

GOLSTA SYNERGY BERHAD^(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. First-time Adoption of Malaysian Financial Reporting Standards ("MFRS") and Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the financial year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements for the year ending 31 December 2012. They should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

The explanatory notes attached to these condensed consolidated 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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), no adjustments were required to be made to the amounts previously reported in Group's FRS financial statements. The transition from FRS to MFRS has no impact on the Group's financial position, financial performance and cash flows for the periods so presented.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below :

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(1) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

For an acquisition before date of transition, the Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained; and
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition).

(2) Property, plant and equipment

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the revaluation model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the carrying amounts of all property, plant and equipment as at 31 December 2010 as deemed cost at 1 January 2011.

(3) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are not provided because the transition from FRS to MFRS framework had no impact to the amounts so reported.

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 current financial period to-date.

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A5. Changes in Estimates

There were no changes in estimates that have had any material effect on the current 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 to-date.

A7. Dividend Paid

A first and final franked dividend of 1.5 sen per share amounting to RM630,000 (2011: nil) in respect of the financial year ended 31 December 2011 were paid on 31 July 2012

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>Current quarter:</u>					
<u>Results for 3 months ended 30 September 2012:</u>					
Revenues					
External sales	4,083	2,513	226	-	6,822
Inter-segment sales	65	-	14	(79)	-
Total revenue	<u>4,149</u>	<u>2,512</u>	<u>240</u>	<u>(79)</u>	<u>6,822</u>
Results					
Operating profit/(loss)	<u>160</u>	<u>(117)</u>	<u>(1,760)</u>	<u>-</u>	<u>(1,717)</u>
Finance costs					<u>(73)</u>
Profit/(Loss) before tax					<u><u>(1,790)</u></u>
<u>Results for 3 months ended 30 September 2011:</u>					
Revenues					
External sales	5,779	168	617	-	6,564
Inter-segment sales	412		22	(434)	-
Total revenue	<u>6,191</u>	<u>168</u>	<u>639</u>	<u>(434)</u>	<u>6,564</u>

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A8. Segmental Information (Continued)

<u>RM'000</u>	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
Results					
Operating profit/(loss)	2,008	(1,057)	700	-	1,652
Finance costs					(135)
Profit/(Loss) before tax					<u>1,517</u>
<u>Cummulative quarters:</u>					
<u>Results for 9 months</u>					
<u>ended 30 September 2012:</u>					
Revenues					
External sales	22,565	6,557	675	-	29,797
Inter-segment sales	943	-	40	(983)	-
Total revenue	<u>23,508</u>	<u>6,557</u>	<u>715</u>	<u>(983)</u>	<u>29,797</u>
Results					
Operating profit/(loss)	3,368	(1,064)	(2,413)	-	(109)
Finance costs					(283)
Profit/(Loss) before tax					<u>(392)</u>
<u>Results for 9 months</u>					
<u>ended 30 September 2011:</u>					
Revenues					
External sales	17,794	3,748	1,886	-	23,428
Inter-segment sales	951	-	63	(1,014)	-
Total revenue	<u>18,745</u>	<u>3,748</u>	<u>1,949</u>	<u>(1,014)</u>	<u>23,428</u>
Results					
Operating profit/(loss)	3,757	(1,252)	644	-	3,149
Finance costs					(454)
Profit/(Loss) before tax					<u>2,695</u>

A9. Material Events Subsequent to the End of Interim Period

There is no material event subsequent to the end of the current quarter save and except for the followings:-

- (1) Disposal of an indirect wholly-owned subsidiary, Gothic Assets Sdn Bhd. and together with its 70% owned subsidiary namely P.T. Bakti Tani Nusantara which was incorporated in Indonesia.

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(2) Disposal of an indirect wholly-owned subsidiary, Melian Rubber Industries Limited, which was incorporated in Hong Kong; and together with its 100% owned subsidiary namely Yangpu Fushen Rubber Industrial Co. Ltd. which was incorporated in the Peoples' Republic of China.

A10. Changes in composition of the Group

There are no changes in composition of the Group during the current financial period to-date.

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>38</u>

A12. Capital commitment

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

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

B1. Performance Review

3 months quarter 2012 vs. 3 months quarter 2011

The Group's total revenue increased marginally compared to the corresponding quarter of preceding year. The increase was mainly due to decrease in industrial machinery sales and increase in oil palm seedlings sales.

The Group suffered loss before taxation of RM1,790,000 in 2012, comparing to RM1,517,000 profit in 2011. The loss was mainly due to impairment of assets in the China subsidiary amounting to approximately RM1.8 million.

9 months quarter 2012 vs. 9 months quarter 2011

The revenue of industrial machine engineering service and oil palm seedlings increased 27% and 75%; respectively.

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The Group suffered loss before taxation of RM392,000 in 2012, comparing to RM2,695,000 profit in 2011. The loss was mainly due to impairment of assets in the China and Indonesian subsidiaries amounting to approximately RM1.8 million and RM0.9 million respectively.

The Group attained profits before taxation of RM2.7 million in 2011, which was mainly attributed to recognition of approximately RM1.8 million unrealized foreign exchange gain due to weaker Ringgit against US Dollar and other major currencies. In the corresponding 2012 period, the Group suffered contradicting RM0.4 million unrealized loss on foreign exchange.

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

The Group suffered RM1,790,000 losses compared with RM840,000 profits in immediate preceding quarter. The loss was mainly due to impairment of assets in the China and Indonesian subsidiaries amounting to approximately RM1.8 million and RM0.7 million respectively.

B3. Commentary on Prospects

Despite the debt crisis in Europe and dwindling economic growth in China 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. The prices of agricultural commodities such as rubber is expected to increase due to global climate abnormality. The up-surgings price will motivate the key players in these industries throughout the world to invest more on their new or replacement of their existing rubber processing machinery. The 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 Group is cautiously optimistic on its short-term future prospect.

B4. Profit forecast or profit guarantee

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

B5. Variance from profit forecast or profit guarantee

Not applicable.

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B6. Taxation

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>9 months ended</u>	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(186)	143	701	523
Foreign taxation	187	(270)	223	(159)
Deferred taxation	(44)	(92)	(37)	102
Provision/(Reversal)	(43)	(219)	887	466

Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax charged for the period was higher than the statutory tax rate principally due to certain expenses being disallowed for taxation purposes.

B7. Sales of Quoted and Unquoted Securities or Properties

There were no sales of unquoted investments or properties in the current period to-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

The Group's borrowings as at 30 September 2012

	30.09.2012	30.09.2011
	RM'000	RM'000
(a) <u>Short Term (Secured)</u>		
- Bank overdraft	3,636	2,760
- Revolving credit and Bankers' acceptance	2,916	3,209
- Hire purchase	172	158
	<u>6,724</u>	<u>6,127</u>
(b) <u>Long Term (Secured)</u>		
- Hire Purchases	820	989
Total	<u>7,544</u>	<u>7,116</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.

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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>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 Months Ended</u>		<u>9 months Ended</u>	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
Profit/(loss) attributable to ordinary equity owners of the parent (RM'000)	(1,677)	1,971	(933)	2,552
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic earnings/(loss) per share (sen)	(3.99)	4.69	(2.22)	6.08

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.

B14. Auditors' report on preceding annual financial statement

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

B15. Breakdown of Realised and Unrealised Profits or Losses

Total retained profits/(accumulated losses) of the Group:

(RM'000)	30.09.2012	As at 31.12.2011	1.1.2011
- Realised	6,115	7,868	322
- Unrealised	(2,340)	(1,084)	(3,513)
	<u>3,775</u>	<u>6,784</u>	<u>(3,191)</u>
Less : Consolidation adjustments	(6,618)	(8,280)	(347)
Total Group's retained profits / (accumulated losses) as per consolidated accounts	<u>(2,843)</u>	<u>(1,496)</u>	<u>(3,538)</u>

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B16. Profit before tax

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>9 months ended</u>	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(38)	(28)	(89)	(80)
Other income (including investment income)	-	-	-	10
Interest expense	112	164	373	535
Depreciation of property, plant and equipment	294	294	889	877
Amortisation of land use rights	9	22	27	39
Amortisation of biological assets	192	216	612	649
Impairment loss on trade receivables	-	-	-	-
Bad debts written off/(recovered)	756	(27)	725	(100)
Property, plant and equipment written off	900	-	910	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	-	-	(29)	(64)
Net gain from fair value adjustment of investment properties	-	-	-	-
Net fair value gain on held for trading investment securities	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of biological assets	(25)	-	830	-
Impairment of property, plant and equipment	-	-	-	-
Write-down of inventories	109	-	109	-
Loss/(Gain) on foreign exchange - realised	82	80	46	92
Loss/(Gain) on foreign exchange - unrealised	118	(1,969)	387	(1,849)
Loss on fair value changes of derivatives	-	-	-	-