

Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

Condensed consolidated balance sheet (unaudited) for the third financial quarter ended 31 March 2009

	As at current quarter ended 31 March 2009	As at preceding financial year ended 30 June 2008 (Audited)
	RM '000	RM '000
Non-current assets		
Property, plant and equipment	320,376	296,877
Prepaid interest in lease land	9,328	9,399
Investment in jointly controlled entity	436	436
Product development expenditure	408	426
	330,548	307,138
Current assets		
Inventories	133,047	91,789
Trade receivables	23,325	47,219
Other receivables, deposits and prepayments	13,165	12,380
Cash and bank balances	2,848	1,539
	172,385	152,927
Current liabilities		
Trade payables	13,604	27,295
Other payables and accruals	32,266	34,995
Amount owing to holding company	9,054	8,542
Amount owing to a fellow subsidiary company	1	3
Bankers' acceptances	141,144	92,398
Bank overdrafts	9,197	11,896
Hire purchase creditors	870	829
Term loans	24,078	14,951
Tax payable	141	73
	230,355	190,982
Net current liabilities	(57,970)	(38,055)
Non-current liabilities		
Hire purchase creditors	1,269	1,927
Term loans	169,962	162,845
Deferred tax liabilities	5,507	6,562
	176,738	171,334
	95,840	97,749
Financed by:		
Capital and reserves		
Share capital	45,614	45,614
Share premium	4,702	4,702
Revaluation reserve	11,598	-
Exchange fluctuation reserve	358	358
Retained earnings	33,568	47,075
	95,840	97,749
Net assets per share attributable to ordinary equity holders of the parent (sen)	20.9	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 third financial quarter ended 31 March 2009

	Individual quarter 3 months ended 31 March		Cumulative quarter 9 months ended 31 March	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Revenue	53,102	26,253	90,162	70,512
Other operating income	0	138	175	416
Operating expenses	(45,691)	(21,043)	(88,279)	(54,592)
Profit from operations (Note B1)	7,411	5,348	2,058	16,336
Depreciation & amortisation	(7,117)	(2,069)	(13,557)	(6,112)
Finance costs	(3,039)	(1,068)	(6,593)	(3,359)
Profit/ (Loss) before taxation	(2,745)	2,211	(18,092)	6,865
Taxation	4,509	(690)	4,585	(1,588)
Profit/ (Loss) after tax and before minority interest	1,764	1,521	(13,507)	5,277
Minority interest	-	-	-	-
Net profit/ (loss) for the period	1,764	1,521	(13,507)	5,277
Earnings per share (sen) (Note B13)				
- Basic	0.39	0.33	(2.96)	1.16
- 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 third financial quarter ended 31 March 2009**

	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						(13,507)	(13,507)
Revaluation surplus					11,598		11,598
At 31 March 2009 (Nominal value of RM0.10 per share)	456,144	45,614	4,702	358	11,598	33,568	95,840

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 third financial quarter ended 31 March 2009

	Cumulative 9 months ended 31 March		
	Note	2009 RM '000	2008 RM '000
Cash used in operations		(18,717)	(7,760)
Net cash used in investing activities		(21,801)	(138,630)
Net cash generated from financing activities		44,526	131,064
Net increase/ (decrease) in cash and cash equivalents during the period		4,008	(15,326)
Cash and cash equivalents at beginning of period		(10,357)	6,809
Cash and cash equivalents at end of period	(I)	(6,349)	(8,517)

Note:

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	2,848	1,254
Bank overdrafts	(9,197)	(9,771)
	<u>(6,349)</u>	<u>(8,517)</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 March		Cumulative quarter 31 March	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Turnover				
Phytonutrients	6,643	7,402	19,167	17,865
Oleochemicals/bio-diesel	46,459	18,851	70,995	52,647
Total	53,102	26,253	90,162	70,512
Profit/ (Loss) before tax				
Phytonutrients	(344)	1,655	(3,846)	5,071
Oleochemicals/bio-diesel	(2,401)	556	(14,246)	1,794
Total	(2,745)	2,211	(18,092)	6,865
Profit/ (Loss) after tax				
Phytonutrients	221	1,139	(2,871)	3,898
Oleochemicals/bio-diesel	1,543	382	(10,636)	1,379
Total	1,764	1,521	(13,507)	5,277

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 RM11.6 million and the net book values of property, plant and equipment by RM15.2 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 March 2009 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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Carotech Berhad (Company no: 200964 W)

