

**GOLSTA SYNERGY BERHAD**<sup>(484964-H)</sup>  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2011

**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 2010.

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 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 period ended 31 March 2010.

**A7. Dividend Paid**

No dividend was paid during the financial period ended 31 March 2011.

**A8. Segmental Information**

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

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RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 3 months ended 31 March 2011:</u>					
<b>Revenues</b>					
External sales	6,579	2,387	655	-	9,621
Inter-segment sales	99	-	31	(130)	-
Total revenue	<u>6,678</u>	<u>2,387</u>	<u>686</u>	<u>(130)</u>	<u>9,621</u>
<b>Results</b>					
Operating profit/(loss)	<u>817</u>	<u>(115)</u>	<u>(223)</u>	<u>-</u>	<u>479</u>
Finance costs					<u>(149)</u>
Profit/(Loss) before tax					<u>330</u>
<u>Results for 3 months ended 31 March 2010:</u>					
<b>Revenues</b>					
External sales	2,679	1,444	-	-	4,123
Inter-segment sales	1,825	-	20	(1,845)	-
Total revenue	<u>4,504</u>	<u>1,444</u>	<u>20</u>	<u>(1,845)</u>	<u>4,123</u>
<b>Results</b>					
Operating profit/(loss)	<u>538</u>	<u>127</u>	<u>(985)</u>	<u>-</u>	<u>(320)</u>
Finance costs					<u>(175)</u>
Profit/(Loss) before tax					<u>(495)</u>

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

There are no material events subsequent to 31 March 2011 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 period ended 31 March 2011.

**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.

Trade purposes guarantee	RM'000
	<u>52</u>

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### **A12. Capital commitment**

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

### **A13. Subsequent event**

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 2011 vs. 3 months quarter 2010

The Group's total revenue increased significantly compared to the corresponding quarter of preceding year. The increase was mainly due to increase in sales of industrial machine to African and Asean countries; and material increase of oil palm seedlings sales in Indonesia.

In tandem with significant increase in revenue, the Group achieved profits before taxation in 2011 compare with loss in 2010.

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

The Group achieved RM0.3 million pre-tax profits compared to RM1.3 million in preceding quarter. The lower profit was mainly due to lower industrial machines and engineering services projects sales, and lower gross profit margin.

The Group's sales during the current quarter was lower compared to preceding quarter principally due to fewer working days and certain industrial machine has not been completed and shipped.

The current quarter gross profit margin is lower compared to preceding quarter mainly due to drastic appreciation of Ringgit against United State Dollar. Majority of the Group's industrial machine was quoted in USD with higher rate than when it was shipped at later date.

### **B3. Commentary on Prospects**

Despite the recent economic crisis in a few European countries and political instability in Middle East which had drastically affected the global economy recovery, the demand for industrial processing machinery and production lines manufactured by the Group is still looking positive as the prices of agricultural commodities such as rubber, cocoa and palm oil are up-surfing which have propelled the key players in these industries throughout the world to invest more on their new or replacement of their existing industrial processing plant and machinery. This continued expansion in demand both locally and overseas especially for African and ASEAN countries will auger well for the Group's businesses in the short run.

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The oil palm seeds and seedlings experienced a relatively higher market demand compared to previous years due to the proliferation of bio-fuel projects in developed and developing countries and the boom in the agricultural commodities sector. As such, the Group will be expecting further positive growth in revenue and profits from its Indonesian subsidiary towards the Group's overall performance.

**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>3 months ended</u>	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	31	80	31	80
Foreign taxation	110	30	110	30
Deferred taxation	160	-	160	-
Provision/(Reversal)	301	110	301	110

The tax charged was higher than the effective tax rate due to certain expenses were not allowed for deduction and tax loss of certain subsidiaries was not allowed to set off against profits in other subsidiaries.

**B6. Sales of Unquoted Securities or Properties**

There were no sales of unquoted investments or properties in the current quarter except for a residential property held as investment resulting RM10,000 loss.

**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.

**B9. Borrowings and Debt Securities**

Company borrowings as at 31 March 2011.

	RM'000
(a) <u>Short Term (Secured)</u>	
- Bank overdraft	4,995
- Revolving credit and Bankers' acceptance	3,682
- Hire purchase	114
- Term Loan	453
	<u>9,244</u>
(b) <u>Long Term (Secured)</u>	
- Hire Purchases	1,100
Total	<u>10,344</u>

All borrowings are denominated in Ringgit Malaysia

**B10. Off balance sheet financial instruments**

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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>3 Months Ended</u>	
	31.03.2011	31.03.2010	31.12.2010	31.12.2009
Profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	104	(622)	104	(622)
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>0.25</b>	<b>(1.48)</b>	<b>0.25</b>	<b>(1.48)</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.