

THE ADMISSION OF JISHAN BERHAD TO THE LEAP MARKET WAS ADVISED BY OUR APPROVED ADVISOR, WYNCORP ADVISORY SDN. BHD.



(Registration No. 201901013612 (1322940-P))
(Incorporated in Malaysia under the Companies Act, 2016)

**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS
FOR THE 6-MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2022**

**(APPENDIX 6A, PART A OF THE LEAP MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD)**

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES
BERHAD (“BURSA SECURITIES”)**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY JISHAN BERHAD (“JISHAN” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾
AS AT 30 JUNE 2022**

	Unaudited 30.06.2022 RM'000	Audited 31.12.2021 RM'000
Non-current assets		
Property, plant, and equipment	75,519	65,216
Right-of-use assets	11,234	12,082
Investment in associate	24	-
Lease receivables	361	12
	<u>87,138</u>	<u>77,310</u>
Current assets		
Inventories	11,516	9,030
Trade and other receivables	24,228	20,635
Lease receivables	80	19
Current tax assets	751	519
Cash and bank balances	1,275	5,234
	<u>37,850</u>	<u>35,437</u>
TOTAL ASSETS	<u>124,988</u>	<u>112,747</u>
Equity		
Share capital	29,973	29,973
Reserves	20,707	16,376
Total equity	<u>50,680</u>	<u>46,349</u>
Non-current liabilities		
Other payables	1,333	1,777
Borrowings	38,575	32,458
Deferred tax liabilities	2,746	1,833
Lease liabilities	3,909	4,655
	<u>46,563</u>	<u>40,723</u>
Current Liabilities		
Trade and other payables	9,981	10,933
Borrowings	15,181	11,658
Lease liabilities	2,410	3,061
Current tax liabilities	173	23
	<u>27,745</u>	<u>25,675</u>
Total Liabilities	<u>74,308</u>	<u>66,398</u>
TOTAL EQUITY AND LIABILITIES	<u>124,988</u>	<u>112,747</u>
Net assets per ordinary share attributable to owners of Jishan ⁽²⁾ (sen)	21.55	19.71

Notes

- (1) *The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited combined financial statements for the financial year ended 31 December 2021 ("FYE 2021") and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Net assets per share is calculated based on the Company's number of ordinary shares currently in issue of 235,151,002 shares.*

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME⁽¹⁾ FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2022 (UNAUDITED)**

	Individual 6-months ended		Cumulative 6-months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	50,473	39,699	50,473	39,699
Cost of sales	(39,579)	(29,768)	(39,579)	(29,768)
Gross profit	10,894	9,931	10,894	9,931
Other income	730	490	730	490
Administrative and other expenses	(3,937)	(3,449)	(3,937)	(3,449)
Selling and distribution expenses	(959)	(591)	(959)	(591)
Finance costs	(1,234)	(1,057)	(1,234)	(1,057)
Profit before taxation	5,494	5,324	5,494	5,324
Taxation	(1,163)	(733)	(1,163)	(733)
Profit for the financial period / Total comprehensive income	4,331	4,591	4,331	4,591
Earnings per share attributable to owners of Jishan				
- Basic ⁽²⁾ (sen)	1.84	1.95	1.84	1.95
- Diluted ⁽²⁾ (sen)	N/A	N/A	N/A	N/A

Notes

- (1) *The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited combined financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Earnings per share is calculated based on the Company's number of ordinary shares currently in issue of 235,151,002 shares.*

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

	Share capital RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2021	29,973	(19,708)	26,980	37,245
Total comprehensive income for the financial period	-	-	4,591	4,591
At 30 June 2021	29,973	(19,708)	31,571	41,836
At 1 January 2022	29,973	(19,708)	36,084	46,349
Total comprehensive income for the financial period	-	-	4,331	4,331
At 30 June 2022	29,973	(19,708)	40,415	50,680

Note

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited combined financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

