

GOLSTA SYNERGY BERHAD^(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 materially 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 December 2011.

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

A8. Segmental Information

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

RM'000	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 3 months ended 31 December 2011:</u>					
Revenues					
External sales	10,449	2,177	500	-	13,126
Inter-segment sales	1,186	-	50	(1,236)	-
Total revenue	<u>11,635</u>	<u>2,177</u>	<u>550</u>	<u>(1,236)</u>	<u>13,126</u>
Results					
Operating profit/(loss)	<u>1,541</u>	<u>(410)</u>	<u>(594)</u>	<u>-</u>	<u>537</u>
Finance costs					<u>(87)</u>
Profit/(Loss) before tax					<u>450</u>
<u>Results for 3 months ended 31 December 2010:</u>					
Revenues					
External sales	8,614	3,598	261	-	12,473
Inter-segment sales	539	-	41	(580)	-
Total revenue	<u>9,153</u>	<u>3,598</u>	<u>302</u>	<u>(580)</u>	<u>12,473</u>
Results					
Operating profit/(loss)	<u>(148)</u>	<u>1,287</u>	<u>398</u>	<u>-</u>	<u>1,537</u>
Finance costs					<u>(223)</u>
Profit/(Loss) before tax					<u>1,314</u>

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<u>RM'000</u>	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
<u>Results for 12 months ended 31 December 2011:</u>					
Revenues					
External sales	28,243	5,925	2,385	-	36,553
Inter-segment sales	1,697	-	103	(1,800)	-
Total revenue	<u>29,940</u>	<u>5,925</u>	<u>2,488</u>	<u>(1,800)</u>	<u>36,553</u>
Results					
Operating profit/(loss)	<u>4,405</u>	<u>(1,661)</u>	<u>930</u>	<u>-</u>	<u>3,674</u>
Finance costs					(541)
Profit/(Loss) before tax					<u>3,133</u>
<u>Results for 12 months ended 31 December 2010:</u>					
Revenues					
External sales	21,497	7,098	261	-	28,856
Inter-segment sales	2,785	-	100	(2,885)	-
Total revenue	<u>24,282</u>	<u>7,098</u>	<u>361</u>	<u>(2,885)</u>	<u>28,856</u>
Results					
Operating profit/(loss)	<u>1,520</u>	<u>1,618</u>	<u>(2,533)</u>	<u>-</u>	<u>605</u>
Finance costs					(735)
Profit/(Loss) before tax					<u>(130)</u>

A9. Material Events Subsequent to the End of Interim Period

There are no material events subsequent to 31 December 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 December 2011.

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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 5% compared to the corresponding quarter of preceding year. The increase was mainly due to increase of industrial machinery sales 21% even though offset by 39% decrease in the seedlings sales.

The Group achieved profits before taxation of RM0.5 million in 2011, comparing to RM1.3 million in 2010. The profit attained during the current quarter of 2011 was mainly contributed by the industrial machine and engineering sector. The oil palm seedling sector suffered RM0.4 million losses in 2011 due to weaker sales comparing to RM1.3 million profits in 2010. The Group suffered RM0.4 million foreign exchange losses comparing to RM0.5 million gains in 2010 due to Ringgit Malaysia strengthened slightly against Indonesian Rupiah and China Renminbi.

(b) 12 months quarter 2011 vs. 12 months quarter 2010

The Group's revenue increased 27% principally attributed to the 31% increase in the sales of industrial machine. The oil palm seedlings sales decreased 17% due to the general reduction in new deforestation projects in Indonesia.

The Group attained RM3.1 million profits before tax contradicting to RM0.1 million losses in 2010. The profit in 2011 was mainly resulted from increase in industrial machinery and engineering sales and recognition of foreign exchange gain amounting to RM1.2 million. During 2011, Ringgit was weaker against US Dollar, China Renminbi and Indonesian Rupiah.

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

The profit before tax of current quarter decreased 237% compared with preceding quarter. The decrease in profit before tax was principally due to recognition of RM0.7 million losses in current quarter, instead of RM2.0 million gains from foreign exchange recognized in preceding quarter.

The industrial machine & engineering services sales increased 81% compare to preceding quarter mainly due to successful completion of a few major rubber processing machinery

The seedling sales increased significantly compared with the preceding quarter mainly due to Ramadan fasting month was fell on preceding quarter. Many customers had opted to defer shipments and planting them in the current quarter.

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 proliferation of bio-fuel projects in developed and developing countries is expecting to indirectly boost the demand for oil palm seedlings. The Group will be expecting further positive growth in revenue and profits from its Indonesian subsidiary.

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>	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(871)	87	(1,394)	(91)
Foreign taxation	110	(298)	270	(408)
Deferred taxation	(334)	(240)	(436)	(240)
Provision/(Reversal)	<u>(1,095)</u>	<u>(451)</u>	<u>(1,560)</u>	<u>(739)</u>

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The tax charged was higher during the current quarter principally due to certain expenses being disallowed for taxation purposes and the provision of deferred tax liability.

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 losses.

B8. Corporate proposals

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

B9. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2011

	RM'000
(a) <u>Short Term (Secured)</u>	
- Bank overdraft	2,296
- Revolving credit and Bankers' acceptance	3,362
- Hire purchase	<u>161</u>
	5,839
(b) <u>Long Term (Secured)</u>	
- Hire Purchases	<u>947</u>
Total	<u><u>6,786</u></u>

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.

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	<u>3 Months Ended</u>		<u>12 Months Ended</u>	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Profit/(loss) attributable to ordinary equity owners of the Company (RM'000)	(555)	579	1,986	(1,216)
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic earnings/(loss) per share (sen)	(1.32)	1.38	4.73	(2.90)

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.