

# Carotech

**Berhad**

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

## Condensed consolidated balance sheet (unaudited) for the third financial quarter ended 31 March 2008

|   | As at current<br>quarter ended<br>31 March 2008<br>RM '000 | As at preceding<br>financial year ended<br>30 June 2007<br>(Audited)<br>Restated<br>RM '000 |
|---|--|---|
| <b>Non-current assets</b>   |  |   |
| Property, plant and equipment   | 311,610  | 170,340   |
| Prepaid interest in lease land  | 9,424  | 9,495   |
| Investment in jointly controlled entity   | 464  | -   |
| Product development expenditure   | 431  | 457   |
|   | <b>321,929</b>   | <b>180,292</b>  |
| <b>Current assets</b>   |  |   |
| Inventories   | 90,814   | 64,122  |
| Trade receivables   | 20,245   | 4,339   |
| Other receivables, deposits and prepayments   | 7,995  | 4,125   |
| Tax recoverable   | -  | 254   |
| Cash and bank balances  | 1,254  | 10,104  |
|   | <b>120,308</b>   | <b>82,944</b>   |
| <b>Current liabilities</b>  |  |   |
| Trade payables  | 16,086   | 2,647   |
| Other payables and accruals   | 37,927   | 25,426  |
| Amount owing to holding company   | 10,966   | 2,256   |
| Amount owing to a fellow subsidiary company   | 5  | 4   |
| Bankers' acceptances  | 88,953   | 37,002  |
| Bank overdrafts   | 9,771  | 3,295   |
| Hire purchase creditors   | 755  | 774   |
| Term loan   | 6,521  | 4,405   |
| Tax payable   | 58   | 8   |
|   | <b>171,042</b>   | <b>75,817</b>   |
| <b>Net current assets/ (liabilities)</b>  | <b>(50,734)</b>  | <b>7,127</b>  |
| <b>Non-current liabilities</b>  |  |   |
| Hire purchase creditors   | 2,200  | 2,757   |
| Term loan   | 163,543  | 85,971  |
| Deferred tax liabilities  | 9,992  | 8,508   |
|   | <b>175,735</b>   | <b>97,236</b>   |
|   | <b>95,460</b>  | <b>90,183</b>   |
| Financed by:  |  |   |
| <b>Capital and reserves</b>   |  |   |
| Share capital   | 45,614   | 45,614  |
| Share premium   | 4,702  | 4,702   |
| Retained earnings   | 45,144   | 39,867  |
|   | <b>95,460</b>  | <b>90,183</b>   |
| <b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b> | <b>20.9</b>  | <b>19.7</b>   |

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

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

## Condensed consolidated income statement (unaudited) for the third financial quarter ended 31 March 2008

|  | Individual quarter<br>3 months ended<br>31 March |                 | Cumulative quarter<br>9 months ended<br>31 March |                 |
|--|--|-----------------|--|-----------------|
|  | 2008<br>RM '000                                  | 2007<br>RM '000 | 2008<br>RM '000                                  | 2007<br>RM '000 |
| Revenue  | 26,253   | 16,912          | 70,512   | 62,449          |
| Other operating income                               | 138  | 1,473           | 416  | 1,526           |
| Operating expenses                                   | (21,043)   | (12,147)        | (54,592)   | (43,255)        |
| <b>Profit from operations</b>                        | <b>5,348</b>                                     | <b>6,238</b>    | <b>16,336</b>                                    | <b>20,720</b>   |
| Depreciation & amortisation                          | (2,069)  | (1,571)         | (6,112)  | (4,407)         |
| Finance costs  | (1,068)  | (625)           | (3,359)  | (1,617)         |
| <b>Profit before taxation</b>                        | <b>2,211</b>                                     | <b>4,042</b>    | <b>6,865</b>                                     | <b>14,696</b>   |
| Taxation   | (690)  | (968)           | (1,588)  | (2,842)         |
| <b>Profit after tax and before minority interest</b> | <b>1,521</b>                                     | <b>3,074</b>    | <b>5,277</b>                                     | <b>11,854</b>   |
| Minority interest                                    | -  | -               | -  | -               |
| <b>Net profit for the period</b>                     | <b>1,521</b>                                     | <b>3,074</b>    | <b>5,277</b>                                     | <b>11,854</b>   |
| <b>Earnings per share (sen)</b>                      |  |                 |  |                 |
| - Basic  | 0.33   | 0.67            | 1.16   | 2.60            |
| - 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 third financial quarter ended 31 March 2008

|  | 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 year  |  |                       |                       | 17,504                    | 17,504        |
| Interim dividend paid  |  |                       |                       | (3,421)                   | (3,421)       |
| <b>At 30 June 2007/ 1 July 2007</b><br>(Nominal value of RM0.10 per share) | <b>456,144</b>                                       | <b>45,614</b>         | <b>4,702</b>          | <b>39,867</b>             | <b>90,183</b> |
| Net profit for the period  |  |                       |                       | 5,277                     | 5,277         |
| <b>At 31 March 2008</b><br>(Nominal value of RM0.10 per share)             | <b>456,144</b>                                       | <b>45,614</b>         | <b>4,702</b>          | <b>45,144</b>             | <b>95,460</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 2007 and the notes to the interim financial statements

# Carotech

**Berhad**

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

## Condensed consolidated cash flow statement (unaudited) for the third financial quarter ended 31 March 2008

|   | Cumulative<br>9 months ended<br>31 March |                 |                 |
|---|--|-----------------|-----------------|
|   | Note                                     | 2008<br>RM '000 | 2007<br>RM '000 |
| Cash used in operations                                     |  | (7,760)         | (11,446)        |
| Net cash used in investing activities                       |  | (138,630)       | (22,153)        |
| Net cash generated from financing activities                |  | 131,064         | 29,617          |
| Net decrease in cash and cash equivalents during the period |  | (15,326)        | (3,982)         |
| Cash and cash equivalents at beginning of period            |  | 6,809           | 1,180           |
| Cash and cash equivalents at end of period                  | (1)                                      | (8,517)         | (2,802)         |

**Note:**

(1) Cash and cash equivalents comprises:

|                        | RM '000        | RM '000        |
|------------------------|----------------|----------------|
| Cash and bank balances | 1,254          | -              |
| Bank overdrafts        | (9,771)        | (2,802)        |
|                        | <u>(8,517)</u> | <u>(2,802)</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

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 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 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<br>Stated | Adoption of<br>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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Carotech Berhad (Company no: 200964 W)

### 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<br>31 March |                 | Cumulative quarter<br>31 March |                 |
|--------------------------|--------------------------------|-----------------|--------------------------------|-----------------|
|                          | 2008<br>RM '000                | 2007<br>RM '000 | 2008<br>RM '000                | 2007<br>RM '000 |
| Turnover                 |                                |                 |                                |                 |
| Phytonutrients           | 7,402                          | 5,165           | 17,865                         | 15,649          |
| Oleochemicals/bio-diesel | 18,851                         | 11,747          | 52,647                         | 46,800          |
| Total                    | 26,253                         | 16,912          | 70,512                         | 62,449          |
| Profit before tax        |                                |                 |                                |                 |
| Phytonutrients           | 1,655                          | 1,234           | 5,071                          | 3,683           |
| Oleochemicals/bio-diesel | 556                            | 2,808           | 1,794                          | 11,013          |
| Total                    | 2,211                          | 4,042           | 6,865                          | 14,696          |
| Profit after tax         |                                |                 |                                |                 |
| Phytonutrients           | 1,139                          | 939             | 3,898                          | 2,970           |
| Oleochemicals/bio-diesel | 382                            | 2,135           | 1,379                          | 8,884           |
| Total                    | 1,521                          | 3,074           | 5,277                          | 11,854          |

#### 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, which is not announced.

#### A11 Changes in the composition of the group

There are no changes to the composition of the Group for the financial period under review.

#### A12 Contingent liabilities or assets

There were no material contingent liabilities as at the date of this report.

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Carotech Berhad (Company no: 200964 W)

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

#### A 13 Capital commitments

Capital commitments as at 31 March 2008 are as follows:-

|   | RM'000       |
|---|--------------|
| <u>Authorised and contracted :</u>                    |              |
| Leasehold land  | 489          |
| Building  | 223          |
| Plant and machinery                                   | 1,925        |
| Laboratory and office equipment, furniture & fittings | 107          |
|   | <u>2,744</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<br>31 March |                 | Cumulative quarter<br>31 March |                 |
|------------------------------|--------------------------------|-----------------|--------------------------------|-----------------|
|                              | 2008<br>RM '000                | 2007<br>RM '000 | 2008<br>RM '000                | 2007<br>RM '000 |
| Sales of goods               | 215                            | 302             | 674                            | 828             |
| Purchase of goods            | -                              | (5)             | (82)                           | (63)            |
| Steam service income         | 90                             | 90              | 270                            | 270             |
| Interest income/(expense)    | (105)                          | (35)            | (211)                          | (58)            |
| Reallocation of common costs | (227)                          | (102)           | (889)                          | (523)           |

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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 March 2008 of RM26.3 million was 55% higher compared with the same period for the financial year 2007 of RM16.9 million. Profit before taxation ("PBT") of RM2.2 million was however, 45% lower compared with RM4.0 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 higher depreciation and interest expenses. 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 March 2008, the Group recorded a revenue of RM70.5 million, an increase of 13% compared to the revenue of RM62.4 million registered in the corresponding period of 2007. The higher revenue was mainly contributed from the higher sales of both biodiesel and phytonutrient products.

The Group recorded PBT of RM6.9 million for the financial period ended 31 March 2008, lower by 57% compared to the corresponding period of 2007. Profit after tax for the same period was 55% lower. The unfavourable performance was mainly contributed by high raw material cost especially crude palm oil, and higher depreciation and interest expenses.

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

|                        | Quarter ended               |                                   |
|------------------------|-----------------------------|-----------------------------------|
|                        | 31 March<br>2008<br>RM '000 | 31<br>December<br>2007<br>RM '000 |
| Revenue                | 26,253                      | 27,370                            |
| Profit before taxation | 2,211                       | 1,921                             |

The Group recorded a revenue and PBT of RM26.3 million and RM2.2 million respectively for the current financial quarter. Revenue was lower by 4% compared to the previous quarter due to lower sales of both the biodiesel and oleochemical products negated by higher phytonutrient sales. PBT of RM2.2 million was however, higher by 15% due to lower interest cost.

#### B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the remaining year to improve, given the commitment to increase the production capacity to 120,000 metric tonnes per annum expected by July 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 ("CPO"), 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<br>3 months ended<br>31 March |         | Cumulative quarter<br>9 months ended<br>31 March |         |
|-------------------|--|---------|--|---------|
|                   | 2008   | 2007    | 2008   | 2007    |
|                   | RM '000  | RM '000 | RM '000  | RM '000 |
| Income taxation   | 42   | 13      | 104  | 45      |
| Deferred taxation | 648  | 955     | 1,484  | 2,797   |
|                   | 690  | 968     | 1,588  | 2,842   |

The effective tax rate for the current quarter is higher than the statutory rate applicable due to deferred tax provided on timing difference for certain expenses. The effective tax rate of the Company for the financial period to date 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 12 May 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 Lioaning Dayang Bio Energy Co. Ltd. to acquire an industrial land in Ying Kou, Lioaning Province, China for a consideration of Renminbi (RMB) 14,666,740 (equivalent to approximately RM6,670,000). An announcement was made to the 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 March 2008 are as follows :-

|                       | Current | Non-current | Total   |
|-----------------------|---------|-------------|---------|
|                       | RM '000 | RM '000     | RM'000  |
| Secured               |         |             |         |
| - Hire purchase       | 755     | 2,200       | 2,955   |
| - Term loans          | 6,521   | 163,543     | 170,064 |
|                       | 7,276   | 165,743     | 173,019 |
| Unsecured             |         |             |         |
| - Bankers acceptances | 88,953  | -           | 88,953  |
| - Bank overdraft      | 9,771   | -           | 9,771   |
|                       | 98,724  | -           | 98,724  |
| Total borrowings      | 106,000 | 165,743     | 271,743 |

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

Denominated in US Dollar

168,369

#### 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 CPO.

As at 12 May 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<br>Foreign<br><u>Currency</u><br>'000 | Notional<br><u>Amount</u><br>RM'000 |
|------------------------------------|-----------------|---|-------------------------------------|
| Within 1 year                      |                 |   |                                     |
| Foreign currency forward contracts | USD             | 16,550  | 52,872                              |
| Commodity hedging contracts        | RM              | Nil   | Nil                                 |

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 12 May 2008.

### B12 Dividend

No dividend has been declared or recommended 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 RM5.277 million by the weighted average number of ordinary shares in issue for the current financial period ended 31 March 2008.

|   | Individual quarter<br>3 months ended<br>31 March |         | Cumulative quarter<br>9 months ended<br>31 March |         |
|---|--|---------|--|---------|
|   | 2008   | 2007    | 2008   | 2007    |
| <b>Basic earnings per share</b>                   |  |         |  |         |
| Net profit attributable to shareholders (RM'000)  | 1,521  | 3,074   | 5,277  | 11,854  |
| Weighted average number of ordinary shares ('000) | 456,144  | 456,144 | 456,144  | 456,144 |
| Basic earnings per share (sen)                    | 0.33   | 0.67    | 1.16   | 2.60    |

### Authorisation for issue

On 15 May 2008, the Board of Directors authorised this interim report for issue.

By Order of the Board

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