
Finance costs	(1,045)	(320)	(1,045)	(320)
Profit before taxation	2,733	4,980	2,733	4,980
Taxation	(544)	(936)	(544)	(936)
Profit after tax before minority interest	2,189	4,044	2,189	4,044
Minority interest	-	-	-	-
Net profit for the period	2,189	4,044	2,189	4,044
Earnings per share (sen)				
- Basic	0.48	0.89	0.48	0.89
- 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 2007 and the notes to the interim financial statements

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Condensed consolidated statement of changes in equity (unaudited) for the first financial quarter ended 30 September 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
At 1 July 2006	456,144	45,614	4,702	25,784	76,100
Net profit for the year				17,504	17,504
Interim dividend paid				(3,421)	(3,421)
At 30 June 2007/ 1 July 2007 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	39,867	90,183
Net profit for the period				2,189	2,189
At 30 Sept 2007 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	42,056	92,372

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 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 first financial quarter ended 30 September 2007

	Cumulative 3 months ended 30 September		
	Note	2007 RM '000	2006 RM '000
Cash used in operations		(14,466)	(6,607)
Net cash used in investing activities		(27,735)	(2,606)
Net cash generated from financing activities		39,805	7,132
Net decrease in cash and cash equivalents during the period		(2,396)	(2,081)
Cash and cash equivalents at beginning of period		6,809	1,180
Cash and cash equivalents at end of period	(I)	4,413	(901)

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	6,388	-
Bank overdrafts	(1,975)	(901)
	<u>4,413</u>	<u>(901)</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2007 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 MESDAQ Market.

The interim financial report should be read in conjunction with the annual audited financial statements for the year ended 30 June 2007.

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 2007.

A2 Audit report of preceding annual financial statements

The auditor's report on the financial statements for the year ended 30 June 2007 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.

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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 30 September		Cumulative quarter 30 September	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Turnover				
Phytonutrients	4,915	4,369	4,915	4,369
Oleochemicals/bio-diesel	11,974	16,283	11,974	16,283
Total	16,889	20,652	16,889	20,652
Profit before tax	-	-	-	-
Phytonutrients	795	1,054	795	1,054
Oleochemicals/bio-diesel	1,938	3,926	1,938	3,926
Total	2,733	4,980	2,733	4,980
Profit after tax				
Phytonutrients	637	856	637	856
Oleochemicals/bio-diesel	1,552	3,188	1,552	3,188
Total	2,189	4,044	2,189	4,044

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 2007 until the date of this report.

A11 Changes in the composition of the group

On 14 September 2007, the Company incorporated a joint venture company, Khard Carotech Private Limited ("KCPL") in India, with a registered capital of 10,000,000 ordinary shares of Indian Rupees ("INR") 1.00 each. The Company has subscribed for 50,000 ordinary shares of INR1.00 each in KCPL representing 50% of the paid-up capital. On 30 September 2007, the Company subscribed for an additional 1,000,000 ordinary shares of INR1.00 each.

The intended principal business activity of Khard Carotech Private Limited is the supply of bio-diesel to institutional and open market in India.

Other than 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.

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Explanatory Notes as per FRS 134, Interim Financial Reporting

A 13 Capital commitments

Capital commitments as at 30 September 2007 are as follows:-

	RM'000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	1,996
Plant and machinery	45,930
Laboratory and office equipment, furniture & fittings	1,889
	<u>50,304</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		Cumulative quarter	
	30 September		30 September	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Sales of goods	415	325	415	325
Purchase of goods	(3)	-	(3)	-
Steam service income	90	90	90	90
Interest income/(expense)	(39)	-	(39)	-
Reallocation of common costs	(381)	(115)	(381)	(115)

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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 2007 of RM16.9 million was 18% lower compared with the same previous financial period ended 30 September 2006 of RM20.7 million. Profit before taxation ("PBT") of RM2.2 million was 46% lower compared with RM4.0 million in the previous financial period ended 30 September 2006. The lower revenue and profit for the current financial quarter was mainly due to the delay in the vessel arrival for biodiesel sale to a customer to second quarter ending 31 December 2007.

The disproportionate lower PBT was mainly attributed to higher raw material cost, especially the crude palm oil, higher depreciation charge and interest cost. The higher production capacity has also resulted in the increased in phytonutrient work-in-progress stocks during the financial quarter.

B2 Variation of results against the preceding quarter

	Quarter ended	
	30 Sep 2007 RM '000	30 June 2007 RM '000
Revenue	16,889	31,081
Profit before taxation	2,733	7,174

The Group recorded a revenue and PBT of RM16.9 million and RM2.7 million respectively for the current financial quarter. Revenue was lower by 46% compared to the previous quarter due to the spill over of biodiesel sale from the third to the fourth quarter in the last financial year, compounded by the delay in the vessel arrival for biodiesel sale to a customer from the current quarter to the next quarter ending 31 December 2007. PBT of RM2.7 million was lower by 62% due mainly to lower revenue, higher raw material cost, especially the crude palm oil and higher depreciation charge and interest cost.

B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the next financial year to improve, given the commitment to increase the production capacity to 120,000 metric tonnes per annum expected by early 2008.

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 September		Cumulative quarter 3 months ended 30 September	
	2007 RM '000	2006 RM '000	2007 RM '000	2006 RM '000
Income taxation	32	15	32	15
Deferred taxation	512	921	512	921
	544	936	544	936

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.

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

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 Status of corporate proposal as at 22 November 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:-

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 30 September 2007 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM'000
Secured			
- Hire purchase	788	2,554	3,342
- Term loans	3,877	127,717	131,594
	4,665	130,271	134,936
Unsecured			
- Bankers acceptances	30,777	-	30,777
- Revolving credit	5,000	-	5,000
- Bank overdraft	1,975	-	1,975
	37,752	-	37,752
Total borrowings	42,417	130,271	172,688

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

Denominated in US Dollar

129,574

B10 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")

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

B10 Off balance sheet financial instruments (contd)

As at 22 November 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>	Amount in Foreign <u>Currency</u> '000	Notional <u>Amount</u> RM'000
Within 1 year			
Foreign currency forward contracts	USD	5,600	18,784
Commodity hedging contracts	RM	n/a	2,185

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 November 2007.

B12 Dividend

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

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

B13 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM2.189 million by the weighted average number of ordinary shares in issue for current financial period to date at 30 September 2007.

	Individual quarter 3 months ended 30 September		Cumulative quarter 3 months ended 30 September	
	2007	2006	2007	2006
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	2,189	4,044	2,189	4,044
Weighted average number of ordinary shares ('000)	456,144	456,140	456,144	456,140
Basic earnings per share (sen)	0.48	0.89	0.48	0.89

Authorisation for issue

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

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries