

Financial Year End	31/12/2014
Reporting Period Ending	30/06/2014
Reporting Quarter	2Q-2014

Recommendation	HOLD
Target Price (MYR)	0.22
Current Price (MYR)	0.33

Industry Group	Housewares
Industry Sub Group	Housewares

Key Company Statistics	
Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Issued Capital (mn shares)	236.6
Market Capitalisation (MYR mn)	76.9
52 week High (MYR)	0.37
52 week Low (MYR)	0.14
Average Volume (3 month) '000	2,400.0
1 Yr Return (%)	131.1

Major Shareholders (%)	
Hsiao Family	59.1
Ng Shw u Ching	0.3
Yiew Kiang Chong	0.0

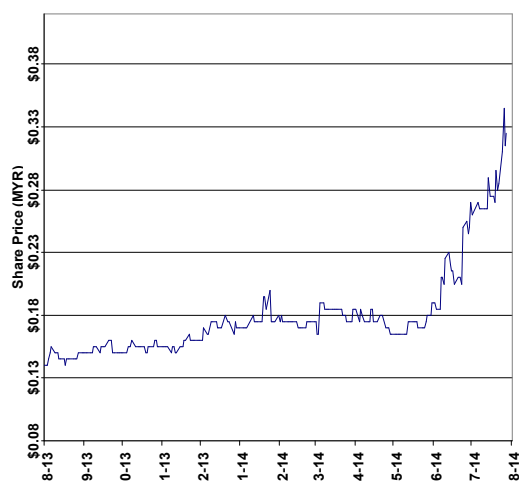
FTSE-BURSA INDEX MEMBERSHIP

FBMKLCI	FBM70	FBMEMAS	FBMHJRAH
No	No	No	No

REPORT INDEX

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SHARE PRICE LAST 12 MONTHS (MYR)



MALAYSIA EQUITY NI HSIN RESOURCES BHD

RESULTS REPORT

YTD 2Q FY14 revenue fell 27.4% vs YTD 2Q FY13. Cookware and clad metal sales were sharply lower, though good gains were seen in the convex mirror division. Over the last several quarters NHR has been developing new markets in North America, Europe and Australia with good results. However, gains in convex mirror sales were not sufficient to offset sharp declines in cookware and clad metal. Though sales weakened in Europe and Malaysia, they grew a bit in Japan, NHR's largest market. Consumer sentiment in Japan and elsewhere remains fragile, as wage growth is weak, whilst the cost of living and taxes are both rising around the region.

INVESTMENT RISKS

Risks to our recommendation and target price include: i) significant strengthening in the MYR exchange rate, ii) rising promotional costs, iii) a sharp slowdown in the general level of economic activity in Malaysia, Japan, North America, Europe or Australia, and iv) continued rises in stainless steel prices would be an additional concern.

RECOMMENDATION

Though Ni Hsin Resources Bhd has made good progress in its marketing efforts, consumer sentiment in Japan and elsewhere in Asia is turning more defensive. Growth in clad metal and convex mirror sales is unlikely to fully compensate for weak cookware demand. We maintain our HOLD recommendation but increase our fair value to MYR 0.22. Over the period Jun-Aug 2014 significant buying interest emerged for shares of both NHR and Cam Resources Bhd - the two leading cookware producers - see page 5 for more details.

The company's up to date manufacturing assets alone are worth some MYR 0.15 per share. The balance sheet is very clean, and management should be able to maintain dividends at the current level. Unless capacity utilisation increase further in the quarters ahead, net margins will remain depressed. One bright spot is NHR's good balance sheet and respectable dividend - at current prices NHR yields about 3%.

COMPANY PROFILE

Ni Hsin Resources Bhd ("NHR") is one of the leading cookware manufacturers listed in Malaysia. The company has its roots in Taiwan, and was incorporated in Malaysia in 1989 and listed in 2005. About 10% of total revenue is realised in Malaysia, with Japan and Europe accounting for the lion's share of the company's substantial export revenue. Group YTD 2Q FY14 revenue comprised 41.5% cookware products, 19.8% convex mirrors, 37.0% clad metal and 1.9% other. (see page five)

ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2012	2013	2014F	2015F
Revenue	49.9	55.2	42.5	46.7
Revenue g (%)	26.0	10.4	-23.0	10.0
Net Profit	0.9	2.3	0.6	2.0
Net Profit g (%)	na	>100	-73.9%	>100
Dividends Paid	2.3	2.3	2.3	2.3
Owners' Equity	60.4	60.1	58.5	58.2
Total Liabilities	12.8	15.4	13.7	13.9
Debt/Equity (%)	21.3	25.6	23.4	23.8
EPS (sen)	0.4	1.0	0.3	0.9
P-S (x)	0.7	0.7	1.8	1.6
P-E (x)	38.5	16.9	127.3	37.5
P-BV (x)	0.5	0.6	1.3	1.3
ROE %	1.4	3.9	1.0	3.5

MALAYSIA EQUITY
NI HSIN RESOURCES BHD

QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)

FY Dec	2Q-14	2Q-13	Q-o-Q %chg	YTD FY14	YTD FY13	Y-o-Y %chg
Revenue	9.5	12.8	-25.4	19.9	27.4	-27.4
Operating Profit	0.4	0.9	-60.2	0.1	1.3	-96.0
Other Income	0.0	0.0	na	0.0	0.0	na
Share of Associates	0.0	0.0	na	0.0	0.0	na
Depreciation/Amort'n	-0.7	-0.7	-6.0	-1.3	-1.3	-2.0
Finance Costs	-0.1	-0.1	-34.9	-0.1	-0.2	-38.0
Pre Tax Profit	0.3	0.8	-62.7	0.0	1.2	na
Tax	-0.2	-0.2	na	-0.3	-0.5	-23.8
Minority Interest	0.0	0.0	na	0.0	0.0	na
Net Profit to S'holders	0.2	0.6	-74.7	-0.4	0.7	na
Dividends	0.0	0.0	na	0.0	0.0	na
EPS (sen)	0.1	0.3	-74.7	-0.2	0.3	na
DPS (sen)	0.0	0.0	na	0.0	0.0	na
Operating Margin (%)	3.9	7.3	-46.6	0.3	4.9	-94.5
Net Margin (%)	1.6	4.8	-66.0	-2.0	2.7	na
Effective Tax Rate (%)	51.1	27.9	na	na	37.8	na
NTA/share (RM)				0.24	0.25	-2.6

Comments
Revenue down 27.4% YTD 2Q 2014 vs YTD 2Q 2013. Lower cookware and clad sales not offset by higher mirror sales. Convex mirror sales were a small bright spot; however they account for less than 20% of total sales. On a brighter note, sales have recovered somewhat in Japan, NHR's largest market.
Operating margins have recovered versus 1Q 2014, but remain weak.

COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)

Current FY Ending	Ni Hsin Resources Bhd Dec-14	Cam Resources Dec-14
Revenue	42.5	230.1
Net Profit	0.6	3.0
Owners' Equity	58.5	96.6
Dividends	2.3	0.0
Market Cap	76.9	54.1
P-S (x)	1.8	0.2
P-E (x)	127.3	18.0
P-BV (x)	1.3	0.6
Div Yield (%)	3.0	0.0
Net Margins (%)	1.4	1.3
ROE (%)	1.0	3.1
Payout Ratio (%)	na	0.0
Debt/Equity (%)	23.4	66.7

*Consensus data used for peers where available

MALAYSIA EQUITY
NI HSIN RESOURCES BHD**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Dec	2012	2013	2014F	2015F
Revenue	49.9	55.2	42.5	46.7
Operating Profit	1.7	3.9	1.5	3.0
Other Income	0.0	0.0	0.0	0.0
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-2.8	-2.7	-2.9	-3.2
Finance Costs	-0.2	-0.3	-0.2	-0.3
Pre Tax Profit	1.5	3.6	1.3	2.7
Tax	-0.6	-1.4	-0.7	-0.7
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	0.9	2.3	0.6	2.0
Operating Margin (%)	3.4	7.2	3.5	6.4
PBT Margin (%)	3.0	6.6	3.0	5.8
Net Margin (%)	1.7	4.2	1.4	4.4
Effective Tax Rate (%)	na	na	52.8	25.0

BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

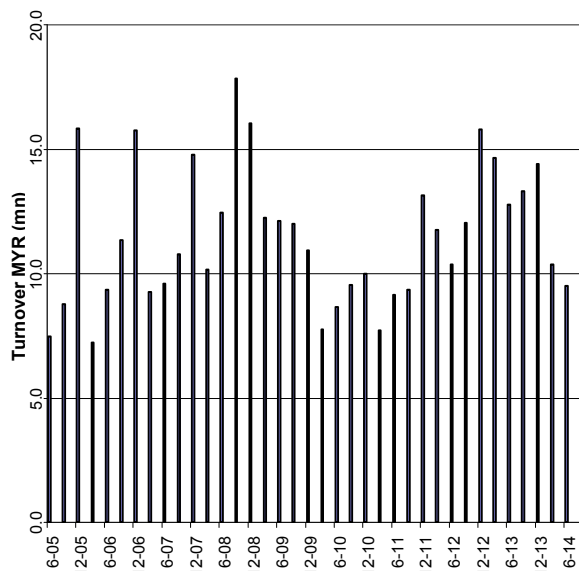
FY Dec	2012	2013	2014F	2015F
Total Assets	73.2	75.5	72.2	72.1
Fixed Assets	35.1	34.1	33.9	35.3
Current Assets	33.0	36.3	33.2	31.7
Other LT Assets	5.1	5.1	5.1	5.1
Current Liabilities	11.0	13.2	11.5	11.7
LT Liabilities	1.9	2.2	2.2	2.2
Total Liabilities	12.8	15.4	13.7	13.9
Share Capital	47.3	47.3	47.3	47.3
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	60.4	60.1	58.5	58.2
Total Equity	60.4	60.1	58.5	58.2
Total Liabilities & Equity	73.2	75.5	72.2	72.1

