

# **Carotech**

**Berhad**

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

**Quarterly Announcement - BURSA MALAYSIA**

**QUARTER 4 (FINAL QUARTER)**

**FINANCIAL YEAR ENDED**

**@ 30 JUNE 2009**

# Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

## Condensed consolidated balance sheet (unaudited) for the financial year ended 30 June 2009

	As at current quarter ended 30 June 2009	As at preceding financial year ended 30 June 2008 (Audited)
	RM '000	RM '000
<b>Non-current assets</b>		
Property, plant and equipment	314,249	296,877
Prepaid lease payments	9,304	9,399
Investment in jointly controlled entity	-	436
Product development expenditure	402	426
	<b>323,955</b>	<b>307,138</b>
<b>Current assets</b>		
Inventories	145,768	91,789
Trade receivables	15,411	47,219
Other receivables, deposits and prepayments	13,036	12,380
Amount owing by holding company	-	-
Tax recoverable	13	-
Cash and bank balances	5,222	1,539
	<b>179,450</b>	<b>152,927</b>
<b>Current liabilities</b>		
Trade payables	16,543	27,295
Other payables and accruals	31,039	34,995
Amount owing to holding company	16,546	8,542
Amount owing to a fellow subsidiary company	6	3
Short term bank borrowings & overdrafts	107,532	104,294
Hire purchase creditors	884	829
Term loans	57,561	14,951
Tax payable	156	73
	<b>230,267</b>	<b>190,982</b>
<b>Net current liabilities</b>	<b>(50,817)</b>	<b>(38,055)</b>
<b>Non-current liabilities</b>		
Hire purchase creditors	1,044	1,927
Term loans	170,107	162,845
Deferred tax liabilities	9,118	6,562
	<b>180,269</b>	<b>171,334</b>
	<b>92,869</b>	<b>97,749</b>
Financed by:		
<b>Capital and reserves</b>		
Share capital	45,614	45,614
Share premium	4,702	4,702
Revaluation reserve	11,598	-
Exchange fluctuation reserve	1,342	358
Retained earnings	29,613	47,075
	<b>92,869</b>	<b>97,749</b>
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	<b>20.3</b>	<b>21.3</b>

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

# Carotech

Berhad

Carotech Berhad (Company no: 200964 W)

## Condensed consolidated income statement (unaudited) for the financial year ended 30 June 2009

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Revenue	47,154	35,411	137,316	105,924
Other operating income	0	118	175	536
Operating expenses	(36,704)	(33,885)	(124,984)	(88,297)
<b>Profit from operations (Note B1)</b>	<b>10,450</b>	<b>1,644</b>	<b>12,507</b>	<b>18,163</b>
Depreciation & amortisation	(7,146)	(2,121)	(20,703)	(8,416)
Finance costs	(3,627)	(954)	(10,219)	(4,313)
<b>Profit/ (Loss) before taxation</b>	<b>(323)</b>	<b>(1,431)</b>	<b>(18,415)</b>	<b>5,434</b>
Share of loss in jointly controlled entity	-	(28)	-	(28)
Taxation	(3,632)	3,390	953	1,802
<b>Profit/ (Loss) after tax and before minority interest</b>	<b>(3,955)</b>	<b>1,931</b>	<b>(17,462)</b>	<b>7,208</b>
Minority interest	-	-	-	-
<b>Net profit/ (loss) for the period/year</b>	<b>(3,955)</b>	<b>1,931</b>	<b>(17,462)</b>	<b>7,208</b>
<b>Earnings per share (sen) (Note B13)</b>				
- Basic	(0.87)	0.42	(3.83)	1.58
- 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 financial year ended 30 June 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
<b>At 1 July 2007</b>	<b>456,144</b>	<b>45,614</b>	<b>4,702</b>	<b>-</b>	<b>-</b>	<b>39,867</b>	<b>90,183</b>
Net profit for the year						7,208	7,208
Foreign exchange translation differences				358			358
<b>At 30 June 2008/ 1 July 2008</b> (Nominal value of RM0.10 per share)	<b>456,144</b>	<b>45,614</b>	<b>4,702</b>	<b>358</b>	<b>-</b>	<b>47,075</b>	<b>97,749</b>
Net loss for the year						(17,462)	(17,462)
Revaluation surplus					11,598		11,598
Foreign exchange translation differences				984			984
<b>At 30 June 2009</b> (Nominal value of RM0.10 per share)	<b>456,144</b>	<b>45,614</b>	<b>4,702</b>	<b>1,342</b>	<b>11,598</b>	<b>29,613</b>	<b>92,869</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 2008 and the notes to the interim financial statements



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

**Condensed consolidated cash flow statement (unaudited)  
for the financial year ended 30 June 2009**

	Cumulative 12 months ended 30 June		
	Note	2009 RM '000	2008 RM '000
Cash used in operations		(21,839)	(38,348)
Net cash used in investing activities		(22,810)	(135,378)
Net cash generated from financing activities		38,100	156,202
Net decrease in cash and cash equivalents during the year		(6,549)	(17,524)
Effect of exchange differences		979	358
Cash and cash equivalents at beginning of year		(10,357)	6,809
Cash and cash equivalents at end of year	(I)	(15,927)	(10,357)

**Note:**

(I) Cash and cash equivalents comprises:

	RM '000	RM '000
Cash and bank balances	5,222	1,539
Bank overdrafts	(21,149)	(11,896)
	<u>(15,927)</u>	<u>(10,357)</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.



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

**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 June		Cumulative quarter 30 June	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Turnover				
Phytonutrients	5,875	6,029	25,042	23,894
Oleochemicals/bio-diesel	41,278	29,382	112,274	82,030
Total	47,153	35,411	137,316	105,924
Profit/ (Loss) before tax				
Phytonutrients	(40)	(244)	(3,358)	3,961
Oleochemicals/bio-diesel	(283)	(1,187)	(15,057)	1,473
Total	(323)	(1,431)	(18,415)	5,434
Profit/ (Loss) after tax				
Phytonutrients	(493)	1,370	(3,185)	5,254
Oleochemicals/bio-diesel	(3,462)	561	(14,277)	1,954
Total	(3,955)	1,931	(17,462)	7,208

**A9 Valuation of property, plant and equipment**

The company did not carry out any revaluation on its property, plant and equipment during the quarter ended 30 June 2009

**A10 Material subsequent events**

There were no material subsequent events since 30 June 2009 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.



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

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

**A 13 Capital commitments**

Capital commitments as at 30 June 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>

**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	
	30 June		30 June	
	2009	2008	2009	2008
	RM '000	RM '000	RM '000	RM '000
Sales of goods	80	296	1,252	970
Purchase of goods	(204)	(24)	(242)	(106)
Steam service income	90	90	360	360
Interest income/(expense)	(149)	(121)	(607)	(332)
Reallocation of common costs	(182)	(244)	(964)	(1,133)



Carotech Berhad (Company no: 200964 W)

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

## B1 Review of performance

	Individual quarter 3 months ended 30 June		Cumulative 12 months ended 30 June	
	2009 RM '000	2008 RM '000	2009 RM '000	2008 RM '000
Revenue	47,154	35,411	137,316	105,924
Other operating income	0	118	175	536
Operating expenses	(43,336)	(30,606)	(109,413)	(95,683)
Unrealised foreign exchange (loss)/gain	6,632	(3,279)	(15,571)	7,386
Profit from operations (Note B1)	10,450	1,644	12,507	18,163

The Group posted turnover of RM47.2 million during the quarter ended 30 June 2009, representing a 33% growth compared to the corresponding quarter in the previous financial year. The growth was attributed to the higher sales of both bio-diesel and oleochemical products following the commercial production of the new plant in Lumut, Perak since January 2009.

The Group recorded a loss before tax ("LBT") of RM0.3 million in the reporting quarter compared to a LBT of RM1.4 million in the same period last year. Apart from higher sales, the improvement in profit was attributed to the unrealised foreign exchange gain of RM6.6 million (comparing the two balance sheet dates of 30 June 2009 and 31 March 2009) from the translation of US Dollar loans due to the strengthening of Ringgit Malaysia in the final quarter of the current financial year.

For the financial year ended 30 June 2009, the Group registered turnover of RM137.3 million, or 30% higher than the RM105.9 million recorded in the previous year. The commencement of commercial production of our Lumut plant in January 2009 was the main contributing factor. However, the Group registered LBT of RM18.4 million for the current financial year compared to a profit before tax ("PBT") of RM5.4 million posted last year. The unfavourable performance was mainly due to unrealised foreign exchange loss, aggravated by higher depreciation and interest expenses resulting from the expansion of capacity. The stronger USD (comparing the two balance sheet dates of 30 June 2009 and 30 June 2008) had resulted in the unrealised foreign exchange loss of RM15.6 million during the reporting financial year. Nonetheless, the unrealised foreign exchange loss has no immediate impact on the cash position of the Group.

## B2 Variation of results against the preceding quarter

	Quarter ended	
	30 June 2009 RM '000	31 March 2009 RM '000
Revenue	47,154	53,102
Profit/(Loss) before taxation	(323)	(2,745)

The Group posted a revenue of RM47.2 million in the reporting quarter, which was 11.3% lower than the previous quarter's revenue of RM53.1 million. The decline was due to the delay in the June 2009 bio-diesel shipment to a major customer, at the request of the customer.

The Group posted a LBT of RM0.3 million in the quarter ended 30 June 2009, against a LBT of RM2.7 million in the immediate preceding quarter. The strengthening of Ringgit Malaysia over the USD had resulted in an unrealised foreign exchange gain of RM6.6 million during the quarter under review.

Carotech Berhad (Company no: 200964 W)

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

### B3 Commentary on prospects

Barring any unforeseen circumstances, the Directors expect the Group's performance for the next financial year to improve with the full year 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		Cumulative	
	3 months ended		12 months ended	
	30 June		30 June	
	2009	2008	2009	2008
	RM '000	RM '000	RM '000	RM '000
Income taxation	21	40	130	144
Deferred taxation	3,611	(3,430)	(1,083)	(1,946)
	3,632	(3,390)	(953)	(1,802)

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.

Carotech Berhad (Company no: 200964 W)

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

### B8 Status of corporate proposal as at 21 August 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 dispatched to shareholders on 5 April 2006. The final proceeds of 5% is not paid pending the perfection of land purchase documentation.
- (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%.
- (c) On 21 August 2009, the Company made an announcement to Bursa Malaysia its Proposed Renounceable Rights issue of up to 456,144,000 New Ordinary Shares of RM0.10 each in Carotech ("Carotech Shares") ("Rights shares") on the basis of One (1) Rights share for every one (1) existing Carotech share held. The Company has appointed Affin Investment Bank Berhad (9999-V) as the Advisor to this proposed corporate exercise. Barring any unforeseen circumstances, the exercise is expected to be completed by end of 2009.

### B9 Borrowings and debt securities

Details of Group's bank borrowings as at 30 June 2009 are as follows :-

	Current	Non-current	Total
	RM '000	RM '000	RM '000
Secured			
- Short term bank borrowings	17,452	-	17,452
- Hire purchases	884	1,044	1,928
- Term loans	57,561	170,107	227,668
	75,897	171,151	247,048
Unsecured			
- Short term bank borrowings	90,079	-	90,079
	90,079	-	90,079
Total borrowings	165,976	171,151	337,127

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

Denominated in US Dollar 201,900

Carotech Berhad (Company no: 200964 W)

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

### B10 Off balance sheet financial instruments

The Company entered into the following:

- (a) 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.
- (b) Commodity hedging contracts to manage exposure to fluctuations in the purchase price of crude palm oil ("CPO")

As at 21 August 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 21 Aug 2009.

### B12 Dividend

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

Carotech Berhad (Company no: 200964 W)

**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 loss attributable to shareholders of RM17.5 million by the weighted average number of ordinary shares in issue for the current financial year ended 30 June 2009.

	Individual quarter 3 months ended 30 June		Cumulative quarter 12 months ended 30 June	
	2009	2008	2009	2008
<b>Basic earnings per share</b>				
Net profit/ (loss) attributable to shareholders (RM'000)	(3,955)	1,931	(17,462)	7,208
Weighted average number of ordinary shares ('000)	456,144	456,144	456,144	456,144
Basic earnings per share (sen)	(0.87)	0.42	(3.83)	1.58

**Authorisation for issue**

On 28 August 2009, the Board of Directors authorised this report for issue.

By Order of the Board

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