

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the first financial quarter ended 30 September 2008

	As at current quarter ended 30 Sept 2008	As at preceding financial year ended 30 June 2008 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	310,822	296,877
Prepaid interest in lease land	9,376	9,399
Investment in jointly controlled entity	436	436
Product development expenditure	420	426
	321,054	307,138
Current assets		
Inventories	92,443	91,789
Trade receivables	27,803	47,219
Other receivables, deposits and prepayments	12,196	12,380
Cash and bank balances	1,854	1,539
	134,296	152,927
Current liabilities		
Trade payables	18,128	27,295
Other payables and accruals	34,854	34,995
Amount owing to holding company	8,770	8,542
Amount owing to a fellow subsidiary company	4	3
Bankers' acceptances	97,732	92,398
Bank overdrafts	10,096	11,896
Hire purchase creditors	843	829
Term loans	23,330	14,951
Tax payable	97	73
	193,854	190,982
Net current liabilities	(59,558)	(38,055)
Non-current liabilities		
Hire purchase creditors	1,712	1,927
Term loans	165,980	162,845
Deferred tax liabilities	6,414	6,562
	174,106	171,334
	87,390	97,749
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Exchange fluctuation reserve	358	358
Retained earnings	36,716	47,075
	87,390	97,749
Net assets per share attributable to ordinary equity holders of the parent (sen)	19.1	21.3

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2008 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 first financial quarter ended 30 September 2008

	Individual quarter 3 months ended 30 September		Cumulative quarter 3 months ended 30 September	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Revenue	21,498	16,889	21,498	16,889
Other operating income	107	92	107	92
Operating expenses	(29,139)	(11,158)	(29,139)	(11,158)
(Loss)/ profit from operations	(7,534)	5,823	(7,534)	5,823
Depreciation & amortisation	(1,906)	(2,045)	(1,906)	(2,045)
Finance costs	(1,025)	(1,045)	(1,025)	(1,045)
(Loss)/ profit before taxation	(10,465)	2,733	(10,465)	2,733
Taxation	106	(544)	106	(544)
(Loss)/ Profit after tax and before minority interest	(10,359)	2,189	(10,359)	2,189
Minority interest	-	-	-	-
Net (loss)/ profit for the period	(10,359)	2,189	(10,359)	2,189
Earnings per share (sen)				
- Basic	(2.27)	0.48	(2.27)	0.48
- 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 2008 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 first financial quarter ended 30 September 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 2007	456,144	45,614	4,702	-	39,867	90,183
Net profit for the year					7,208	7,208
Foreign exchange translation difference				358		358
At 30 June 2008/ 1 July 2008 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	358	47,075	97,749
Net loss for the period					(10,359)	(10,359)
At 30 Sept 2008 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	358	36,716	87,390

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 June 2008 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 2008

	Cumulative 3 months ended 30 September		
	Note	2008 RM '000	2007 RM '000
Cash generated from/(used in)operations		10,349	(14,466)
Net cash used in investing activities		(15,846)	(27,735)
Net cash generated from financing activities		7,612	39,805
Net increase/ (decrease) in cash and cash equivalents during the period		2,115	(2,396)
Cash and cash equivalents at beginning of period		(10,357)	6,809
Cash and cash equivalents at end of period	(I)	(8,242)	4,413

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	1,854	6,388
Bank overdrafts	(10,096)	(1,975)
	<u>(8,242)</u>	<u>4,413</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 June 2008 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 2008.

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 2008.

A2 Audit report of preceding annual financial statements

The auditor's report on the financial statements for the year ended 30 June 2008 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.

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	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Turnover				
Phytonutrients	6,624	4,915	6,624	4,915
Oleochemicals/bio-diesel	14,874	11,974	14,874	11,974
Total	21,498	16,889	21,498	16,889
(Loss)/ Profit before tax				
Phytonutrients	(3,225)	795	(3,225)	795
Oleochemicals/bio-diesel	(7,240)	1,938	(7,240)	1,938
Total	(10,465)	2,733	(10,465)	2,733
(Loss)/ Profit after tax				
Phytonutrients	(3,192)	637	(3,192)	637
Oleochemicals/bio-diesel	(7,167)	1,552	(7,167)	1,552
Total	(10,359)	2,189	(10,359)	2,189

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 September 2008 until the date of this report.

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.

A 13 Capital commitments

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

	RM '000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	72
Plant and machinery	92
Laboratory and office equipment, furniture & fittings	10
	<u>663</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 30 September		Cumulative quarter 30 September	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Sales of goods	299	415	299	415
Purchase of goods	(13)	(3)	(13)	(3)
Steam service income	90	90	90	90
Interest income/(expense)	(118)	(39)	(118)	(39)
Reallocation of common costs	(228)	(381)	(228)	(381)

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 2008 of RM21.5 million was 27% higher compared with the same period for the financial year 2008 of RM16.9 million. However, the Group recorded a loss before taxation ("LBT") of RM10.5 million, as compared to the profit before taxation of RM2.7 million in the same period for the financial year 2008. 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 volatility and high raw material cost, especially the crude palm oil and methanol, and unrealised foreign exchange loss of RM11.1 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. The unrealised foreign exchange loss arose from the accounting translation of foreign currency denominated assets and liabilities for the quarter period as at 30 September 2008, based on the US Dollar exchange rate as at then. The weakened Ringgit Malaysia would result in higher future revenues.

B2 Variation of results against the preceding quarter

	Quarter ended	
	30 September 2008 RM '000	30 June 2008 RM '000
Revenue	21,498	35,411
(Loss)/ Profit before taxation	(10,465)	(1,431)

The Group recorded a revenue and LBT of RM21.5 million and RM10.5 million respectively for the current financial quarter. Revenue reduced by 39% compared to the previous quarter due to lower sales of both the biodiesel and oleochemical products. LBT of RM10.5 million was mainly attributed to the unrealised foreign exchange loss of RM11.1 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. The unrealised foreign exchange loss arose from the accounting translation of foreign currency denominated assets and liabilities for the quarter period as at 30 September 2008, based on the US Dollar exchange rate as at then. The weakened Ringgit Malaysia would result in higher future revenues.

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 end 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.

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

B5 Taxation

	Individual quarter 3 months ended 30 September		Cumulative 3 months ended 30 September	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Income taxation	42	32	42	32
Deferred taxation	(148)	512	(148)	512
	(106)	544	(106)	544

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 20 November 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 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 30 September 2008 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Hire purchases	843	1,712	2,555
- Term loans	23,330	165,980	189,310
	24,173	167,692	191,865
Unsecured			
- Bankers acceptances	97,732	-	97,732
- Bank overdrafts	10,096	-	10,096
	107,828	-	107,828
Total borrowings	132,001	167,692	299,693

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

Denominated in US Dollar 187,949

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 November 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:-

	Currency	Amount in Foreign Currency '000	Notional Amount RM '000
Within 1 year			
Foreign currency forward contracts	USD	3,960	13,894
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.

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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 November 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 loss attributable to shareholders of RM10.359 million by the weighted average number of ordinary shares in issue for the current financial period ended 30 September 2008.

	Individual quarter 3 months ended 30 September		Cumulative quarter 3 months ended 30 September	
	2008	2007	2008	2007
Basic earnings per share				
Net (loss)/ profit attributable to shareholders (RM'000)	(10,359)	2,189	(10,359)	2,189
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	(2.27)	0.48	(2.27)	0.48

Authorisation for issue

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

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries