

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the financial year ended 30 June 2008

	As at current quarter ended 30 June 2008	As at preceding financial year ended 30 June 2007 (Audited) Restated
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	296,973	170,340
Prepaid interest in lease land	9,399	9,495
Investment in jointly controlled entity	436	-
Product development expenditure	426	457
	307,234	180,292
Current assets		
Inventories	91,789	64,121
Trade receivables	47,219	4,340
Other receivables, deposits and prepayments	12,380	4,125
Tax recoverable	-	254
Cash and bank balances	1,539	10,104
	152,927	82,944
Current liabilities		
Trade payables	27,295	2,647
Other payables and accruals	34,995	25,426
Amount owing to holding company	8,542	2,256
Amount owing to a fellow subsidiary company	3	4
Bankers' acceptances	92,398	37,002
Bank overdrafts	11,896	3,295
Hire purchase creditors	829	774
Term loans	14,951	4,405
Tax payable	73	8
	190,982	75,817
Net current (liabilities)/ assets	(38,055)	7,127
Non-current liabilities		
Hire purchase creditors	1,927	2,757
Term loans	162,845	85,971
Deferred tax liabilities	6,562	8,508
	171,334	97,236
	97,845	90,183
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Exchange fluctuation reserve	358	-
Retained earnings	47,171	39,867
	97,845	90,183
Net assets per share attributable to ordinary equity holders of the parent (sen)	21.4	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

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Carotech Berhad (Company no: 200964 W)

Condensed consolidated income statement (unaudited) for the financial year ended 30 June 2008

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Revenue	35,411	31,081	105,924	93,529
Other operating income	118	119	536	178
Operating expenses	(33,789)	(20,695)	(88,201)	(62,481)
Profit from operations	1,740	10,505	18,259	31,227
Depreciation & amortisation	(2,121)	(2,248)	(8,416)	(6,658)
Finance costs	(954)	(1,083)	(4,313)	(2,700)
(Loss)/Profit before taxation	(1,335)	7,174	5,530	21,869
Share of loss in jointly controlled entity	(28)	-	(28)	-
Taxation	3,390	(1,524)	1,802	(4,365)
Profit after tax and before minority interest	2,027	5,650	7,304	17,504
Minority interest	-	-	-	-
Net profit for the period/ year	2,027	5,650	7,304	17,504
Earnings per share (sen)				
- Basic	0.44	1.24	1.60	3.84
- 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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Carotech Berhad (Company no: 200964 W)

Condensed consolidated statement of changes in equity (unaudited) for the financial year ended 30 June 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	Translation reserve 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 year					7,304	7,304
Foreign exchange translation difference				358		358
At 30 June 2008 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	358	47,171	97,845

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 financial year ended 30 June 2008

	Cumulative 12 months ended 30 June		
	Note	2008 RM '000	2007 RM '000
Cash (used in)/generated from operations		(38,348)	7,535
Net cash used in investing activities		(135,378)	(84,969)
Net cash generated from financing activities		156,202	83,063
Net (decrease)/increase in cash and cash equivalents during the year		(17,524)	5,629
Effect of exchange differences		358	-
Cash and cash equivalents at beginning of year		6,809	1,180
Cash and cash equivalents at end of year	(I)	(10,357)	6,809

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	1,539	10,104
Bank overdrafts	(11,896)	(3,295)
	<u>(10,357)</u>	<u>6,809</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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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 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.

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Berhad

Carotech Berhad (Company no: 200964 W)

Explanatory Notes as per FRS 134, Interim Financial Reporting

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.

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 30 June		Cumulative quarter 30 June	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Turnover				
Phytonutrients	6,029	7,637	23,894	23,285
Oleochemicals/bio-diesel	29,382	23,444	82,030	70,244
Total	35,411	31,081	105,924	93,529
(Loss)/ Profit before tax				
Phytonutrients	(227)	1,762	4,031	5,445
Oleochemicals/bio-diesel	(1,108)	5,410	1,499	16,424
Total	(1,335)	7,172	5,530	21,869
Profit after tax				
Phytonutrients	1,438	1,388	5,324	4,358
Oleochemicals/bio-diesel	589	4,262	1,980	13,146
Total	2,027	5,650	7,304	17,504

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.

