

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the second financial quarter ended 31 December 2008

	As at current quarter ended 31 December 2008	As at preceding financial year ended 30 June 2008 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	318,670	296,877
Prepaid interest in lease land	9,352	9,399
Investment in jointly controlled entity	436	436
Product development expenditure	414	426
	328,872	307,138
Current assets		
Inventories	116,596	91,789
Trade receivables	14,904	47,219
Other receivables, deposits and prepayments	13,412	12,380
Cash and bank balances	1,869	1,539
	146,781	152,927
Current liabilities		
Trade payables	25,490	27,295
Other payables and accruals	35,699	34,995
Amount owing to holding company	8,484	8,542
Amount owing to a fellow subsidiary company	5	3
Bankers' acceptances	108,663	92,398
Bank overdrafts	10,193	11,896
Hire purchase creditors	856	829
Term loans	24,587	14,951
Tax payable	126	73
	214,103	190,982
Net current liabilities	(67,322)	(38,055)
Non-current liabilities		
Hire purchase creditors	1,492	1,927
Term loans	161,829	162,845
Deferred tax liabilities	8,579	6,562
	171,900	171,334
	89,650	97,749
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Revaluation reserve	7,172	-
Exchange fluctuation reserve	358	358
Retained earnings	31,804	47,075
	89,650	97,749
Net assets per share attributable to ordinary equity holders of the parent (sen)	19.6	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 second financial quarter ended 31 December 2008

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Revenue	15,562	27,370	37,060	44,260
Other operating income	69	187	175	277
Operating expenses	(13,451)	(22,363)	(42,589)	(33,548)
Profit /(Loss) from operations	2,180	5,194	(5,354)	10,989
Depreciation & amortisation	(4,534)	(2,026)	(6,440)	(4,043)
Finance costs	(2,528)	(1,247)	(3,553)	(2,292)
(Loss)/ Profit before taxation	(4,882)	1,921	(15,347)	4,654
Taxation	(30)	(354)	76	(898)
(Loss)/ Profit after tax and before minority interest	(4,912)	1,567	(15,271)	3,756
Minority interest	-	-	-	-
Net (loss)/ profit for the period	(4,912)	1,567	(15,271)	3,756
Earnings per share (sen)				
- Basic	(1.08)	0.34	(3.35)	0.82
- 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



Carotech Berhad (Company no: 200964 W)

**Condensed consolidated statement of changes in equity (unaudited)
for the second financial quarter ended 31 December 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	Revaluation 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						(15,271)	(15,271)
Revaluation surplus					7,172		7,172
At 31 December 2008 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	358	7,172	31,804	89,650

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 second financial quarter ended 31 December 2008

	Cumulative 6 months ended 31 December		
	Note	2008 RM '000	2007 RM '000
Cash generated from operations		7,181	3,884
Net cash used in investing activities		(18,884)	(80,219)
Net cash generated from financing activities		13,736	70,119
Net increase/ (decrease) in cash and cash equivalents during the period		2,033	(6,216)
Cash and cash equivalents at beginning of period		(10,357)	6,809
Cash and cash equivalents at end of period	(I)	(8,324)	593

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	1,869	4,048
Bank overdrafts	(10,193)	(3,455)
	<u>(8,324)</u>	<u>593</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 31 December		Cumulative quarter 31 December	
	2008 RM '000	2007 RM '000	2008 RM '000	2007 RM '000
Turnover				
Phytonutrients	5,899	5,547	12,523	10,463
Oleochemicals/bio-diesel	9,663	21,823	24,537	33,797
Total	15,562	27,370	37,060	44,260
(Loss)/ Profit before tax				
Phytonutrients	(1,850)	1,461	(5,186)	2,699
Oleochemicals/bio-diesel	(3,032)	460	(10,161)	1,955
Total	(4,882)	1,921	(15,347)	4,654
(Loss)/ Profit after tax				
Phytonutrients	(1,862)	1,192	(5,160)	2,035
Oleochemicals/bio-diesel	(3,050)	375	(10,111)	1,721
Total	(4,912)	1,567	(15,271)	3,756

A9 Valuation of property, plant and equipment

On 30 October 2008, valuation on land and buildings were carried out by an external independent professional valuer, Colliers, Jordan Lee & Jaafar Sdn Bhd, using the cost method valuation basis. The book values of land and buildings were adjusted to reflect the revaluation and the resultant surplus was credited to revaluation reserve. The impact of this exercise increased the revaluation reserve by RM7.2 million and the net book values of property, plant and equipment by RM9.3 million.

