



GW PLASTICS HOLDINGS BERHAD (881786-X)
Incorporated In Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2011 : RM2,558,208 ; 31 December 2011 : RM2,558,208) was reclassified to retained earnings.



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

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:

Reconciliation of equity as at 1 January 2011; 30 September 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 30.09.2011 RM'000	Reclassifications RM'000	MFRS as at 30.09.2011 RM'000
<u>Equity</u>			
Revaluation reserve	2,558	(2,558)	-
Retained earnings	92,384	2,558	94,942

	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 September 2012.



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A9. Dividend paid

The first interim single-tier dividend of 3% (1.5 sen) per ordinary share of RM0.50 each in respect of financial year ended 31 December 2012 had been paid on 18 July 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		9 months ended	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Operating revenue:				
- Local	36,082	37,595	110,054	106,903
- Export	57,569	46,507	167,817	142,795
Total operating revenue	<u>93,651</u>	<u>84,102</u>	<u>277,871</u>	<u>249,698</u>

A11. Profit / (loss) before tax

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

	3 months ended	9 months ended
	30.09.2012	30.09.2012
	RM'000	RM'000
a) Interest income	10	55
b) Dividend income	-	-
c) Interest expense	304	967
d) Depreciation of property, plant and equipment	3,566	10,780
e) Provision for and written off receivables	788	788
f) Provision for and written off inventories	-	-
g) Gain /(loss) on disposal of property, plant and equipment	-	13
h) Gain/(loss) on disposal of quoted or unquoted investments	-	30
i) Impairment of assets	-	-
j) Net foreign exchange gain/(loss)		
- unrealised	-	196
- realised	(228)	(22)
k) Gain/(loss) on derivatives	-	-
l) Exceptional items	-	-



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A12. Material events subsequent to the Balance Sheet date

Save as disclosed in Note B6, there were no material events that have arisen subsequent to the interim financial period ended 30 September 2012.

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

	As at
	30 Sept 2012
	RM'000
Approved and contracted for:	
Property, plant and equipment	<u>7,187</u>

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

3Q12 Vs 3Q11

Total revenue recorded for the current quarter ended 30 September 2012 ("3Q12") increased by 11.4% (RM9.549 million) to RM93.651 million from RM84.102 million recorded in the previous corresponding quarter ("3Q11"). This was mainly due to higher sales volume, in particular the export sales which increased by 23.8% (RM11.062 million).

Group gross profit of RM11.903 million for the current quarter was higher by 37.3% compared to RM8.670 million recorded in 3Q11 due mainly to higher sales volume and higher gross margin achieved arising from lower cost of raw materials.

Consequently, Group profit before tax for 3Q12 of RM5.854 million was higher than that recorded in 3Q11 of RM3.779 million by 54.9%. However, Group profit after tax for 3Q12 of RM4.540 million was lower than that recorded in 3Q11 of RM5.333 million by 14.9% due mainly to tax credit arising from reinvestment allowance claimed during the previous corresponding quarter.

9M12 Vs 9M11

Total revenue recorded for the current period ended 30 September 2012 ("9M12") increased by 11.3% (RM28.173 million) to RM277.871 million from RM249.698 million recorded in the previous corresponding period ("9M11"). This was mainly due to higher sales volume, in particular the export sales which increased by 17.5% (RM25.022 million).

Group gross profit of RM34.703 million for the current period was higher by 23.1% compared to RM28.194 million recorded in 9M11 due mainly to higher sales volume and higher gross margin achieved arising from lower cost of raw materials.

Consequently, Group profit before tax for 9M12 of RM19.491 million was higher than that recorded in 9M11 of RM14.486 million by 34.6% while Group profit after tax for 9M12 of RM15.982 million was higher than that recorded in 9M11 of RM14.082 million by 13.5%.

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

Revenue for the current quarter was lower by RM2.965 million or 3.1% compared to that recorded during the preceding quarter. The lower revenue was mainly due to lower selling price arising from lower resin price.

The Group recorded a lower profit before tax of RM5.854 million in 3Q12 compared to RM6.935 million recorded in the preceding quarter ended 30 June 2012 mainly due to provision for doubtful debts and the realised foreign exchange loss.



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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 adversely 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		9 months ended	
	30.09.2012 RM'000	30.09.2011 RM'000	30.09.2012 RM'000	30.09.2011 RM'000
Income tax				
- Current provision	438	175	1,326	683
- Prior year (over) / under provision	-	-	(38)	259
	<u>438</u>	<u>175</u>	<u>1,288</u>	<u>942</u>
Deferred tax				
- Origination and reversal of temporary differences	1,046	(1,729)	2,391	(1,314)
- (Over) / under provision in respect of previous years	(170)	-	(170)	776
	<u>876</u>	<u>(1,729)</u>	<u>2,221</u>	<u>(538)</u>
Total income tax expense	<u>1,314</u>	<u>(1,554)</u>	<u>3,509</u>	<u>404</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.



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B6. Status of corporate proposals

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

Proposed Disposal

The Company had on 3 October 2012 through Kenanga Investment Bank Berhad announced that it had on the same date entered into a Share Sale Agreement with Scientex Packaging Film Sdn Bhd, a wholly owned subsidiary of Scientex Berhad to dispose the business and undertaking of its subsidiaries for a total consideration of RM283.20 million. The cash proceeds arising from the disposal shall be substantially distributed to the shareholders. The proposals are subject to the approvals being obtained from the shareholders at a General Meeting to be convened and from any other relevant authority as may be required.

Further details on the above proposals were announced to Bursa Securities on 3 October 2012 and 29 October 2012.

B7. Borrowings and debts securities

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

	As at 30 Sept 2012 RM'000
Short term borrowings:	
<u>Unsecured</u>	
- revolving credit	11,000
- trade loan	4,833
- bankers acceptance	2,022
- term loans	9,175
	<u>27,030</u>
Long term borrowings:	
<u>Unsecured</u>	
- term loans	2,649
Total borrowings	<u><u>29,679</u></u>

B8. Material litigation

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

B9. Dividends

The Board of Directors does not recommend any dividend for the current financial quarter. No interim dividend was declared in the previous corresponding period.



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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>4,540</u>	<u>15,982</u>
Weighted average number of, ordinary shares of RM0.50 each	('000)	<u>235,625</u>	<u>235,858</u>
Basic earnings per share of RM0.50 each	(sen)	<u>1.93</u>	<u>6.78</u>

B11. Realised and unrealised retained earnings

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000 (restated)
Total retained earnings of Company and its subsidiaries		
- realised	101,661	92,243
- unrealised	<u>(43,588)</u>	<u>8,494</u>
	58,073	100,737
Less: consolidated adjustment	<u>(5,013)</u>	<u>(5,046)</u>
	<u>53,060</u>	<u>95,691</u>

By Order of the Board
GW PLASTICS HOLDINGS BERHAD

Lee Ying Fong
Company Secretary

Dated: 9 November 2012