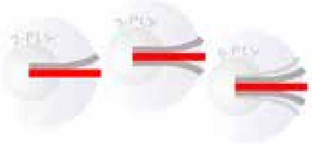
NI HSIN

ANNUAL REPORT 2016

Essence Through Traditionalism
Splendor Through Ordinary





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Corporate Information

BOARD OF DIRECTORS

RIZVI BIN ABDUL HALIM
Independent Non-Executive Chairman

CHEN SHIEN YEE
Managing Director

NG SHWU CHING
Executive Director

DATIN IDA SUZAINI BINTI ABDULLAH
Non-Independent Non-Executive Director

DATUK TAN CHOON HWA
Non-Independent Non-Executive Director

LEOW CHAN KHIANG
Independent Non-Executive Director

RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN
Independent Non-Executive Director

COMPANY SECRETARIES
Tai Yit Chan (MAICSA 7009143)
Chan Su San (MAICSA 6000622)

REGISTERED OFFICE
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03 – 7720 1188
Fax : 03 – 7720 1111

BUSINESS ADDRESS
45, Jalan Taming Dua
Taman Taming Jaya
43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia
Tel : 03 – 8961 6815
Fax : 03 – 8961 3941
Email: info@ni-hsin.com
Website: www.ni-hsin.com

SHARE REGISTRAR
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03 – 2783 9299
Fax : 03 – 2783 9222

Bina Management (M) Sdn Bhd (50164-V)
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03 – 7784 3922
Fax : 03 – 7784 1988
(Appointed on 30 April 2017)

AUDITORS
KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016)
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

SOLICITORS
Soo Thien Ming & Nashrah
Level 9, Menara Bangkok Bank
Berjaya Central Park
105, Jalan Ampang
50450 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS
CIMB Bank Berhad (13491-P)
2468, Jalan Mutiara Timur Satu
Taman Mutiara Cheras
56100 Kuala Lumpur, Malaysia

United Overseas Bank (Malaysia) Berhad (271809-K)
Bangunan UOB Medan Pasar
10-12 Medan Pasar
P.O. Box 11378
50744 Kuala Lumpur, Malaysia

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Name : NIHSIN
Stock Code : 7215

Corporate Structure

Ni Hsin Resources Berhad ("NHR")
(Company No. 653353-W)
Incorporated in Malaysia

Investment Holding Company

100% — **Ni Hsin Corporation Sdn Bhd ("NHC")**
(Company No. 185578-V)
Incorporated in Malaysia

Cookware Division
Design, manufacture and sale of stainless steel kitchenware and cookware

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100% — **Ever-Grow Advanced Materials Sdn Bhd ("EGAM")**
(Company No. 545564-A)
Incorporated in Malaysia

Convex Mirror & Clad Metal Division
Research, development and manufacture of clad metals and stainless steel convex mirrors

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100% — **Steel Crafts Europa S.R.L. ("SCE")**
(Company No. BS-513499)
Incorporated in Italy

Trading and assembly of kitchenware, cookware, clad metals and stainless steel convex mirrors

> **100%** — **Pentoli S.R.L.**
> (formerly known as Kit-Zen S.R.L.)
> (Company No. BS-542138)
> Incorporated in Italy
>
> Retail sales of kitchenware, tableware and cookware, water filter and related products and accessories

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100% — **Inoco Resources Sdn Bhd ("INOCO")**
(Company No. 1117556-H)
Incorporated in Malaysia

General merchandiser and other commodities of all kinds and descriptions and retailer.

70% — **MyAngkasa Ni Hsin Sdn Bhd**
(Company No. 1169517-K)
Incorporated in Malaysia

Distribution and marketing of cookware, kitchenware, water filters and related products and accessories

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100% — **Pentoli Sdn Bhd**
(Company No. 1160982-V)
Incorporated in Malaysia

Distribution and marketing of cookware, kitchenware, water filters, convex mirrors and related products and accessories

Five-Year Group Financial Highlights

Group Income Statements

The table below sets out a summary of consolidated results of the Ni Hsin Resources ("NHR") Group for the financial years ended 31 December 2012 to 31 December 2016:-

