

GOLSTA SYNERGY BERHAD^(484964-H)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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 ended 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 ended 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 :

GOLSTA SYNERGY BERHAD^(484964-H)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

(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.

GOLSTA SYNERGY BERHAD^(484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012**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 (2010: 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 31 December 2012:</u>					
Revenues					
External sales	2,681	-	505	-	3,186
Inter-segment sales	157	-	-	(157)	-
Total revenue	<u>2,838</u>	<u>-</u>	<u>505</u>	<u>(157)</u>	<u>3,186</u>
Results					
Operating profit/(loss)	<u>(1,204)</u>	<u>-</u>	<u>(512)</u>	<u>-</u>	<u>(1,716)</u>
Finance costs					<u>(58)</u>
Profit/(Loss) before tax					<u><u>(1,774)</u></u>
<u>Results for 3 months ended 31 December 2011:</u>					
Revenues					
External sales	10,448	2,177	500	-	13,125
Inter-segment sales	412	-	22	(434)	-
Total revenue	<u>10,860</u>	<u>2,177</u>	<u>522</u>	<u>(434)</u>	<u>13,125</u>

GOLSTA SYNERGY BERHAD^(484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012**A8. Segmental Information (Continued)**

<u>RM'000</u>	Industrial machine & engineering services	Seeds & seedlings	Others	Elimination	Group
Results					
Operating profit/(loss)	1,557	(410)	(566)	-	581
Finance costs					(88)
Profit/(Loss) before tax					<u>493</u>

Cummulative quarters:**Results for 12 months
ended 31 December 2012:****Revenues**

External sales	25,246	6,557	1,179	-	32,982
Inter-segment sales	1,034	-	26	(1,060)	-
Total revenue	<u>26,280</u>	<u>6,557</u>	<u>1,205</u>	<u>(1,060)</u>	<u>32,982</u>

Results

Operating profit/(loss)	2,164	(1,064)	(3,039)	-	(1,939)
Finance costs					(342)
Profit/(Loss) before tax					<u>(2,281)</u>

**Results for 12 months
ended 31 December 2011:****Revenues**

External sales	28,243	5,924	2,386	-	36,553
Inter-segment sales	1,991	-	129	(2,120)	-
Total revenue	<u>30,234</u>	<u>5,924</u>	<u>2,515</u>	<u>(2,120)</u>	<u>36,553</u>

Results

Operating profit/(loss)	5,624	(1,931)	6	-	3,699
Finance costs					(510)
Profit/(Loss) before tax					<u>3,189</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 on 18th January 2013, the Group subscribed 51% equity shares of Symphony Approach SdnBhd for a consideration of RM1,070,000.

GOLSTA SYNERGY BERHAD^(484964-H)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

A10. Changes in composition of the Group

There are no changes in composition of the Group during the current financial period to-date except for the following:-

- (1) On 1st November 2012, the Group disposed of an indirect wholly-owned subsidiary, Gothic Assets SdnBhd. and together with its 70% owned subsidiary namely P.T. Bakti Tani Nusantara, which was incorporated in Indonesia.
- (2) On 11th November 2012, the Group 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 YangpuFushen Rubber Industrial Co. Ltd. which was incorporated in the Peoples' Republic of China.
- (3) On 3rd October 2012, the Group acquired the remaining 49% of GemsiaSdn Bhd. On 5th December 2012, GemsiaSdnBhd acquired 100% of Portal Essential Sdn Bhd.

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 revenue decreased significantly compared to the corresponding quarter of preceding year. The decrease was mainly due to decrease in industrial machinery sales and cessation of oil palm seedlings sales. As disclosed in Note A10, the Group disposed its oil palm seedlings segment during the fourth quarter of 2012. The industrial machinery sales decreased principally due to deferment of shipment to the first quarter of 2013, as requested by customers.

GOLSTA SYNERGY BERHAD^(484964-H)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

B1. Performance Review (Continued)

The Group suffered loss before taxation of RM1,774,000 in 2012, comparing to RM493,000 profit in 2011. The loss was mainly due to decrease in revenue, and the disposal of the Indonesian and China subsidiaries amounting to RM436,000.

Financial year 2012 vs. financial year 2011

The revenue of industrial machine engineering service increased 27% whereas the oil palm seedlings decreased 75%; principally due to exclusion of full year consolidation of the Indonesian subsidiary which was disposed off on 1st November 2012.

The Group suffered loss before taxation of RM2.3 million in 2012, comparing to RM3.2 million 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 also suffered foreign exchange losses of RM0.4 million, comparing to the contradicting gain of approximately RM1.2 million due to weaker Ringgit against US Dollar and other major currencies.

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

The Group suffered RM1.8 million losses similar to that in immediate preceding quarter. The loss in current quarter was mainly due to operational losses resulting from decreased of industrial machine sales which was explained in Note B1 and recognition of RM0.4 million losses due to the disposal of overseas subsidiaries.

The loss in preceding quarter 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 stabilize due to slow but steady global economic recovery. The stable 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. However, the Group remains cautious about competition from those local and overseas competitors.

GOLSTA SYNERGY BERHAD^(484964-H)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

B3. Commentary on Prospects (Continued)

The Group has recently invested in a seventeen (17) levels office tower, located within Kota Damansara, Selangor, in order to broaden and expand Group's earnings base and improve its long term growth prospect. The Group also endeavours to enter into other property development and property related businesses.

The Group is cautiously optimistic on its short-term future prospect, barring any unforeseen circumstances.

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.

B6. Taxation

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(324)	870	376	1,394
Foreign taxation	-	(110)	223	(269)
Deferred taxation	-	333	(37)	435
Provision/(Reversal)	<u>(324)</u>	<u>1,093</u>	<u>562</u>	<u>1,560</u>

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 current period was reversed principally due to tax loss of the current period was set off against profits of prior period.

There was tax charge for the current cumulative period main due to certain expenses were disallowed for deduction in tax 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.

GOLSTA SYNERGY BERHAD^(484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012**B9. Borrowings and Debt Securities**

The Group's borrowings as at 31 December 2012

	31.12.2012	31.12.2011
	RM'000	RM'000
(a) <u>Short Term (Secured)</u>		
- Bank overdraft	3,500	2,296
- Revolving credit and Bankers' acceptance	2,472	3,362
- Hire purchase	172	181
	<u>6,144</u>	<u>5,839</u>
(b) <u>Long Term (Secured)</u>		
- Hire Purchases	<u>825</u>	<u>947</u>
Total	<u>6,969</u>	<u>6,786</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.

B13. Earnings per share

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 Months Ended</u>		<u>12 months ended</u>	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
(Loss)/Profit attributable to ordinary equity owners of the parent (RM'000)	(1,450)	(510)	(2,497)	2,042
Weighted average number of ordinary shares in issue ('000)	42,000	42,000	42,000	42,000
Basic (loss)/earnings per share (sen)	(3.45)	(1.21)	(5.95)	4.86

GOLSTA SYNERGY BERHAD^(484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012**B13. Earnings per share (continued)**

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 (loss)/earnings 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 accumulated losses of the Group:

(RM'000)	As at		
	31.12.2012	31.12.2011	1.1.2011
- Realised	10,249	7,868	322
- Unrealised	(2,451)	(1,084)	(3,513)
	<u>7,798</u>	<u>6,784</u>	<u>(3,191)</u>
Less : Consolidation adjustments	(12,206)	(8,280)	(347)
Total Group's accumulated losses as per consolidated accounts	<u>(4,408)</u>	<u>(1,496)</u>	<u>(3,538)</u>

B16. (Loss)/Profit before tax

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(54)	(28)	(143)	(108)
Other income (including investment income)	-	-	-	10
Interest expense	112	116	485	619
Depreciation of property, plant and equipment	198	298	1,087	1,175
Amortisation of land use rights	-	23	27	62
Amortisation of biological assets	-	217	612	866
Impairment loss on trade receivables	-	77	-	77
Bad debts (recovered)/written off	(2)	143	(40)	43
Property, plant and equipment written off	-	-	910	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-

GOLSTA SYNERGY BERHAD^(484964-H)CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012**B16. (Loss)/Profit before tax (continued)**

(Gain)/Loss on disposal of subsidiaries	436	-	436	-
(Gain)/Loss on disposal of property, plant and equipment	-	(3)	(29)	(67)
Net (gain)/loss from fair value adjustment of investment properties	183	(830)	183	(830)
Net fair value gain on held for trading investment securities	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of biological assets	-	-	830	-
Impairment of property, plant and equipment	-	-	-	-
(Gain)/Loss on foreign exchange – realized	109	(380)	155	(288)
(Gain)/Loss on foreign exchange – unrealized	(124)	906	263	(943)
(Gain)/Loss on fair value changes of derivatives	-	-	-	-