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

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 31 December 2008 are as follows:-

	RM '000
<u>Authorised and contracted :</u>	
Leasehold land	489
Building	72
Plant and machinery	65
Laboratory and office equipment, furniture & fittings	10
	<u>636</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		Cumulative quarter	
	31 December		31 December	
	2008	2007	2008	2007
	RM '000	RM '000	RM '000	RM '000
Sales of goods	443	44	742	459
Purchase of goods	0	(79)	(13)	(82)
Steam service income	90	90	180	180
Interest income/(expense)	(172)	(68)	(290)	(107)
Reallocation of common costs	(225)	(281)	(453)	(662)

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 December 2008 of RM15.6 million was 43% lower compared with the same period for the financial year 2008 of RM27.4 million. Accordingly, the Group recorded a loss before taxation ("LBT") of RM4.9 million, as compared to the profit before taxation of RM1.9 million in the same period for the financial year 2008. The lower revenue for the current financial quarter was mainly due to lower selling prices of both biodiesel and oleochemical products corresponding to lower crude palm oil price.

The LBT recorded in the current quarter was mainly attributed to higher depreciation and interest expenses following the completion of phase 1 of new plant in Lumut, Perak during the quarter. The unrealised foreign exchange loss of RM2.1 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia also contributed to the loss for the quarter. The higher inventories for the financial quarter was due to the accumulation of biodiesel stocks for the long term biodiesel supply contract that commenced in January 2009.

For the financial period ended 31 December 2008, the Group recorded a revenue of RM37.1 million, a decrease of 16% compared to the revenue of RM44.3 million registered in the corresponding period of 2008. The lower revenue was mainly contributed from the lower selling prices of both biodiesel and oleochemical products corresponding to lower crude palm oil price.

The Group recorded LBT of RM15.3 million for the financial period ended 31 December 2008, compared to the profit before tax of RM4.7 million in the corresponding period of 2008. Loss after tax for the same period was RM15.3 million compared to profit after tax of RM3.8 million. The unfavourable performance was mainly contributed by higher depreciation and interest expenses, and the unrealised foreign exchange loss of RM12.8 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. Nonetheless, the unrealised foreign exchange loss of RM12.8 million from the translation of US Dollar loans has no immediate impact on the cash position of the Group.

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, and the adjustment to deferred taxation due to timing difference of certain expenses allowed for tax deduction. The tax incentive granted expired on 30 November 2008.

B2 Variation of results against the preceding quarter

	Quarter ended	
	31 December 2008 RM '000	30 September 2008 RM '000
Revenue	15,562	21,498
Loss before taxation	(4,882)	(10,465)

The Group recorded a revenue and LBT of RM15.6 million and RM4.9 million respectively for the current financial quarter. Revenue reduced by 28% compared to previous quarter due to lower sales of both the biodiesel and oleochemical products as a result of lower selling prices corresponding to lower crude palm oil price. LBT of RM4.9 million was mainly attributed to the higher depreciation and interest expenses and unrealised foreign exchange loss of RM2.1 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. Nonetheless, the unrealised foreign exchange loss of RM2.1 million from the translation of US Dollar loans has no immediate impact on the cash position of the Group.

B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the remaining year to improve, following the completion for the construction of production capacity to 120,000 metric tonnes per annum at the end of 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 volatile cost of crude palm oil, our main raw material.

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

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 31 December		Cumulative 6 months ended 31 December	
	2008	2007	2008	2007
	RM '000	RM '000	RM '000	RM '000
Income taxation	30	30	72	62
Deferred taxation	-	324	(148)	836
	30	354	(76)	898

The effective tax rate of the Company for the financial period 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. The tax incentive granted expired on 30 November 2008.

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 23 February 2009

(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 31 December 2008 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Bankers acceptances	18,422	-	18,422
- Hire purchases	857	1,492	2,349
- Term loans	24,587	161,829	186,416
	43,866	163,321	207,187
Unsecured			
- Bankers acceptances	90,241	-	90,241
- Bank overdrafts	10,193	-	10,193
	100,434	-	100,434
Total borrowings	144,300	163,321	307,621

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

Denominated in US Dollar	<u>185,224</u>
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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 23 February 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report), the Company had no outstanding foreign currency forward and commodity hedging contracts.

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 23 February 2009.

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

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 loss attributable to shareholders of RM4.912 million by the weighted average number of ordinary shares in issue for the current financial period ended 31 December 2008.

	Individual quarter 3 months ended 31 December		Cumulative quarter 6 months ended 31 December	
	2008	2007	2008	2007
Basic earnings per share				
Net (loss)/ profit attributable to shareholders (RM'000)	(4,912)	1,567	(15,271)	3,756
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	(1.08)	0.34	(3.35)	0.82

Authorisation for issue

On 26 February 2009, the Board of Directors authorised this interim report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries