

GOLSTA SYNERGY BERHAD_(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 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 8	Operating Segments
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 effect on reported profit or equity. As a result of the adoption of the amendments, the comparative amounts as at 31 December 2009 have been restated as disclosed in table below.

FRS 139: Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments. The Group amortised its trade and other receivables costs using the effective interest method. As a result of the adoption of FRS 139, the comparative amounts as at 31 December 2009 have been restated as disclosed in table below.

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	As previously reported RM'000	Effects of adopting amendments to FRS 117 RM'000	Effects of adopting FRS 139 RM'000	As restated RM'000
Property, plant and equipment	19,237	7,832	-	27,069
Prepaid land lease payments	9,239	(7,281)	-	1,958
Investment property	4,100	900	-	5,000
Other reserves	1,481	1,026	-	2,507
Trade receivables	13,291	-	(535)	12,756
Other receivables	2,995	-	(43)	2,952
Deferred tax liability	2,329	340	-	2,669
Accumulated losses	1,829	(85)	578	2,322

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 31 December 2010.

A7. Dividend Paid

No dividend was paid during the financial year-to-date ended 31 December 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 31 December 2010:</u>					
Revenues					
External sales	8,614	3,716	261	-	12,591
Inter-segment sales	539	-	541	(1,080)	-
Total revenue	9,153	3,716	802	(1,0580)	12,591

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A8. Segmental Information (continued)

RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 3 months ended 31 December 2010:</u>					
Results					
Operating profit/(loss)	(188)	1,267	450	-	1,529
Finance costs					(235)
Profit/(Loss) before tax					<u>1,294</u>
<u>Results for 3 months ended 31 December 2009:</u>					
Revenues					
External sales	4,036	1,619	-	-	5,655
Inter-segment sales	1,664	-	20	(1,684)	-
Total revenue	<u>5,700</u>	<u>1,619</u>	<u>20</u>	<u>(1,684)</u>	<u>5,655</u>
Results					
Operating profit/(loss)	890	82	(32)	-	940
Finance costs					(232)
Profit/(Loss) before tax					<u>708</u>
<u>Results for 12 months ended 31 December 2010:</u>					
Revenues					
External sales	21,497	7,216	261	-	28,974
Inter-segment sales	2,785	-	600	(3,385)	-
Total revenue	<u>24,282</u>	<u>7,216</u>	<u>861</u>	<u>(3,385)</u>	<u>28,974</u>
Results					
Operating profit/(loss)	(1,224)	1,599	222 3	-	5978
Finance costs					(7487)
Profit/(Loss) before tax					<u>(151)</u>
<u>Results for 12 months ended 31 December 2009:</u>					
Revenues					
External sales	19,631	4,478	-	(2,236)	24,110
Inter-segment sales	2,236	-	78	(78)	-
Total revenue	<u>21,867</u>	<u>4,478</u>	<u>78</u>	<u>(2,313)</u>	<u>24,110</u>
Results					
Operating profit/(loss)	2,195	54	1,688	-	3,937
Finance costs					(785)
Profit/(Loss) before tax					<u>3,152</u>

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A9. Material Events Subsequent to the End of Interim Period

There are no material events subsequent to 31 December 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 31 December 2010.

A11. Changes in Contingent liabilities/Contingent assets

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

	RM'000
Trade purposes guarantee	<u>51</u>

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 significantly compared to the corresponding quarter of preceding year. The increase was mainly due to successful completion and delivery of a few industrial machine and engineering services projects to African and Asean countries; and material increase of oil palm seedlings sales in Indonesia. The Group's oil palm seedlings product has gained bigger market niche in 2010 compare to when it was initially launched in 2009.

In tandem with significant increase in revenue, the Group achieved better profits before taxation in 2010 compare with 2009.

(b) 12 months year-to-date 2010 vs. 12 months year-to-date 2009

The revenue for the 12 months year-to-date 2010 increased 20% compared to 2009 mainly due to increase in sales of both industrial machine and engineering services sector as well as the oil palm seedlings sector.

The Group suffered marginal loss before taxation in 2010 compare with 2009. The losses are mainly attributable to unfavourable performance in the preceding quarters. The profit attained in 2009 was mainly due to the Group recognized RM2.2 million foreign exchange gain.

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

The Group achieved RM1.3 million pre-tax profits compared to RM1.2 million losses suffered in preceding quarter. The profit was mainly due to successful completion and delivery of a few industrial machines and engineering services projects; and material increase of oil palm seedlings sales. In preceding quarter, the revenue for oil palm seedlings was materially lower because some customers deferred shipment of seedlings due to early arrival of monsoon season in Kalimantan island, Indonesia.

B3. Commentary on Prospects

The Group is cautiously optimistic as the demand for rubber and food processing machinery from overseas market are strong; however the recent political turmoil in Middle East countries may hamper economy recovery and demands on industrial machinery. The oil palm seedlings business in Indonesia has contributed positively to the Group's revenue and profit as its market share is expanding gradually.

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 potential 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>12 months ended</u>	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(16)	30	174	98
Foreign taxation	333	(80)	431	60
Deferred taxation	157	(139)	157	489
Provision/(Reversal)	<u>474</u>	<u>(189)</u>	<u>762</u>	<u>647</u>

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.

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B9. Borrowings and Debt Securities

Company borrowings as at 31 December 2010.

	RM'000
(a) <u>Short Term (Secured)</u>	
- Bank overdraft	6,514
- Revolving credit and Bankers' acceptance	3,900
- Hire purchase	168
- Term Loan	573
	11,155
(b) <u>Long Term (Secured)</u>	
- Hire Purchases	506
Total	11,661

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>12 Months Ended</u>	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	542	822	(1,254)	2,504
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic earning/(loss) per share (sen)	1.29	1.96	(2.99)	5.96

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.