	Cumulative 6-months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,494	5,324
<u>Adjustments for:</u>		
Depreciation	3,550	2,838
Gain on disposal of property, plant and equipment	(107)	(7)
Gain on lease termination	(1,175)	-
Unrealised loss/(gain) on foreign exchange	31	(6)
Interest income	(95)	(2)
Interest expense	1,234	1,057
Reversal of Impairment loss on receivables	-	(17)
	<hr/>	<hr/>
Operating profit before working capital changes	8,932	9,187
Increase in inventories	(2,486)	(5,558)
(Increase)/decrease in trade and other receivables	(3,593)	677
Increase in lease receivable	(410)	-
(Decrease)/increase in trade and other payables	(1,396)	2,369
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Cash generated from operations	1,047	6,675
Interest received	95	-
Interest paid	(172)	(194)
Tax paid	(332)	(647)
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Net cash generated from operating activities	638	5,834
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	2
Proceeds from the disposal of property, plant and equipment	107	14
Purchase of property, plant and equipment	(12,715)	(6,295)
Purchase of right-of-use assets	-	(717)
Investment in associate	(24)	-
	<hr/>	<hr/>
Net cash used in investing activities	(12,632)	(6,996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown from:		
- bankers' acceptance	12,411	9,722
- term loans	8,863	-
Repayments of:		
- bankers' acceptance	(9,101)	(8,057)
- term loans	(1,757)	(987)
- lease liabilities	(662)	(989)
Interest paid	(913)	(806)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	8,841	(1,117)



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (UNAUDITED)**

	Individual 6-months ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Net decrease in cash and cash equivalents	(3,153)	(2,279)
Cash and cash equivalents at beginning of the financial period	2,764	1,300
Effects of exchange rate changes on cash and cash equivalents	(31)	6
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial period	(420)	(973)
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Cash and cash equivalents comprise the following:		
Cash and bank balances	1,275	737
Bank overdraft	(1,695)	(1,710)
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	(420)	(973)
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Note

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited combined financial statements for the FYE 2021 and the accompanying explanatory notes attached to this interim financial report.

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SECTION A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements as contained in this interim financial report are unaudited and have been prepared under the historical cost convention method unless otherwise stated. Any discrepancies in the tables between the amounts listed and the totals in this interim report are due to rounding.

These unaudited interim combined financial statements have been prepared in accordance with the requirements of MFRS 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Part C, Rule 6.12 and Appendix 6A of the LEAP Market Listing Requirements issued by Bursa Securities.

These unaudited interim combined financial statements should be read in conjunction with the audited combined financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report. The explanatory notes contained herein provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of the unaudited combined interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2021, except for the adoption of the following MFRSs and Amendments to MFRSs as disclosed below:

- Annual Improvements to MFRS Standards 2018 – 2020
- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

The adoption of the above MFRS and Amendments to MFRSs did not have any significant financial impact to the Group.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not early adopted by the Group:

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- Amendments to MFRS 17 *Insurance Contracts*
- Amendment/ to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liability as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Deferred (date to be determined by MASB)

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the Group's most recent annual audited combined financial statements for the financial year ended 31 December 2021 were not subject to any qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATION

Generally, our Group's business is not subject to any significant cyclical or seasonal trend.

A5. UNUSUAL ITEMS

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

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial years that have a material impact on the financial period under review.

A7. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the financial period under review.

A8. DIVIDEND PAID

No dividend has been paid or declared by the Group for current financial period.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of the financial period under review that have not been reflected in this interim financial report.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

On 28 March 2022, the Group through its wholly owned subsidiary, JSP Plas Sdn Bhd, invested in 35,000 ordinary shares in FNM Industry Sdn Bhd, representing 35% of the issued share capital for total consideration of RM 35,000. FNM Industry Sdn Bhd is newly incorporated under Companies Act 2016 on 25 Feb 2022, with principal activity of manufacturing and trading of medical and non-medical products. The rationale for the acquisition is to enlarge the revenue contribution of face mask products.

A11. CHANGES IN CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report.



A12. CAPITAL COMMITMENTS

As at 30 June 2022, our Group's capital commitments in respect of property, plant and equipment which were not provided in the interim combined financial statements are as follows:

	RM'000
In respect of property, plant and equipment:	
- Contracted but not provided for	3,644
- Approved but not contracted for	-
	3,644

A13. SEGMENT INFORMATION

For the purpose of Note A13, the definitions are summarised as follows:

Paper Packaging Products : Packaging products manufactured using any form of paper materials.

Plastic Packaging Products : Packaging products manufactured using plastic materials.

PPE – Face Mask : Personal protective equipment, primarily consist of face mask.

Trading : Distributing, trading, or supplying packaging products and all other kinds of goods of any nature.

(i) Revenue

Our Group, through our Subsidiaries, is principally involved in the processing of Paper and Plastic Packaging Products. Our sales are wholly derived domestically within Malaysia.

By product

The following table sets out the breakdown of our Group's revenue by product:

	6-months period ended			
	30.06.2022		30.06.2021	
	RM'000	%	RM'000	%
Paper Packaging Products	32,706	64.80	30,103	75.83
Plastic Packaging Products	16,784	33.25	8,925	22.48
PPE – Face Mask	218	0.43	667	1.68
Trading	765	1.52	4	0.01
Total	50,473	100.00	39,699	100.00



(ii) Cost of sales

By product

The following table sets out the breakdown of our Group's cost of sales by product:

	6-months period ended			
	30.06.2022		30.06.2021	
	RM'000	%	RM'000	%
Paper Packaging Products	26,040	65.79	24,469	82.20
Plastic Packaging Products	12,726	32.15	4,976	16.72
PPE – Face Mask	141	0.36	320	1.07
Trading	672	1.70	3	0.01
Total	39,579	100.00	29,768	100.00

(iii) Gross profit ("GP") and GP margin

The following tables set out the breakdown of our Group's GP and GP margin by product:

GP	6-months period ended			
	30.06.2022		30.06.2021	
	RM'000	%	RM'000	%
Paper Packaging Products	6,666	61.19	5,634	56.73
Plastic Packaging Products	4,058	37.25	3,949	39.77
PPE – Face Mask	77	0.71	347	3.49
Trading	93	0.85	1	0.01
Total	10,894	100.00	9,931	100.00

GP margin	6-months period ended	
	30.06.2022	30.06.2021
	%	%
Paper Packaging Products	20.38	18.72
Plastic Packaging Products	24.18	44.25
PPE – Face Mask	35.32	52.02
Trading	12.16	25.00
Overall GP margin	21.58	25.02



SECTION B – ADDITIONAL INFORMATION REQUIRED BY THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. ANALYSIS OF PERFORMANCE

Revenue

For the 6-months period ended 30 June 2022 (“1HFY22”), our Group’s revenue increased by approximately RM10.77 million or 27.13% to RM50.47 million as compared to total revenue of RM39.70 million for the corresponding period in the preceding year, mainly due to improved sales performance for Paper Packaging Products, Plastics Packaging Products and Trading Products; in line with the expansion of business model to Business-To-Consumer Model (B2C) via retail stores set up through our wholly owned subsidiary, Jishan Packaging Hub Sdn Bhd.

Gross profit (“GP”)

Backed by the revenue growth, our Group’s GP increased by approximately RM0.96 million or 9.67% to RM10.89 million for 1HFY22 (6-months period ended 30 June 2021: RM9.93 million).

Our overall GP margin for 1HFY22 stood at 21.58%, lower as compared to the GP margin recorded for the corresponding period in the preceding year; mainly due to decrease in GP margin for Plastic Packaging Products and Trading Products as a result of rising costs.

Taxation

	6-months period ended	
	30.06.2022	30.06.2021
	RM’000	RM’000
Overall tax expenses	1,163	733
Effective tax rate (%)	22.45	13.77

Our Group’s overall tax expenses increased by approximately RM0.43 million or 58.90% to RM1.16 million as compared to the overall tax expenses of RM0.73 million for the corresponding period in the preceding year; representing an effective tax rate of 22.45% for the 1HFY22.

Our effective tax rate for 1HFY22 was higher as compared to the corresponding period in the preceding year, mainly due to decrease in reinvestment allowance.

Profit after tax (“PAT”)

For the 1HFY22, our Group’s PAT decreased by approximately RM0.26 million or 5.66% to RM4.33 million (6-months period ended 30 June 2021: RM4.59 million). The decrease in PAT performance was primarily caused by:

- i. Pricing and marketing strategies to setup B2C business model.
- ii. Increase in purchase price of raw material due to macroeconomics factor such as globally material shortage, inflation and political instability.