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Explanatory Notes as per FRS 134, Interim Financial Reporting

A10 Material subsequent events

There were no material subsequent events since 30 June 2008 until the date of this report.

A11 Changes in the composition of the group

A wholly owned subsidiary, Carotech Bio-Vits Sdn Bhd ("CBV") was incorporated on 25 June 2008 with an authorised capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each with its issued and fully paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

The principal activity of CBV is processing and extracting constituents of palm oil and other agricultural products for the purpose of manufacturing and producing pharmaceutical and oleochemical products.

Other than the above, There are no other 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.

A 13 Capital commitments

Capital commitments as at 30 June 2008 are as follows:-

	RM '000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	222
Plant and machinery	589
Laboratory and office equipment, furniture & fittings	50
	1,350

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 30 June		Cumulative quarter 30 June	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Sales of goods	123	10	798	838
Purchase of goods	(24)	(27)	(106)	(90)
Steam service income	90	90	360	360
Interest income/(expense)	(121)	(57)	(332)	(115)
Reallocation of common costs	(244)	(190)	(1,133)	(713)

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 June 2008 of RM35.4 million was 14% higher compared with the same period for the financial year 2007 of RM31.1 million. However, the Group recorded a loss before taxation ("LBT") of RM1.3 million, as compared to the profit before taxation of RM7.2 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 LBT recorded in the current quarter was mainly attributed to higher raw material cost, especially the crude palm oil, and the unrealised foreign exchange loss from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. The present higher production capacity has also resulted in the increase in phytonutrient work-in-progress stocks during the financial quarter.

For the financial year ended 30 June 2008, the Group recorded a revenue of RM105.9 million, an increase of 13% compared to the revenue of RM93.5 million registered in the previous financial year. The higher revenue was mainly contributed from the higher sales of both phytonutrient and oleochemical products.

The Group recorded profit before tax of RM5.5 million for the financial year ended 30 June 2008, lower by 75% compared to previous financial year. Profit after tax for the same year was 58% lower. The unfavourable performance was mainly contributed by high raw material cost especially crude palm oil and methanol, and higher depreciation and interest expenses.

B2 Variation of results against the preceding quarter

	Quarter ended	
	30 June 2008 RM '000	31 March 2008 RM '000
Revenue	35,411	26,253
(Loss)/Profit before taxation	(1,335)	2,211

The Group recorded a revenue and LBT of RM35.4 million and RM1.3 million respectively for the current financial quarter. Revenue increased by 35% compared to the previous quarter due to higher sales of both the biodiesel and oleochemical products. LBT of RM1.3 million was attributed to higher raw material cost, especially the crude palm oil, and the unrealised foreign exchange loss from the translation of US Dollar loans as a result of weakened Ringgit Malaysia.

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 December 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.

Carotech Berhad (Company no: 200964 W)

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

B5 Taxation

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Income taxation	40	20	144	64
Deferred taxation	(3,430)	1,504	(1,946)	4,301
	(3,390)	1,524	(1,802)	4,365

The effective tax rate of the Company for the financial year 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, and the adjustment to deferred taxation due to timing difference of certain expenses allowed for tax deduction.

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.

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.

B8 Status of corporate proposal as at 22 August 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%.

Carotech Berhad (Company no: 200964 W)

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 30 June 2008 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Hire purchases	829	1,927	2,756
- Term loans	14,951	162,845	177,796
	15,780	164,772	180,552
Unsecured			
- Bankers acceptances	92,398	-	92,398
- Bank overdrafts	11,896	-	11,896
	104,294	-	104,294
Total borrowings	120,074	164,772	284,846

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

Denominated in US Dollar 176,268

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 22 August 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	8,360	27,082
Commodity hedging contracts	RM	n/a	n/a

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.

Carotech Berhad (Company no: 200964 W)

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

B11 Material litigation

There were no material litigation up to 22 August 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 RM7.304 million by the weighted average number of ordinary shares in issue for the current financial year ended 30 June 2008.

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2008	2007	2008	2007
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	2,027	5,650	7,304	17,504
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	0.44	1.24	1.60	3.84

Authorisation for issue

On 27 August 2008, the Board of Directors authorised this interim report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries