

GOLSTA SYNERGY BERHAD^(484964-H)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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 2013, 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 annual financial statements for the year ended 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.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial year.

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 year, the Company has issued via a private placement 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 year.

A7. Dividend Paid

No dividend was paid during the current financial year.

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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 31 December 2013:</u>						
Revenues						
External sales	7,584	-	21,202	938	-	29,724
Inter-segment sales	418	-	12	-	(430)	-
Total revenue	<u>8,002</u>	<u>-</u>	<u>21,214</u>	<u>938</u>	<u>(430)</u>	<u>29,724</u>
Results						
Operating profit/(loss)	<u>(2,566)</u>	<u>-</u>	<u>12,622</u>	<u>(73)</u>	<u>-</u>	<u>9,983</u>
Finance costs						<u>(32)</u>
Profit/(Loss) before tax						<u><u>9,951</u></u>
<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>-</u>	<u>505</u>	<u>(157)</u>	<u>3,186</u>
Results						
Operating profit/(loss)	<u>(1,204)</u>	<u>-</u>	<u>(552)</u>	<u>40</u>	<u>-</u>	<u>(1,716)</u>
Finance costs						<u>(58)</u>
Profit/(Loss) before tax						<u><u>(1,774)</u></u>
<u>Cumulative quarter:</u>						
<u>Results for 12 months ended 31 December 2013:</u>						
Revenues						
External sales	33,136	-	21,727	2,739	-	57,602
Inter-segment sales	770	-	-	26	(796)	-
Total revenue	<u>33,906</u>	<u>-</u>	<u>21,727</u>	<u>2,765</u>	<u>(796)</u>	<u>57,602</u>
Results						
Operating profit/(loss)	<u>(1,806)</u>	<u>-</u>	<u>8,974</u>	<u>(623)</u>	<u>-</u>	<u>6,545</u>
Finance costs						<u>(2)</u>
Profit/(Loss) before tax						<u><u>6,543</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 12 months ended 31 December 2012:</u>						
Revenues						
External sales	25,246	6,556	-	1,180	-	32,982
Inter-segment sales	1,034	-	-	26	(1,060)	-
Total revenue	<u>26,280</u>	<u>6,557</u>	<u>-</u>	<u>1,206</u>	<u>(1,060)</u>	<u>32,982</u>
Results						
Operating profit/(loss)	<u>2,164</u>	<u>(1,064)</u>	<u>(1,246)</u>	<u>(1,793)</u>	<u>-</u>	<u>(1,939)</u>
Finance costs						(342)
Profit/(Loss) before tax						<u>(2,281)</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 year except as follows:

- i) On 18th January 2013, the Group subscribed 51% equity shares of Symphony Approach Sdn Bhd for a cash consideration of RM1,070,000.
- ii) On (date) the Group's wholly-owned subsidiary, Hyoxen Sdn Bhd acquired a 55.0% equity interest in Trilink Essential Sdn Bhd for a cash consideration of RM1.1 million.

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.

Trade purposes guarantee	<u>RM'000</u> 30
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The Company has a contingent asset arising from the legal action against a trade debtor. The trade debt amounts to RM5,719,047, in which there is a likelihood for recoverability. Adequate provision for doubtful debts has been made to this particular debt amount.

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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 2013 vs. 3 months quarter 2012

The Group's revenue increased 833% compared to the corresponding quarter of preceding year. The increase was mainly due to revenue contributed from the investment holding and property segment, amounting to RM 21.2 million. The industrial machine and engineering segment contributed RM8 million sales.

In 2012, the Group derived its revenue from the sales of rubber machinery only. The oil palm seedlings operation was discontinued in September 2012.

The Group achieved RM10.0 million profits before taxation compared to RM1.8 million losses before taxation in 2012. The profits were mainly derived from the investment holding and property development segment, amounting to RM12.6 million. The industrial machine and engineering segment suffered RM2.6 million losses principally due to impairment of trade debts amounting to RM3.0 million.

12 months quarter 2013 vs. 12 months quarter 2012

The Group's revenue increased 75% compared to the preceding year. The increase was mainly due to revenue contributed from the investment holding and property segment, amounting to RM21.7 million. The industrial machine and engineering segment contributed RM33.1 million sales.

In 2012, the Group derived its revenue from the sales of rubber machinery and oil palm seedlings only. The oil palm seedlings operation was discontinued in September 2012.

