



GW PLASTICS HOLDINGS BERHAD (881786-X)

Incorporated In Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

PART A - EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS FRAMEWORK") MFRS 134 : INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS134 : Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011. This interim financial report contains condensed combined financial statements and selected explanatory notes which provide explanations of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("Group").

The Group has adopted the merger method of accounting for the preparation of this interim combined financial statements which is consistent with the most recent audited combined financial statements for the year ended 31 December 2011.

A2. Summary of significant accounting policies

The Group has adopted the MFRS Framework which is effective for annual financial periods beginning on or after 1 January 2012 in these interim financial statements. The Group has adopted the MFRS framework for the first time and consequently the Group has applied the MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards.

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirement under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Interim Report are consistent with the audited financial statements for the financial year ended 31 December 2011 except as below :

a) Property, plant and equipment ("PPE")

The Group has previously adopted the transitional provisions of MASB Approved Accounting Standard IAS 16 (revised). By virtue of this transitional provision, the Group's PPE continues to be stated at its 1995 valuation. Upon transition to MFRS, the Group has elected to use its previously revalued freehold land carrying amount as deemed cost. Accordingly, the revaluation reserve of RM2,558,208 (30 June 2011 : RM2,558,208 ; 31 December 2011 : RM2,558,208) was reclassified to retained earnings.

The reconciliation of equity for the comparative periods and equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

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Reconciliation of equity as at 1 January 2011; 30 June 2011 and 31 December 2011 :

	FRS as at 01.01.2011 RM'000	Reclassifications RM'000	MFRS as at 01.01.2011 RM'000
<u>Equity</u>			
Revaluation reserve	2,558	(2,558)	-
Retained earnings	83,022	2,558	85,580

	FRS as at 30.06.2011 RM'000	Reclassifications RM'000	MFRS as at 30.06.2011 RM'000
<u>Equity</u>			
Revaluation reserve	2,558	(2,558)	-
Retained earnings	87,051	2,558	89,609

	FRS as at 31.12.2011 RM'000	Reclassifications RM'000	MFRS as at 31.12.2011 RM'000
<u>Equity</u>			
Revaluation reserve	2,558	(2,558)	-
Retained earnings	93,133	2,558	95,691

MFRSs and Amendments to MFRSs issued but not yet effective

At the date of authorisation of this interim report, the Group has not early adopted the following new MFRSs and Amendments to MFRSs which were issued but not yet effective :

	Effective beginning on or after
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013



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A2. Summary of significant accounting policies (Cont'd.)

		Effective beginning on or after
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The directors are of the opinion that the adoption of these MFRSs and Amendments to MFRSs above will not have any material impact on the financial statements in the period of initial application.

A3. Auditors' Report on preceding annual financial statements

The auditors' reports on the audited financial statements of the Group for the financial year ended 31 December 2011 were not subject to any qualification.

A4. Seasonal or cyclical factors

Generally the Group's business operations were not subject to any significant seasonal or cyclical factors.

A5. Unusual items

There were no unusual items affecting the nature and amount of assets, liabilities, equity, net income and cash flows for the period under review.

A6. Changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

A7. Valuation of property, plant and equipment

There was no amendment to the valuation of property, plant and equipment of the Group during the current quarter under review.

A8. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period ended 30 June 2012 except for the following:

During the current quarter, the Company purchased 375,000 units of its own shares from the open market at an average price of RM0.73 per share. The total amount paid for the purchase of the shares was RM273,601 including transaction cost. The purchase transactions were financed by internally generated funds. As at 30 June 2012, a total of 375,000 shares were held as treasury shares.



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A9. Dividend paid

The second interim single tier dividend of 6% (3 sen) per ordinary share of RM0.50 each in respect of financial year ended 31 December 2011 had been paid on 10 April 2012.

A10. Segment reporting

The Group is principally involved in the manufacture and marketing of flexible plastic packaging products. Revenue of the Group is principally derived from the export and local markets.

	3 months ended		6 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	37,481	35,097	73,972	69,308
- Export	59,135	51,953	110,248	96,288
Total operating revenue	<u>96,616</u>	<u>87,050</u>	<u>184,220</u>	<u>165,596</u>

A11. Profit / (loss) before tax

The following amounts have been included in arriving at profit / (loss) before tax :

	3 months ended	6 months ended
	30.06.2012	30.06.2012
	RM'000	RM'000
a) Interest income	23	45
b) Dividend income	-	-
c) Interest expense	321	663
d) Depreciation of property, plant and equipment	3,625	7,214
e) Provision for and written off receivables	-	-
f) Provision for and written off inventories	-	-
g) Gain /(loss) on disposal of property, plant and equipment	(70)	44
h) Gain/(loss) on disposal of quoted or unquoted investments	30	30
i) Impairment of assets	-	-
j) Net foreign exchange gain/(loss)		
- unrealised	-	196
- realised	123	206
k) Gain/(loss) on derivatives	-	-
l) Exceptional items	-	-



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A12. Material events subsequent to the Balance Sheet date

There were no material events that have arisen subsequent to the interim financial period ended 30 June 2012, which have not been reflected in this interim financial report.

A13. Changes in the compositions of the Group

There were no changes in the composition of the Group during the financial period under review.

A14. Changes in contingent liabilities or contingent assets

The Group does not have any material contingent liabilities or contingent assets as at the date of this report.

A15. Capital commitments

Approved and contracted for:
Property, plant and equipment

**As at
30 June 2012
RM'000**

7,063

A16. Related party transactions

As at the date of this report, the Group does not have any related party transactions.



