

**GOLSTA SYNERGY BERHAD** (484964-H)  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**A1. Basis of Preparation**

These condensed consolidated interim financial statements were unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134 : Interim Financial Reporting issued by the Malaysian Accounting Standard Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

They do not include all of the information required for full annual financial statements. They should be read in conjunction with the audited financial statements for the year ended 31 December 2009.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

**A2. Significant Accounting Policies**

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2009, except for the adoption of the following new FRSs, with effect from 1 January 2010.

FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments: Recognition and Measurement

Other than the new standards stated above, the Group has also adopted the various Amendments to FRSs, Interpretations and Technical Release to the existing standards.

The adoption of the above FRSs, Amendments to FRSs, Interpretations and Technical Release to the existing standards do not have significant impact on the financial statements of the Group, other than as discussed in the following:-

**Amendments to FRS 117: Leases**

FRS 117 clarifies on the classification of leases of land and buildings. The Group has reassessed and determined that the leasehold land of the Group are finance lease in substance and has reclassified those leasehold land with lease period more than 50 years to property, plant and equipment. The change in accounting policy has been made retrospectively and has no effect on reported profit or equity. As a result of the adoption of the amendments, the comparative amounts as at 31 December 2009 has been restated as follows:

	As previously reported RM'000	Effects of adopting amendments to FRS 117 RM'000	As restated RM'000
Property, plant and equipment	19,237	7,281	26,518
Prepaid land lease payments	9,239	(7,281)	1,958

**GOLSTA SYNERGY BERHAD** (484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**A3. Seasonal or cyclical Factors**

The Group's performance is not affected by any seasonal or cyclical factors but is affected by the major price fluctuation on natural rubber and palm oil.

**A4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial year-to-date.

**A5. Changes in Estimates**

There were no changes in estimates that have had any material effect on the financial year-to-date results

**A6. Debt and Equity Securities**

There were no issuances, repurchases and repayments of debt and equity securities during the financial year-to-date ended 30 September 2010.

**A7. Dividend Paid**

No dividend was paid during the financial year-to-date ended 30 September 2010.

**A8. Segmental Information**

The "Others" segment comprise the provision of management services, processing and trading of rubber.

RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 3 months ended 30 September 2010:</u>					
<b>Revenues</b>					
External sales	4,501,060	620,200	-	-	5,121,260
Inter-segment sales	56,959	-	19,500	(76,459)	-
Total revenue	<u>4,558,019</u>	<u>620,200</u>	<u>19,500</u>	<u>(76,459)</u>	<u>5,121,260</u>
<b>Results</b>					
Operating profit/(loss)	<u>378,103</u>	<u>(18,323)</u>	<u>(1,380,535)</u>	<u>-</u>	<u>(1,020,755)</u>
Finance costs					<u>(165,142)</u>
Profit/(Loss) before tax					<u>(1,185,897)</u>
<u>Results for 3 months ended 30 September 2009:</u>					
<b>Revenues</b>					
External sales	3,316,569	1,015,700	-	-	4,332,269
Inter-segment sales	355,334	-	19,500	(374,834)	-
Total revenue	<u>3,671,903</u>	<u>1,015,700</u>	<u>19,500</u>	<u>(374,834)</u>	<u>4,332,269</u>

**GOLSTA SYNERGY BERHAD** (484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**A8. Segmental Information (continued)**

RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<b>Results</b>					
Operating profit/(loss)	732,188	(534,565)	396,986	-	594,609
Finance costs					(203,928)
Profit/(Loss) before tax					390,681
<u>Results for 9 months ended 30 September 2010:</u>					
<b>Revenues</b>					
External sales	12,883,048	3,499,917	-	-	16,382,965
Inter-segment sales	2,246,168	-	58,500	(2,304,668)	-
Total revenue	15,129,216	3,499,917	58,500	(2,304,668)	16,382,965
<b>Results</b>					
Operating profit/(loss)	(1,037,001)	332,193	(227,165)	-	(931,973)
Finance costs					(512,508)
Profit/(Loss) before tax					(1,444,481)
<u>Results for 9 months ended 30 September 2009:</u>					
<b>Revenues</b>					
External sales	15,593,192	2,935,773	-	-	18,528,965
Inter-segment sales	572,936	-	58,500	(631,436)	-
Total revenue	16,166,128	2,935,773	58,500	(631,436)	18,528,965
<b>Results</b>					
Operating profit/(loss)	1,261,744	(28,488)	1,720,731	-	2,953,987
Finance costs					(585,311)
Profit/(Loss) before tax					2,368,676

**A9. Material Events Subsequent to the End of Interim Period**

There are no material events subsequent to 30 September 2010 that have not been reflected in the financial statements.

**A10. Changes in composition of the Group**

There are no changes in composition of the Group during the financial year-to-date ended 30 September 2010.

**A11. Changes in Contingent liabilities/Contingent assets**

As at the reporting date, other than those disclosed below, there have been no changes in the contingent liabilities/assets since the last annual reporting date.

Trade purposes guarantee	RM'000
	<u>53</u>

**GOLSTA SYNERGY BERHAD** (484964-H)  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

**A12. Capital commitment**

There is no capital commitment not provided for in the interim financial statements as at the reporting date.

**A13. Capital commitment**

There is no material event subsequent to the end of the current quarter.

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Performance Review**

(a) 3 months quarter 2010 vs 3 months quarter 2009

The Group's total revenue increased 18% compared to the corresponding quarter of preceding year. The increase was principally due to 33% increase in the sales of industrial machine and engineering services. The revenue from sales of oil palm seedlings decreased 39% mainly due to deferment of seedlings delivery by customers in Kalimantan island as the monsoon season arrived earlier than expected.

The total expenses for the Group increased from RM3.8 million to RM6.3 million mainly due to recognition of unrealized foreign exchange losses of RM1.5 million due to Ringgit Malaysia strengthened against Indonesian Rupiah and China Renminbi. In the corresponding quarter of the preceding year, there was RM0.6 million foreign exchange gain been recognized.

(b) 9 months year-to-date 2010 vs 9 months year-to-date 2009

The revenue for the current 9 months year-to-date decreased 12% compared to last year mainly due to sales of industrial machine and engineering services decreased 17% i.e., from RM15.6 million to RM12.9 million; whereas the sales of oil palm seedlings increased 19% from RM2.9 million to RM3.5 million.

The total expenses in the current year-to-date increased 12% despite the revenue decreased. mainly due to recognition of foreign exchange losses of RM2.4 million due to Ringgit Malaysia strengthened against Indonesian Rupiah and China Renminbi; whereas in the preceding year, there was RM1.7 million foreign exchange gain been recognized.

**B2. Material Change in Profit Before Tax of Current Quarter Compared with Preceding Quarter**

The Group suffered RM1.2 million pre-tax losses compared to RM0.2 million pre-tax profits attained in preceding quarter. The losses were mainly due to recognition of foreign exchange loss and decreased in revenue.

# GOLSTA SYNERGY BERHAD (484964-H)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

### B3. Commentary on Prospects

Although Malaysia is gradually moving out of recession, the economic growth is still slow and lethargic. In spite of depressed economic conditions, the Group is cautiously optimistic as the demand for rubber and food processing machinery from overseas market are strong. Furthermore, the oil palm seedlings business in Indonesia has contributed positively to the Group's revenue and profit.

The foreign exchange loss resulting from investment in China and Indonesia subsidiaries is expected to be temporal as both the countries have long term strong economic growth and their currencies will appreciate in tandem.

### B4. Profit forecast or profit guarantee

The Group has not provided any profit forecast in a public document.

### B5. Taxation

	<u>3 months ended</u>		<u>9 months ended</u>	
	30.09.2010	30.09.2010	30.09.2010	30.09.2010
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	60	250	210	250
Foreign taxation	14	101	98	101
Deferred taxation	-	350	-	350
	<u>74</u>	<u>701</u>	<u>288</u>	<u>701</u>

The effective tax rate of the Group for the current and previous corresponding quarter and financial year-to-date was higher than the statutory tax rate of that year principally due to certain expenses which were not deductible for tax purposes and the losses of certain subsidiaries cannot be set off against taxable profits made by other subsidiaries.

### B6. Sales of Unquoted Securities or Properties

There were no sales of unquoted investments or properties in the current quarter and financial year-to-date.

### B7. Purchase or disposal of quoted securities

There were no purchase and disposal of quoted securities since the last annual reporting date.

### B8. Corporate proposals

There were no corporate proposals announced but not completed as at the date of this report.

**GOLSTA SYNERGY BERHAD** (484964-H)  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010

**B9. Borrowings and Debt Securities**

Company borrowings as at 30 September 2010.

	RM'000
(a) <u>Short Term (Secured)</u>	
- Bank overdraft	7,173
- Revolving credit and Bankers' acceptance	4,159
- Hire purchase	5
- Term Loan	690
	12,027
(b) <u>Long Term (Secured)</u>	
- Term Loan	-
Total	12,027

All borrowings are denominated in Ringgit Malaysia

**B10. Off balance sheet financial instruments**

There were no financial instruments with off balance sheet risk as at the reporting date.

**B11. Changes in Material litigation**

There was no material litigation against the Group as at the reporting date.

**B12. Dividend**

There was no dividend proposed in the current quarter and the previous corresponding quarter.

**B13. Earnings per share**

	<u>3 Months Ended</u>		<u>9 Months Ended</u>	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	(1,260)	(118)	(1,669)	755
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
<b>Basic earning/(loss) per share (sen)</b>	<b>(3.00)</b>	<b>(0.28)</b>	<b>(3.97)</b>	<b>1.80</b>

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and which may dilute its basic earnings/(loss) per share.