

GOLSTA SYNERGY BERHAD_(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 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 2010.

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 30 June 2011.

A7. Dividend Paid

No dividend was paid during the financial period ended 30 June 2011.

A8. Segmental Information

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

A8. Segmental Information (continued)

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RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 3 months ended 30 June 2011:</u>					
Revenues					
External sales	5,436	1,193	614	-	7,243
Inter-segment sales	412	-	22	(434)	-
Total revenue	<u>5,848</u>	<u>1,193</u>	<u>636</u>	<u>(434)</u>	<u>7,243</u>
Results					
Operating profit/(loss)	<u>931</u>	<u>(80)</u>	<u>168</u>	<u>-</u>	<u>1,019</u>
Finance costs					<u>(169)</u>
Profit/(Loss) before tax					<u>850</u>
<u>Results for 3 months ended 30 June 2010:</u>					
Revenues					
External sales	5,703	1,435	-	-	7,138
Inter-segment sales	364	-	20	(384)	-
Total revenue	<u>6,067</u>	<u>1,435</u>	<u>20</u>	<u>(384)</u>	<u>7,138</u>
Results					
Operating profit/(loss)	<u>583</u>	<u>224</u>	<u>(399)</u>	<u>-</u>	<u>408</u>
Finance costs					<u>(172)</u>
Profit/(Loss) before tax					<u>236</u>
<u>Results for 6 months ended 30 June 2011:</u>					
Revenues					
External sales	12,015	3,580	1,269	-	16,864
Inter-segment sales	511	-	53	(564)	-
Total revenue	<u>12,526</u>	<u>3,580</u>	<u>1,322</u>	<u>(564)</u>	<u>16,864</u>
Results					
Operating profit/(loss)	<u>1,749</u>	<u>(195)</u>	<u>(56)</u>	<u>-</u>	<u>1,498</u>
Finance costs					<u>(318)</u>
Profit/(Loss) before tax					<u>1,180</u>
<u>Results for 6 months ended 30 June 2010:</u>					
Revenues					
External sales	8,382	2,879	-	-	11,261
Inter-segment sales	2,189	-	39	(2,228)	-
Total revenue	<u>10,571</u>	<u>2,879</u>	<u>39</u>	<u>(2,228)</u>	<u>11,261</u>

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RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
Results					
Operating profit/(loss)	1,121	350	(1,383)	-	88
Finance costs					(347)
Profit/(Loss) before tax					(259)

A9. Material Events Subsequent to the End of Interim Period

There are no material events subsequent to 30 June 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 30 June 2011.

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.

	RM'000
Trade purposes guarantee	<u>41</u>

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 marginally compared to the corresponding quarter of preceding year. The increase was mainly due to increase in trading of waste materials.

The Group achieved profits before taxation of RM1.0 million and RM0.4 million in 2011 and 2010, respectively. The significant increase of profit before tax was mainly due to completion of a few food and natural rubber processing machinery. The profit attained was also partly attributed to more stable raw materials price, i.e., steel and stainless steel, in 2011 compared to 2010.

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

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The Group achieved RM0.8 million pre-tax profits compared to RM0.3 million in preceding quarter. The higher profit was mainly due to completion of food processing machinery which has higher profit margin and less drastic appreciation of Ringgit against United State Dollar.

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

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.

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>6 months ended</u>	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	350	38	381	118
Foreign taxation	-	66	110	96
Deferred taxation	35	-	195	-
Provision/(Reversal)	<u>385</u>	<u>104</u>	<u>686</u>	<u>214</u>

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 was sold during the first quarter, 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

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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 30 June 2011.

	RM'000
(a) <u>Short Term (Secured)</u>	
- Bank overdraft	4,653
- Revolving credit and Bankers' acceptance	3,599
- Hire purchase	154
- Term Loan	373
	8,779
(b) <u>Long Term (Secured)</u>	
- Hire Purchases	1,031
Total	9,810

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>6 Months Ended</u>	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Profit/(loss) attributable to ordinary equity owners of the Company (RM'000)	478	85	582	(537)
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic earning/(loss) per share (sen)	1.14	0.20	1.39	(1.28)

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.