The Group achieved RM6.5 million profits before taxation compared to RM2.3 million losses before taxation in 2012. The profits were mainly derived from the investment holding and property development segment, amounting to RM9.0 million. The industrial machine and engineering segment suffered RMRM1.8 million losses principally due to impairment and wrote off of trade debts amounting to RM6.9 million.

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

The Group achieved RM10.0 million profits before taxation compared to RM1.5 million losses before taxation in preceding quarter. The improvement was mainly due to profits contributed from investment holdings and property development segment amounting to RM12.6 million. In previous quarter, the investment holdings and property development segment suffered RM1.5 million losses resulted from initial operational costs.

B3. Commentary on Prospects

The Group has obtained shareholders' approval to diversify its principal activities to include property trading, property investment and property development, during the general meeting held on 30 July 2013. It has also completed the acquisition of 55% equity interest in Trilink Essential Sdn Bhd, which is principally involved in property investment and trading.

The property business is expected to expand the Group's revenue sources and earnings base as part of the long term strategies to enhance the Group's 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>12 months ended</u>	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation	(1,816)	324	(1,946)	(376)
Foreign taxation	-	-	-	(223)
Deferred taxation	1,483	-	1,444	37
Provision/(Reversal)	<u>(333)</u>	<u>324</u>	<u>(501)</u>	<u>(562)</u>

Income tax expense is recognized in each interim period based on the best estimate of the income tax payable for the full financial year. The effective income tax rate for the current period was lower principally due to utilization of unabsorbed tax losses brought forward from previous years.

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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.

(d) on 21st February 2014 and 24th February 2014, the Company received a Notice of Conditional Mandatory Take-Over Offer (“Notice”) from RHB Investment Bank Berhad, on behalf of GS Capital Sdn Bhd (the “Offeror”) in respect of the Offeror’s obligation to undertake a conditional mandatory take-over offer to acquire all the remaining ordinary shares of RM1.00 each in Golsta not already held by the Offeror and the persons acting in concert with the Offeror (“Offer Shares”) at the offer price of RM2.10 per Offer Share (the "Offer"), pursuant to Section 9(1)(a) of the Malaysian Code on Take-Overs and Mergers, 2010.

Subsequently, on 25th February 2014, the Board of Directors announced that it does not intend to seek for an alternative person to make a take-over offer for the Offer Shares.

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.

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B9. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2013

	31.12.2013	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	203	172
	203	6,144
(b) <u>Long Term (Secured)</u>		
- Hire Purchases	621	825
Total	824	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.

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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B13. Earnings per share

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 Months Ended</u>		<u>12 months ended</u>	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit/(loss) attributable to ordinary equity owners of the parent (RM'000)	8,458	(1,450)	4,792	(2,497)
Weighted average number of ordinary shares in issue ('000)	44,186	42,000	44,186	42,000
Basic earnings/(loss) per share (sen)	19.14	(3.45)	10.85	(5.95)

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	
	31.12.2013	31.12.2012
	RM'000	RM'000
- Realised	17,624	11,179
- Unrealised	(1,275)	(3,379)
	<u>16,349</u>	<u>7,800</u>
Less : Consolidation adjustments	(15,962)	(12,205)
Total Group's retained profits / (accumulated losses) as per consolidated accounts	<u><u>387</u></u>	<u><u>(4,405)</u></u>

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B16. Profit / (Loss) before tax

	<u>Current quarter</u>		<u>Cumulative quarter</u>	
	<u>3 months ended</u>		<u>12 months ended</u>	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(27)	(61)	(162)	(143)
Other income (including investment income)	-	10	-	10
Interest expense	60	96	164	485
Depreciation of property, plant and equipment	167	198	718	1,087
Amortisation of land use rights	-	-	-	27
Amortisation of biological assets	-	-	-	612
Impairment loss on trade receivables	3,091	-	6,904	-
Bad debts written off/(recovered)	6	(2)	195	(40)
Property, plant and equipment written off	-	-	-	44
(Gain)/Loss on disposal of property, plant and equipment	-	-	-	(29)
Net (gain)/loss from fair value adjustment of investment properties	(434)	183	(434)	183
Impairment of biological assets	-	-	-	830
(Gain)/Loss on foreign exchange – realized	93	109	(30)	155
(Gain)/Loss on foreign exchange – unrealized	(309)	(124)	(186)	263