PER SHARE DATA (All figures in sen unless otherwise indicated)

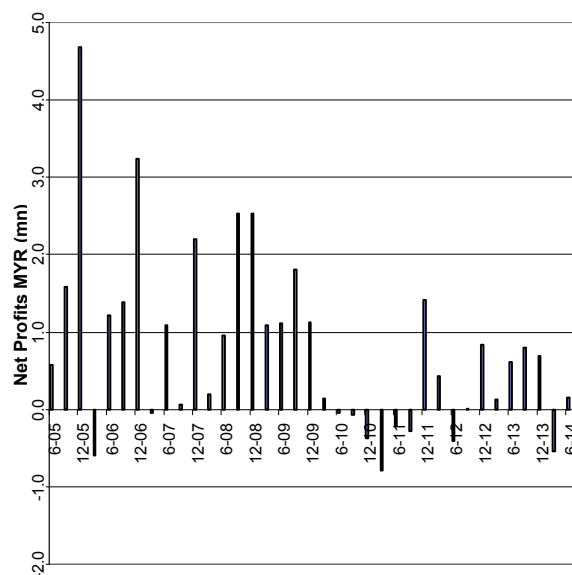
FY Dec	2012	2013	2014F	2015F
Revenue	21.1	23.3	18.0	19.8
Cash Flow	1.5	2.1	1.5	2.2
Earnings	0.4	1.0	0.3	0.9
Dividends	1.0	1.0	1.0	1.0
Book Value	25.5	25.4	24.7	24.6
Payout (%)	na	na	na	na
P-S (x)	0.7	0.7	1.8	1.6
P-CF (x)	9.1	7.9	21.8	14.7
P-E (x)	38.5	16.9	127.3	37.5
P-BV (x)	0.5	0.6	1.3	1.3
Dividend Yield (%)	7.0	5.9	3.0	3.0
ROE (%)	1.4	3.9	1.0	3.5
Total Debt/Equity (%)	21.3	25.6	23.4	23.8

MALAYSIA EQUITY
NI HSIN RESOURCES BHD

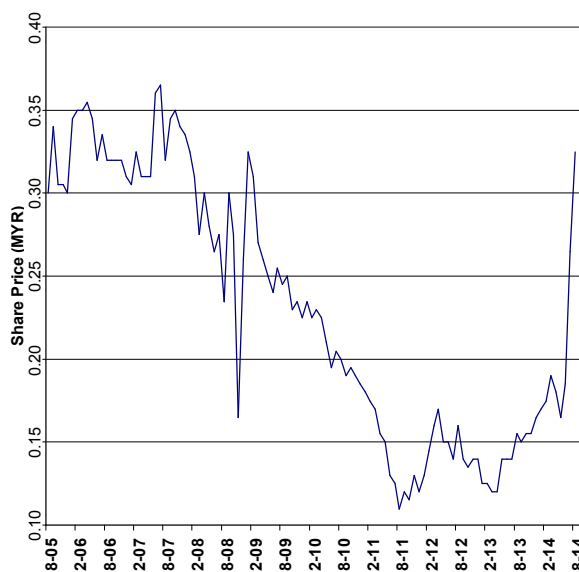
REVENUE - QUARTERLY LAST 9 YEARS (MYR mn)



