

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the second financial quarter ended 31 December 2007

	As at current quarter ended 31 Dec 2007	As at preceding financial year ended 30 June 2007 (Audited) Restated
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	249,539	170,340
Prepaid interest in lease land	9,447	9,495
Investment in jointly controlled entity	464	-
Product development expenditure	438	457
	259,888	180,292
Current assets		
Inventories	89,606	64,122
Trade receivables	3,715	4,339
Other receivables, deposits and prepayments	7,980	4,125
Tax recoverable	-	254
Cash and bank balances	4,048	10,104
	105,349	82,944
Current liabilities		
Trade payables	13,202	2,647
Other payables and accruals	38,792	25,426
Amount owing to holding company	5,426	2,256
Amount owing to a fellow subsidiary company	8	4
Bankers' acceptances	53,345	37,002
Bank overdrafts	3,456	3,295
Hire purchase creditors	802	774
Term loan	6,792	4,405
Tax payable	43	8
	121,865	75,817
Net current assets/ (liabilities)	(16,516)	7,127
Non-current liabilities		
Hire purchase creditors	2,349	2,757
Term loan	137,740	85,971
Deferred tax liabilities	9,344	8,508
	149,433	97,236
	93,939	90,183
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Retained earnings	43,623	39,867
	93,939	90,183
Net assets per share attributable to ordinary equity holders of the parent (sen)	20.5	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 second financial quarter ended 31 December 2007**

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Revenue	27,370	24,885	44,260	45,537
Other operating income	187	235	277	413
Operating expenses	(22,363)	(17,245)	(33,548)	(31,468)
Profit from operations	5,194	7,875	10,989	14,482
Depreciation & amortisation	(2,026)	(1,529)	(4,043)	(2,836)
Finance costs	(1,247)	(672)	(2,292)	(992)
Profit before taxation	1,921	5,674	4,654	10,654
Taxation	(354)	(938)	(898)	(1,874)
Profit after tax and before minority interest	1,567	4,736	3,756	8,780
Minority interest	-	-	-	-
Net profit for the period	1,567	4,736	3,756	8,780
Earnings per share (sen)				
- Basic	0.34	1.04	0.82	1.92
- 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 second financial quarter ended 31 December 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				3,756	3,756
At 31 Dec 2007 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	43,623	93,939

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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Condensed consolidated cash flow statement (unaudited) for the second financial quarter ended 31 December 2007

	Cumulative 3 months ended 30 September		
	Note	2007 RM '000	2006 RM '000
Cash generated from/(used in) operations		3,884	(6,607)
Net cash used in investing activities		(80,219)	(2,606)
Net cash generated from financing activities		70,119	7,132
Net decrease in cash and cash equivalents during the period		(6,216)	(2,081)
Cash and cash equivalents at beginning of period		6,809	1,180
Cash and cash equivalents at end of period	(I)	593	(901)

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	4,048	-
Bank overdrafts	(3,456)	(901)
	<u>593</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

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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 except for the adoption of the following new /revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 July 2007:-

- FRS 117 - Leases
- FRS 124 - Related Party Disclosures

The adoption of FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 are discussed below:-

FRS 117 : Leasehold Land Held For Own Use

Prior to 1 July 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of revised FRS 117 has resulted in the change in the accounting policy relating to the classification of leases of land and buildings. Leasehold land held for own use is now classified as operating lease and where necessary the upfront payments made are allocated between land and building elements in proportion to the fair values for leasehold interests in both the land and building elements of the lease at inception. The upfront payment represents prepaid lease payments and are amortised on a straight line basis over the lease terms.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provision. The classification of leasehold land as prepaid lease payments has been accounted for retrospectively and the comparative amounts are restated as follows:-

	Previously Stated	Adoption of FRS 117	As Restated
	RM '000	RM '000	RM '000
Property, plant and equipment	179,835	(9,495)	170,340
Prepaid interest in lease land	-	9,495	9,495

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.

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Explanatory Notes as per FRS 134, Interim Financial Reporting

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.