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 March		31 March	
	2009	2008	2009	2008
	RM '000	RM '000	RM '000	RM '000
Sales of goods	430	215	1,172	674
Purchase of goods	(25)	(0)	(38)	(82)
Steam service income	90	90	270	270
Interest income/(expense)	(168)	(105)	(458)	(211)
Reallocation of common costs	(329)	(227)	(782)	(889)

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

B1 Review of performance

	Individual quarter 3 months ended 31 March		Cumulative 9 months ended 31 March	
	2009	2008	2009	2008
	RM '000	RM '000	RM '000	RM '000
Revenue	53,102	26,253	90,162	70,512
Other operating income	0	138	175	416
Operating expenses	(35,980)	(26,815)	(66,076)	(65,257)
Unrealised foreign exchange (loss)/gain	(9,711)	5,772	(22,203)	10,665
Profit from operations (Note B1)	7,411	5,348	2,058	16,336

The Group's revenue for the current financial quarter ended 31 March 2009 of RM53.1 million was 102% higher compared with the same period for the financial year 2008 of RM26.3 million. However, the Group recorded a loss before taxation ("LBT") of RM2.7 million, as compared to the profit before taxation of RM2.2 million in the same period for the financial year 2008. The significant higher revenue for the current financial quarter was mainly due to higher sales of both the biodiesel and oleochemical products following the commercial production of the new plant in Lumut, Perak since January 2009.

The LBT recorded in the current quarter was mainly attributed to unrealised foreign exchange loss of RM9.7 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. Nonetheless, the unrealised foreign exchange loss from the translation of US Dollar loans has no immediate impact on the cash position of the Group.

For the financial period ended 31 March 2008, the Group recorded a revenue of RM90.2 million, an increase of 28% compared to the revenue of RM70.5 million registered in the corresponding period of 2008. The higher revenue was mainly contributed from the higher sales of biodiesel and oleochemical products following the commercial production of the new plant in Lumut, Perak since January 2009.

The Group recorded LBT of RM18.1 million for the financial period ended 31 March 2008, compared to the profit before tax of RM6.9 million in the corresponding period of 2008. Loss after tax for the same period was RM13.5 million compared to profit after tax of RM5.3 million. The unfavourable performance was mainly contributed by higher depreciation and interest expenses, and the unrealised foreign exchange loss of RM22.2 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia. Nonetheless, the unrealised foreign exchange loss 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.

B2 Variation of results against the preceding quarter

	Quarter ended	
	31 March 2009	31 December 2008
	RM '000	RM '000
Revenue	53,102	15,562
Loss before taxation	(2,745)	(4,882)

The Group recorded a revenue and LBT of RM53.1 million and RM2.7 million respectively for the current financial quarter. Revenue was significantly higher by 241% compared to previous quarter due to higher sales of both the biodiesel and oleochemical products following the commercial production of the new plant in Lumut, Perak since January 2009. LBT of RM2.7 million was lower by 44% compared to previous quarter. The lower LBT was mainly attributed to higher operating profit from the sales of both biodiesel and oleochemical products, negated by higher depreciation expense and unrealised foreign loss of RM9.7 million from the translation of US Dollar loans as a result of weakened Ringgit Malaysia.

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

B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the performance of the Group for the remaining year to improve with the contribution of the new plant in Lumut, Perak beginning January 2009.

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.

B5 Taxation

	Individual quarter 3 months ended 31 March		Cumulative 9 months ended 31 March	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Income taxation	37	42	109	104
Deferred taxation	(4,546)	648	(4,694)	1,484
	(4,509)	690	(4,585)	1,588

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.

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 8 May 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 March 2009 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Hire purchases	870	1,269	2,139
- Term loans	24,078	169,962	194,040
	24,948	171,231	196,179
Unsecured			
- Bankers acceptances	141,144	-	141,144
- Bank overdrafts	9,197	-	9,197
	150,341	-	150,341
Total borrowings	175,289	171,231	346,520

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

Denominated in US Dollar 193,019

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 8 May 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 8 May 2009.

B12 Dividend

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

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

B13 Earnings per share

The basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of RM1.764 million by the weighted average number of ordinary shares in issue for the current financial period ended 31 March 2009.

	Individual quarter 3 months ended 31 March		Cumulative quarter 9 months ended 31 March	
	2009	2008	2009	2008
Basic earnings per share				
Net profit/ (loss) attributable to shareholders (RM'000)	1,764	1,521	(13,507)	5,277
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	0.39	0.33	(2.96)	1.16

Authorisation for issue

On 12 May 2009, the Board of Directors authorised this interim report for issue.

By Order of the Board

Goh Tian Hock
Ng Yuet Seam
Joint Secretaries