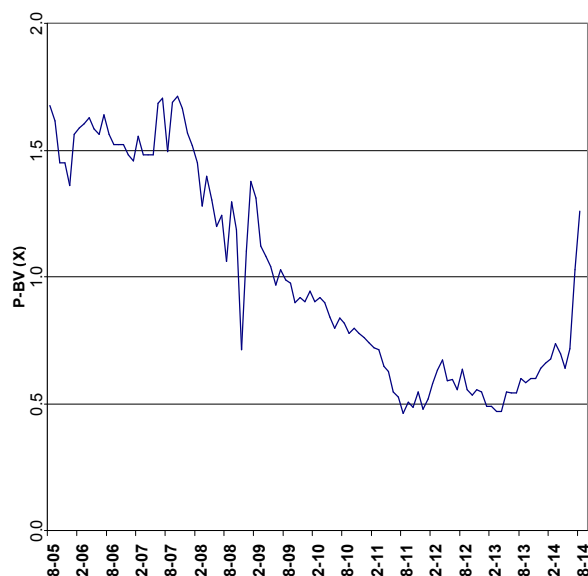
NET PROFIT - Q'TERLY LAST 9 YRS (MYR mn)



SHARE PRICE - MONTHLY - LAST 9 YEARS (MYR)



P-BV (X) - MONTHLY - LAST 9 YEARS



MALAYSIA EQUITY
NI HSIN RESOURCES BHD
SEGMENT RESULTS AND RECENT COMPANY NEWS
Sales By Segment

Cookware sales in all of NHR's major markets - Japan, Asia Pacific ex Japan - have been seriously affected by lower consumer confidence and purchasing power. Clad metal sales have also deteriorated, reflecting the same conditions. The one bright spot has been the mirror division; however the mirror division accounts for less than 20% of total sales. Management has done a commendable job in controlling costs, and was able to achieve a small, but positive operating margin in 2Q 2014 even whilst sales fell sharply.

Recent Changes in Volume Traded

Over the past three months, we have seen an extraordinary increase in the volume traded in both NHR and Cam Resources Bhd - the only cookware producers listed in Malaysia. In addition, the share price of NHR increased from the 18-20 sen level in 1Q 2014 to well above 30 sen over the past few weeks. Although revenue growth at NHR may surprise a bit on the upside, the sharp increase in NHR's share price is somewhat puzzling. A number of local and foreign investors have visited NHR's factory recently, and perhaps they see better prospects than we do. For example, profits are rising nicely at Cam Resources Bhd owing to diversification away from cookware sales - hinting that cookware demand may remain tepid. We maintain our HOLD recommendation but raise our fair value slightly in respect of substantially increased liquidity.

MYR (000s)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014E	FY14 / FY10 5yr cagr%
Cookware	24,689	25,766	31,181	33,699	20,400	-3.7%
Convex Mirror	7,066	8,051	9,427	8,496	9,900	7.0%
Clad Metal	11,119	12,498	15,505	22,366	19,000	11.3%
Other	210	742	3,366	1,092	1,201	41.7%
Rev. Including Inter-segment	43,084	47,057	59,479	65,653	50,501	3.2%
Eliminations	-7,109	-7,274	-9,546	-10,503	-8,000	2.4%
Total Revenue	35,975	39,783	49,933	55,150	42,501	3.4%
Annual Change	-24.0%	10.6%	25.5%	10.4%	-22.9%	

ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	FairValue	Price At Recommendation Date	% Price Change Since Prior Recommendation
NHR MK Equity	24-Feb-11	HOLD	0.17	0.17	
NHR MK Equity	11-Apr-11	BUY	0.27	0.15	-11.8%
NHR MK Equity	19-May-11	BUY	0.23	0.15	0.0%
NHR MK Equity	16-Aug-11	BUY	0.23	0.12	-23.3%
NHR MK Equity	21-Nov-11	BUY	0.23	0.12	0.0%
NHR MK Equity	27-Feb-12	BUY	0.23	0.13	13.0%
NHR MK Equity	23-May-12	HOLD	0.20	0.18	34.6%
NHR MK Equity	24-Aug-12	HOLD	0.18	0.16	-8.6%
NHR MK Equity	20-Nov-12	HOLD	0.18	0.14	-15.6%
NHR MK Equity	20-Feb-13	BUY	0.18	0.12	-11.1%
NHR MK Equity	22-May-13	HOLD	0.18	0.15	25.0%
NHR MK Equity	19-Aug-13	BUY	0.18	0.14	-10.0%
NHR MK Equity	18-Nov-13	BUY	0.19	0.16	14.8%
NHR MK Equity	26-Feb-14	BUY	0.21	0.18	16.1%
NHR MK Equity	21-May-14	HOLD	0.18	0.17	-5.6%
NHR MK Equity	21-Aug-14	HOLD	0.22	0.33	91.2%
Return Since Inception of Coverage					108.8%



ANALYST'S DISCLOSURE

BUY: Share price may exceed 10% over the next 12 months

TRADING BUY: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

HOLD: Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT: Target price has been attained. Look to accumulate at lower levels

SELL: Share price may fall by more than 10% over the next 12 months

NOT RATED (NR): Stock is not within regular research coverage

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