B2. PROSPECTS

With Malaysia and the global economies moving into gradual recovery from the impact and disruption caused by the COVID-19 pandemic following the relaxation of the lockdown measures upon the increase in number of vaccinated individuals, market activities and private consumptions are expected to be in positive growth momentum.

Based on the second quarter bulletin issued by Bank Negara Malaysia, the Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While the GDP was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and ongoing policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders.

(Source: BNM Quarterly Bulletin Vol. 37 No. 2, Second Quarter 2022, Bank Negara Malaysia)

Furthermore, the Paper and Plastic Packaging Products industries in Malaysia are mature and stable industries. Moving forward, the industry size of the Paper Packaging Products industry is forecasted to grow at compounded annual growth rate (“**CAGR**”) of 5.2% between 2020 and 2022, to reach RM5.2 billion in 2022; whilst industry size of the Plastic Packaging Products industry is forecasted to grow at CAGR of 7.9% between 2020 and 2022, to reach RM6.4 billion in 2022.

Our Board is of the opinion that our Group is well-positioned to capture future growth opportunities for the industry that we operate in, by leveraging on our Group’s competitive strengths. Additionally, our Board will continue to focus on strengthening its operational efficiencies and implement strict compliance with standard operating procedures in our Group’s operation to safeguard the health and safety of employees. Barring any unforeseen circumstances, our Board is cautiously optimistic that our Group’s performance will remain stable and encouraging for the financial year ending 31 December 2022.

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SECTION C – OTHER INFORMATION

C1. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but pending completion as at the date of this report.

C2. UTILISATION OF PROCEEDS

As at the date of this report, there are no outstanding proceeds raised from corporate proposal which has yet to be fully utilised.

C3. MATERIAL LITIGATION

On 28 April 2022, the Company announced that Jishan Packaging Hub Sdn. Bhd. ("**JPH**" or "**Defendant**") (a wholly owned subsidiary of the Company) had, on 4 April 2022, been served with a sealed Writ of Summons (No. WA-22IP-12-03/2022) accompanied by a Statement of Claim, both dated 31 March 2022 from Messrs NG, ARLENE TAN & LEONG, the solicitors of Yang Chang Kwong and Wang, Chih-Shun ("**Plaintiffs**"). JPH has appointed Messrs. Chua & Ng as the solicitors for legal advice to resolve and/or defend against this matter. JPH, through its solicitors, has filed the Memorandum of Appearance and the Statement of Defence with the Kuala Lumpur High Court on 12 April 2022 and 27 April 2022 respectively.

The circumstances leading to the filing of the sealed Writ of Summons and Statement of Claim was due to the fact that JPH was being accused of storing, offering and making available for sale egg tray which infringed the design features and configurations owned by the Plaintiffs that have been registered with the Intellectual Property Corporation of Malaysia (as set out within Malaysian Industrial Design Registration No. 18-00995-0101) ("**Plaintiffs' Industrial Design**").

The Group is denying any infringement and is seeking to defend against the allegations. The Group is at the stage of refining the prototype of egg tray and has yet to commercialise the sale of egg tray. The prototype was produced based on the Group's internal designs and specifications, for which the Group has submitted an application to Intellectual Property Corporation of Malaysia (MyIPO) for registration of the industrial design.

The Board of Directors of the Company ("**Board**") is of the opinion that the Group will succeed in its defence against the allegations. Barring any unforeseen circumstances, in the event the court judgement is unfavourable against the Group, the Board does not anticipate the compensation/claim amount would result in any material impact to the Group's financial performance and position. In this context, the Board does not anticipate the amount to be in excess of RM200,000 being the amount originally sought by the Plaintiffs prior to the filing of Writ of Summons and Statement of Claim.

On 5 May 2022, the Company further announced that there is no prescribed amount and no interest rate stipulated within the Writ of Summons and Statement of Claim, as the Plaintiffs are seeking for the amount to be determined by the Court. For reference purposes, based on the Chief Justice of Malaysia Practice Direction No. 1 of 2012 Determination of Interest Rate under the Rules of Court 2012, the Company expects the interest rate to be at 5% per annum in the event the court judgement is unfavourable against the Group.

Further announcement(s) to Bursa Malaysia Securities Berhad on any material development on the above will be made in due course, where applicable.