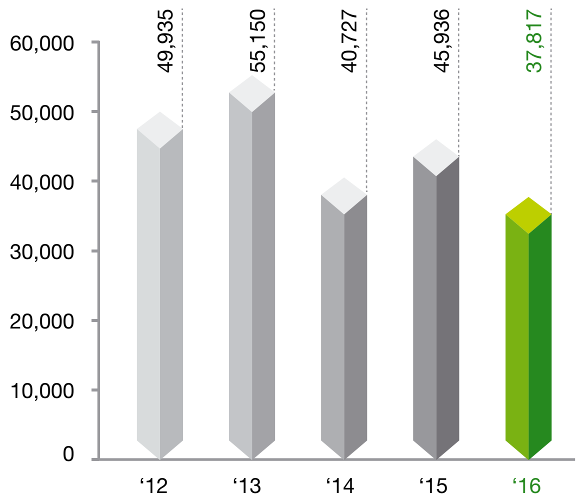
	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	49,935	55,150	40,727	45,936	37,817
Earnings/(Loss) before interest, taxation, depreciation and amortisation ("EBITDA")	4,459	6,581	3,373	5,813	(1,743)
Depreciation	(2,786)	(2,656)	(2,595)	(2,642)	(2,774)
Interest expense	(216)	(311)	(213)	(80)	(49)
Interest income	31	24	7	8	6
Profit/(Loss) Before Taxation ("PBT/(LBT)")	1,488	3,638	572	3,099	(4,560)
Taxation	(583)	(1,359)	(515)	(883)	(459)
Non-controlling interests ("NCI")	-	-	-	-	105
Profit/(loss) for the financial year attributable to owners of the Company	905	2,279	57	2,216	(4,914)
PBT/(LBT) Margin (%)	2.98	6.60	1.40	6.75	(12.06)
PAT/(LAT) after NCI Margin (%)	1.81	4.13	0.14	4.82	(12.99)
No. of ordinary shares in issue ('000)	230,958	230,958	230,958	221,649	217,480
Gross Earnings/(Loss) Per Share ("EPS"/(LPS) (sen) [1]	0.644	1.575	0.248	1.353	(2.049)
Net EPS/(LPS) (sen) [1]	0.39	0.99	0.02	0.97	(2.25)
Tax-exempt Dividends Per Share (sen)	0.50	0.50	0.50	-	-
Gross Taxable Dividends Per Share (sen)	-	-	-	-	-

[1] The gross and net EPS were calculated by dividing PBT/(LBT) and PAT/(LAT) attributable to owners of the company respectively for the financial years by the number of weighted average ordinary shares assumed in issue for the financial year.

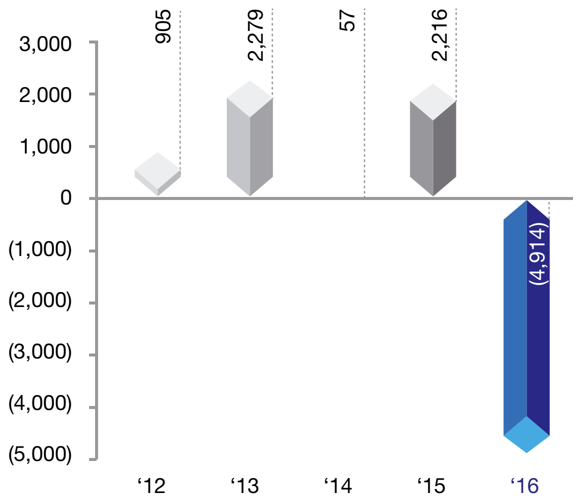
[2] There were no extraordinary or exceptional items for the financial years under review.

Five-Year Group Financial Highlights (continued)

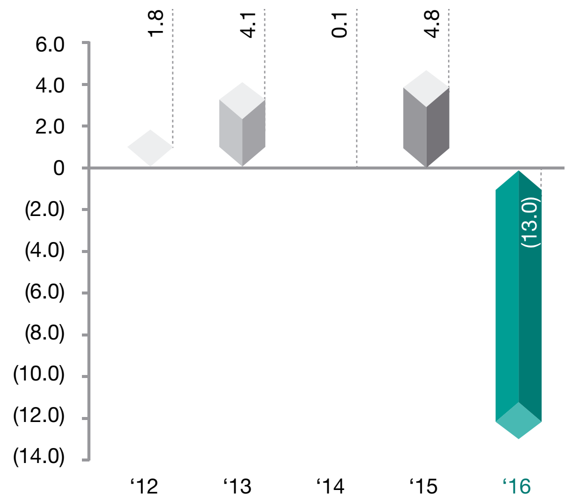
Revenue (RM'000)



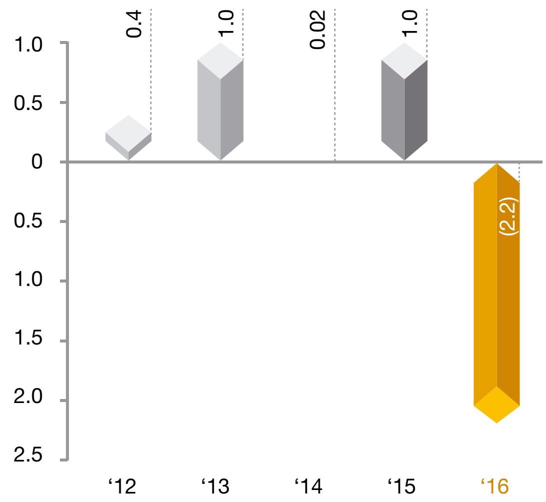
Profit/(Loss) Attributable to owners of the company (RM'000)



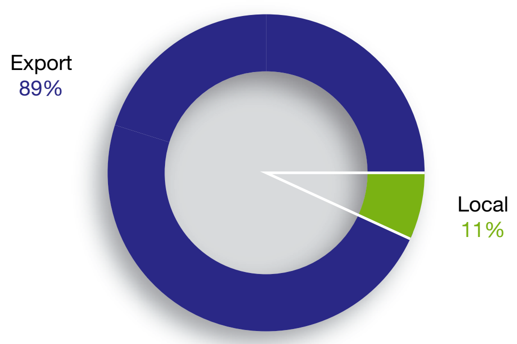
Profit/(Loss) Attributable to owners of the company After Tax Margin (%)



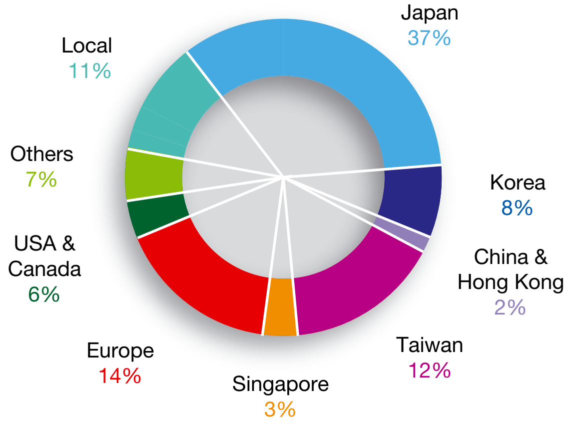
Net Earnings/(Loss) Per Share (Sen)



Local vs Export Sales 2016



Group Revenue by Country 2016



Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present you the annual report of Ni Hsin Resources Berhad ("Ni Hsin" or "the Group") for the financial year ended 31 December 2016 ("FY2016").

The FY2016 has been a challenging one for the Group with total revenue recorded at RM37.8 million, a decrease of RM8.1 million compared with financial year ended 31 December 2015 ("FY2015"). Despite the less favourable revenue achieved, the Management is confident of the potential of the Group's business going forward. We are proud of the achievements we have made thus far:

- We are a leading manufacturer of Premium Stainless Steel Multi-ply Cookware, Stainless Steel Convex Mirrors and other stainless steel related products in Asia and we aspire to be recognised worldwide.
- We attained ISO 9001 certification from S.G.S. in 1999.
- We are one of the few factories outside Japan to receive the accreditation for SG in 1992 and SG (CH-IH) in 2002.
- In 2006 we were awarded the Certificate in Quality Assurance System for our Pressure Equipment from TUV Industrie Service GmbH, Germany.

Having built a strong operating platform we believe forging strategic partnerships will help accelerate growth and value creation for customers and stakeholders in this era of global business environment. Leveraging on the innovation and network outreach of strategic partners and vice versa will help us expand exponentially. In line with this policy the following partnerships were engaged.

Inoco Resources Sdn. Bhd., a wholly owned subsidiary of Ni Hsin, had on 23 January 2017 signed an Exclusive Distributorship Agreement with Grayns Malaysia Sdn. Bhd. to distribute Grayns Starch Reducing Rice Cooker in China, Hong Kong, Singapore and Malaysia.