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 December		Cumulative quarter 31 December	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Turnover				
Phytonutrients	5,547	6,115	10,463	10,484
Oleochemicals/bio-diesel	21,823	18,770	33,797	35,053
Total	27,370	24,885	44,260	45,537
Profit before tax	-	-	-	-
Phytonutrients	1,461	1,394	2,699	2,453
Oleochemicals/bio-diesel	460	4,280	1,955	8,201
Total	1,921	5,674	4,654	10,654
Profit after tax				
Phytonutrients	1,192	1,164	2,035	2,021
Oleochemicals/bio-diesel	375	3,572	1,721	6,759
Total	1,567	4,736	3,756	8,780

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 approved the incorporation of a joint venture company, Khard Carotech ("KCPL") Private Limited in India, with a registered capital of 100,000,000 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 and 14 December 2007, the Company also approved and subscribed for the respective additional allotments of 1,000,000 and 4,310,000 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.

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Explanatory Notes as per FRS 134, Interim Financial Reporting

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 2007 are as follows:-

	RM'000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	701
Plant and machinery	14,092
Laboratory and office equipment, furniture & fittings	1,140
	<u>16,422</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	
	31 December		31 December	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Sales of goods	44	302	459	628
Purchase of goods	(79)	(5)	(82)	(5)
Steam service income	90	90	180	180
Interest expense	(68)	(35)	(107)	(35)
Reallocation of common costs	(281)	(102)	(662)	(217)

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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 31 December 2007 of RM27.4 million was 10% higher compared with the same period for the financial year 2007 of RM24.9 million. Profit before taxation ("PBT") of RM1.9 million was however, 67% lower compared with RM5.7 million in the same period for the financial year 2007. The higher revenue for the current financial quarter was mainly due to higher sales of both the biodiesel and oleochemical products.

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

For the financial period ended 31 December 2007, the Group recorded a revenue of RM44.3 million, a decrease of 3% compared to the revenue of RM45.5 million registered in the corresponding period of 2006. The lower revenue was mainly contributed from the lower sales of biodiesel product.

The Group recorded profit before tax of RM4.7 million for the financial period ended 31 December 2007, lower by 56% compared to the corresponding period of 2006. Profit after tax for the same period was 57% lower. The unfavourable performance was mainly contributed by high raw material cost especially crude palm oil and methanol, and higher depreciation and interest expenses.

The effective tax rate 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.

B2 Variation of results against the preceding quarter

	Quarter ended	
	31 Dec 2007 RM '000	30 Sep 2007 RM '000
Revenue	27,370	16,889
Profit before taxation	1,921	2,733

The Group recorded a revenue and PBT of RM27.4 million and RM1.9 million respectively for the current financial quarter. Revenue was higher by 62% compared to the previous quarter due to higher sales of both the biodiesel and oleochemical products. PBT of RM1.9 million was however, lower by 30% due mainly due to higher raw material cost, especially the crude palm oil and methanol, and higher interest expense.

B3 Commentary on prospects

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

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

B5 Taxation

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2007	2006	2007	2006
	RM '000	RM '000	RM '000	RM '000
Income taxation	30	17	62	31
Deferred taxation	324	921	836	1,843
	354	938	898	1,874

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 Status of corporate proposal as at 20 February 2008

(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 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.
- (b) On 24 December 2007, The Company's wholly owned subsidiary, Ying Kou Carotech Bio Energy Co. Ltd. ("YKC") 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 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 YKC for the settlement of balance proceeds of 50%.

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

B9 Borrowings and debt securities

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

	Current	Non-current	Total
	RM '000	RM '000	RM'000
Secured			
- Hire purchase	802	2,349	3,151
- Term loans	6,792	137,740	144,532
	7,594	140,089	147,683
Unsecured			
- Bankers acceptances	53,345	-	53,345
- Bank overdraft	3,456	-	3,456
	56,801	-	56,801
Total borrowings	64,395	140,089	204,484

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

Denominated in US Dollar

142,673

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")

As at 20 February 2008 (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	4,000	13,196
Commodity hedging contracts	RM	n/a	1,782

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.

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

B11 Material litigation

There were no material litigation up to 20 February 2008.

B12 Dividend

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

B13 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM1.6 million by the weighted average number of ordinary shares in issue for the current financial period ended 31 December 2007.

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2007	2006	2007	2006
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	1,567	4,736	3,756	8,780
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	0.34	1.04	0.82	1.92

Authorisation for issue

On 25 February 2008, the Board of Directors authorised this interim report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries