

GOLSTA SYNERGY BERHAD^(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2013, have been prepared in accordance with FRS 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 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

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 2013. They should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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 2012.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with FRS. 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 2012

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein referred as "Transitioning Entities").

Based on the MASB announcement on 30 September 2012 and 7 August 2013, Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from previous adoption date of 1 January 2013 to 1 January 2015. Consequently, the adoption of the MFRS Framework by the Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

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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.

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.

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

During the period, the Company has issued the following ordinary shares:

<u>Date of issue</u>	<u>No. of shares Issued</u>	<u>Issue price</u>	<u>Consideration</u>	<u>Purpose</u>
24/6/2013	4,200,000	RM1.41	Cash	Working capital

The new shares issued rank pari passu in respect of the distribution of dividends and repayment of capital with the existing shares.

There were no other issuances, repurchases and repayments of debt and equity securities during the financial period to-date.

A7. Dividend Paid

No dividend was paid during the current financial period.

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A8. Segmental Information

The "Others" segment comprises trading of waste materials and processing of natural rubber.

RM'000	Industrial machine & engineering services	Seeds & seedlings	Investment holding & property development	Others	Elimination	Group
<u>Current quarter:</u>						
<u>Results for 3 months ended 30 September 2013:</u>						
Revenues						
External sales	7,922	-	315	642	-	8,879
Inter-segment sales	231	-	12	-	(243)	-
Total revenue	<u>8,153</u>	<u>-</u>	<u>327</u>	<u>642</u>	<u>(243)</u>	<u>8,879</u>
Results						
Operating profit/(loss)	<u>(78)</u>	<u>-</u>	<u>(1,517)</u>	<u>9</u>	<u>-</u>	<u>(1,586)</u>
Finance costs						<u>44</u>
Profit/(Loss) before tax						<u><u>(1,542)</u></u>
<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	412	-	-	22	(434)	-
Total revenue	<u>4,495</u>	<u>2,513</u>	<u>-</u>	<u>248</u>	<u>(434)</u>	<u>6,822</u>
Results						
Operating profit/(loss)	<u>160</u>	<u>(117)</u>	<u>(5,397)</u>	<u>3,637</u>	<u>-</u>	<u>(1,717)</u>
Finance costs						<u>(73)</u>
Profit/(Loss) before tax						<u><u>(1,790)</u></u>
<u>Cumulative quarter:</u>						
<u>Results for 9 months ended 30 September 2013:</u>						
Revenues						
External sales	25,552	-	537	1,789	-	27,878
Inter-segment sales	352	-	-	26	(378)	-
Total revenue	<u>25,904</u>	<u>-</u>	<u>537</u>	<u>1,815</u>	<u>(378)</u>	<u>27,878</u>
Results						
Operating profit/(loss)	<u>760</u>	<u>-</u>	<u>(3,648)</u>	<u>(550)</u>	<u>-</u>	<u>(3,438)</u>
Finance costs						<u>30</u>
Profit/(Loss) before tax						<u><u>(3,408)</u></u>

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A8. Segmental Information (Continued)

RM'000	Industrial machine & engineering services	Seeds & seedlings	Investment holding & property development	Trading of waste materials	Elimination	Group
<u>Cumulative quarter:</u>						
<u>Results for 9 months ended 30 September 2012:</u>						
Revenues						
External sales	22,566	6,557	-	674	-	29,797
Inter-segment sales	951	-	-	64	(1,015)	-
Total revenue	<u>23,517</u>	<u>6,557</u>	<u>-</u>	<u>738</u>	<u>(1,015)</u>	<u>29,797</u>
Results						
Operating profit/(loss)	<u>3,368</u>	<u>(1,064)</u>	<u>(6,042)</u>	<u>(3,629)</u>	<u>-</u>	<u>(109)</u>
Finance costs						<u>(283)</u>
Profit/(Loss) before tax						<u>(392)</u>

A9. Material Events Subsequent to the End of Interim Period

There is no material event subsequent to the end of the current quarter.

A10. Changes in composition of the Group

There are no changes in composition of the Group during the current financial period to-date except on 18th January 2013, the Group subscribed 51% equity shares of Symphony Approach Sdn Bhd for a consideration of RM1,070,000.

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>30</u>

A12. Capital commitment

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

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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 2013 vs. 3 months quarter 2012

The Group's revenue increased 30% compared to the corresponding quarter of preceding year. The increase was mainly due to 94% increase in the sales of rubber machinery; despite the discontinuation of oil palm seedlings operation in September 2012.

The Group suffered RM1,586,000 loss before taxation compared to RM1,790,000 loss before taxation in 2012. The loss was mainly due to further impairment of trade debts amounting to RM1,900,000 and initial operational loss of RM1,517,000 in investment holding and property development segment.

9 months quarter 2013 vs. 9 months quarter 2012

The Group's revenue decreased marginally compared to the corresponding period of preceding year. The decrease was mainly due to 13% increase in the sales of rubber machinery; despite the discontinuation of oil palm seedlings operation in September 2012.

The Group suffered RM3,408,000 loss before taxation compared to RM392,000 loss before taxation in 2012. The loss was mainly due to impairment of trade debts amounting to RM3,800,000 and initial operational loss of RM3,648,000 in investment holding and property development segment.

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

The Group suffered RM1,542,000 losses compared to RM3,186,000 losses before taxation in preceding quarter. The improvement was mainly due to 49% increase in the sales of rubber machinery. The Group provided impairment of trade debts amounting to RM1,900,000 in both current and preceding quarter.

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B3. Commentary on Prospects

The demand for the industrial processing plant and machinery and related engineering projects undertaken by the Group remains bright in view of the slow but steady global economic growth. The market for the rubber processing machinery is expanding both locally and overseas especially for certain African and ASEAN countries at the back of the stable natural rubber price. The stable price will motivate the key players in these industries to invest more on their new or replacement of their existing rubber processing machinery. However, the Group remains cautious about competition from those local and overseas competitors.

The Group has recently invested in a seventeen (17) levels office tower, located within Kota Damansara, Selangor, in order to broaden and expand the Group's earnings base and improve its long term growth prospect.

The Group has obtained shareholders' approval to; (1) acquire 55% equity interest in Trilink Essential Sdn Bhd, who principally involve in property trading and property investment, and (2) diversify its principal activities to include property trading, property investment and property development, during the general meeting held on 30 July 2013.

The property development business is expected to expand the Group's revenue sources and earnings base as part of the long term strategies in providing sustainable growth prospects in the future. 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>9 months ended</u>	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(1)	(1)	(130)	(924)
Deferred taxation	-	44	(38)	37
Provision/(Reversal)	(1)	43	(168)	(887)

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 higher principally due to certain expenses were disallowed for deduction in tax purposes.

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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, save and except for the followings proposal which has been completed:

(a) on 24th June 2013, the Company made a private placement of up to 4,200,000 new ordinary shares of RM1.00 each, representing 10% of the existing issued and paid-up share capital, at an issue price of RM1.41 per share.;

(b) acquisition by a wholly-owned subsidiary of the Company, Hyoxen Sdn Bhd of 55.0% equity interest in Trilink Essential Sdn Bhd for a cash consideration of RM1.1 million; and

(c) diversification of the principal activities of the Company and its subsidiaries to include property trading, property investment and property development.

Proposal (b) has been completed on 13 August 2013; and proposal (c) has been approved by the shareholders' in the general meeting held on 30 July 2013.

B9. Borrowings and Debt Securities

The Group's borrowings as at 30 September 2013

	30.09.2013	31.12.2012
	RM'000	RM'000
(a) <u>Short Term (Secured)</u>		
- Bank overdraft	-	3,500
- Revolving credit and Bankers' acceptance	-	2,472
- Hire purchases	201	172
	201	6,144
(b) <u>Long Term (Secured)</u>		
- Hire Purchases	673	825
Total	874	6,969

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>	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Profit/(loss) attributable to ordinary equity owners of the parent (RM'000)	(1,609)	(1,677)	(3,665)	(933)
Weighted average number of ordinary shares in issue ('000)	44,186	42,000	44,186	42,000
Basic earnings/(loss) per share (sen)	(3.83)	(3.99)	(8.73)	(2.22)

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 2012 was not qualified.

B15. Breakdown of Realised and Unrealised Profits or Losses

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

	As at	
(RM'000)	30.09.2013	31.12.2012
- Realised	7,685	11,179
- Unrealised	(2,700)	(3,379)
	<u>4,985</u>	<u>7,800</u>
Less : Consolidation adjustments	(13,055)	(12,205)
Total Group's retained profits / (accumulated losses) as per consolidated accounts	<u>(8,070)</u>	<u>(4,405)</u>

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B16. Profit / (Loss) before tax

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>9 months ended</u>	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(36)	(38)	(103)	(89)
Other income (including investment income)	-	-	-	-
Interest expense	2	112	83	373
Depreciation of property, plant and equipment	178	294	551	889
Amortisation of land use rights	-	9	-	27
Amortisation of biological assets	-	192	-	612
Impairment loss on trade receivables	1,907	-	3,813	-
Bad debts written off/(recovered)	194	(7)	189	(38)
Property, plant and equipment written off	-	900	-	910
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of subsidiaries	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	-	-	-	(29)
Net (gain)/loss from fair value adjustment of investment properties	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of biological assets	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
(Gain)/Loss on foreign exchange – realized	11	82	(123)	46
(Gain)/Loss on foreign exchange – unrealized	139	118	123	387
(Gain)/Loss on fair value changes of derivatives	-	-	-	-