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PART B - EXPLANATORY NOTES PURSUANT TO PARA 9.22 AND APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

2Q12 Vs 2Q11

Total revenue recorded for the current quarter ended 30 June 2012 ("2Q12") increased by 11.0% (RM9.566 million) to RM96.616 million from RM87.050 million recorded in the previous corresponding quarter ("2Q11"). This was mainly due to higher sales volume, in particular the export sales which increased by 13.8% (RM7.182 million).

Group gross profit of RM11.713 million for the current quarter was higher by 19.2% compared to RM9.830 million recorded in 2Q11 due mainly to higher sales volume and higher gross margin achieved arising from lower cost of raw materials.

Consequently, Group profit before tax for 2Q12 of RM6.935 million was higher than that recorded in 2Q11 of RM5.407 million by 28.3% while Group profit after tax for 2Q12 of RM6.246 million was higher than that recorded in 2Q11 of RM4.253 million by 46.9%.

6M12 Vs 6M11

Total revenue recorded for the current period ended 30 June 2012 ("6M12") increased by 11.3% (RM18.624 million) to RM184.220 million from RM165.596 million recorded in the previous corresponding period ("6M11"). This was mainly due to higher sales volume, in particular the export sales which increased by 14.5% (RM13.960 million).

Group gross profit of RM22.800 million for the current period was higher by 16.8% compared to RM19.524 million recorded in 6M11 due mainly to higher sales volume and higher gross margin achieved arising from lower cost of raw materials.

Consequently, Group profit before tax for 6M12 of RM13.637 million was higher than that recorded in 6M11 of RM10.707 million by 27.4% while Group profit after tax for 6M12 of RM11.442 million was higher than that recorded in 6M11 of RM8.749 million by 30.8%.

B2. Material change of current quarter profit before tax against preceding quarter

Revenue for the current quarter was higher by RM9.012 million or 10.3% compared to that recorded during the preceding quarter. The higher revenue was mainly due to higher sales volume and higher selling price.

Consequently, the Group recorded a higher profit before tax of RM6.935 million in 2Q12 compared to RM6.702 million recorded in the preceding quarter ended 31 March 2012 mainly due to higher revenue, in particular the export sales which increased by 15.7%.



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B3. Current year's prospects

The financial crisis in the Eurozone and the economic slowdown in some major economies is expected to continue and to affect global trade. Given the difficult operating conditions, the Group continues to implement measures to improve operational efficiencies and increase value-added activities. In view of the above measures, the Board of Directors expects the Group's performance to be satisfactory for the financial year ending 31 December 2012.

B4. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee for the financial period under review.

B5. Income Tax Expense

	3 months ended		6 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current provision	411	454	888	766
- Prior year (over) / under provision	(38)	-	(38)	-
	<u>373</u>	<u>454</u>	<u>850</u>	<u>766</u>
Deferred tax				
- Origination and reversal of temporary differences	316	700	1,345	1,192
- (Over) / under provision in respect of previous years	-	-	-	-
	<u>316</u>	<u>700</u>	<u>1,345</u>	<u>1,192</u>
Total income tax expense	<u>689</u>	<u>1,154</u>	<u>2,195</u>	<u>1,958</u>

The effective tax rate of the Group was lower than the Malaysian statutory tax rate of 25% mainly due to the utilisation of reinvestment allowances at the subsidiaries level.

B6. Status of corporate proposals

There were no corporate proposals that have been announced but not completed as at 2 August 2012, being the latest practicable date except for the following:-

Proposed share buy-back

The Company had at the annual general meeting held on 20 June 2012, obtained the approval of its shareholders for the renewal of authority for the proposed share buy-back.



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B7. Borrowings and debts securities

The Group's borrowings as at 30 June 2012 were as follows:-

	As at 30 June 2012 RM'000
Short term borrowings:	
<u>Unsecured</u>	
- revolving credit	11,000
- trade loan	4,325
- bankers acceptance	1,286
- term loans	10,289
	<u>26,900</u>
Long term borrowings:	
<u>Unsecured</u>	
- term loans	4,189
	<u>4,189</u>
Total borrowings	<u><u>31,089</u></u>

B8. Material litigation

There was no material litigation as at the date of this report.

B9. Dividends

The Board of Directors has declared a second interim single tier dividend of 3% (1.5 sen) (2Q 2011 : first interim of 4% or 2 sen single tier dividend) per ordinary share of RM0.50 each in respect of the financial year ending 31 December 2012 to be payable on 18 October 2012. The entitlement date for the dividend is 20 September 2012 .

B10. Earnings per share

Basic earnings per share

Basic earnings per share is calculated based on the profit after tax for the period under review attributable to the equity holders of the Company divided by the weighted average number of ordinary shares of RM0.50 each in issue during the said period after adjusting for the number of ordinary shares purchased.

		Current Quarter	Current Year-to-date
Profit attributable to ordinary equity holders of the Company	(RM'000)	<u>6,246</u>	<u>11,442</u>
Weighted average number of, ordinary shares of RM0.50 each	('000)	<u>235,952</u>	<u>235,976</u>
Basic earnings per share of RM0.50 each	(sen)	<u>2.65</u>	<u>4.85</u>



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B11. Realised and unrealised retained earnings

	As at 30.06.2012 RM'000	As at 31.12.2011 RM'000 (restated)
Total retained earnings of Company and its subsidiaries		
- realised	96,971	92,243
- unrealised	<u>(40,377)</u>	<u>8,494</u>
	56,594	100,737
Less: consolidated adjustment	<u>(4,789)</u>	<u>(5,046)</u>
	<u>51,805</u>	<u>95,691</u>

By Order of the Board
GW PLASTICS HOLDINGS BERHAD

LEE YING FONG
Company Secretary

Dated: 9 August 2012