On 6 February 2017, Pentoli Sdn. Bhd., a wholly-owned subsidiary of the Ni Hsin, entered into an Exclusive Distributorship Agreement with Mingkeda Holding Co. Ltd. Shenzhen, China for the distribution of PENTOLI brand cookware products and NI HSIN'S stainless steel convex mirrors in China.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I wish to extend my appreciation to the Management and Staff of our Group for their contribution, dedication and commitment. I would like to take this opportunity to express my heartiest gratitude to our previous Chairman, En Md Nazir Bin Md Kassim, for his excellent contribution to the Group and also to extend a warm welcome to En Rithauddin Hussein Jamalatiff Bin Jamaluddin to the Board.

Our gratitude and sincere thanks is also extended to our valued customers, bankers, business associates, suppliers and regulatory bodies for their invaluable support, assistance and confidence in the Group. Lastly, I would also like to thank my fellow Board members for their assistance, advice and guidance.

RIZVI BIN ABDUL HALIM
Independent Non-Executive Chairman

Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Ni Hsin Group is a leading manufacturer of high quality premium stainless steel products in Asia. Our manufacturing and production facilities are located in Seri Kembangan, Selangor.

VISION

Our Group strives to be the leader in exquisite Stainless Steel Products from Asia and beyond.

PRINCIPAL ACTIVITIES OF OUR GROUP

Manufacturing of premium stainless steel products:

- Premium Stainless Steel Multi-ply Cookware ranging from pressure cookers, woks, pots and sauce pans for household and commercial use on an Original Equipment Manufacturing ("OEM") or Original Design Manufacturing ("ODM") basis;
- Multi-ply Stainless Steel Clad Metal;
- Stainless Steel Convex Mirror; and
- Stainless Steel Household Water Filtration Systems.

KEY MARKETS

Our key markets are as follows:
Japan – 37%, Asia Pacific (exclude Japan) – 43%, USA & Canada – 6%, Europe – 14%

STRATEGIES IN CREATING VALUE

The strategies adopted by the Group in 2016 were aimed at to continuously sustaining competitive advantage and include the following:

- Strengthen pricing strategy of both sales and procurement through periodic forecast and planning;
- Quality assurance and sustainable practices both in production and procurement;
- Competitive selling price for high quality products and attractive package;
- Continuous improvement in Quality Management System;
- Speedy response to customers' needs and feedback;
- Implementation of ERP system to enhance production planning and efficiency, management control and decision making thereby improving profitability; and
- Strengthen manpower quality and efficiency by providing appropriate skills and leadership training programmes.

Management Discussion And Analysis (continued)

5 YEARS FINANCIAL HIGHLIGHTS OF THE GROUP

The table below sets out a summary of consolidated results of the Ni Hsin Resources ("NHR") Group for the financial years ended 31 December 2012 to 31 December 2016:-

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Profit/(loss) for the financial year attributable to owners of the Company	905	2,279	57	2,216	(4,914)
PBT/(LBT) Margin (%)	2.98	6.60	1.40	6.75	(12.06)
PAT/(LAT) after NCI Margin (%)	1.81	4.13	0.14	4.82	(12.99)
No. of ordinary shares in issue ('000)	230,958	230,958	230,958	221,649	217,480
Gross Earnings/(Loss) Per Share ("EPS"/(LPS) (sen) [1]	0.644	1.575	0.248	1.353	(2.049)
Net EPS/(LPS) (sen) [1]	0.39	0.99	0.02	0.97	(2.25)
Tax-exempt Dividends Per Share (sen)	0.50	0.50	0.50	-	-
Gross Taxable Dividends Per Share (sen)	-	-	-	-	-

[1] The gross and net EPS were calculated by dividing PBT/(LBT) and PAT/(LAT) attributable to owners of the company respectively for the financial years by the number of weighted average ordinary shares assumed in issue for the financial year.

[2] There were no extraordinary or exceptional items for the financial years under review.

SHARE PERFORMANCE

The following table sets out the five (5) years highest and lowest transacted prices of the Shares on the Bursa Securities.

	2012	2013	2014	2015	2016
Year high (RM)	0.200	0.190	0.545	0.490	0.370
Year low (RM)	0.110	0.120	0.165	0.220	0.255
Year close (RM)	0.140	0.165	0.335	0.300	0.280
Trading volume ('000)	27,576	12,143	1,449,568	913,934	320,730
Market capitalization (as at the financial year end) (RM '000,000)	33.1	42.6	95.8	80.3	65.5

Management Discussion And Analysis (continued)

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2016, the Group achieved a total revenue of RM37.8 million which was 17.7% lower than the total revenue achieved in FY2015 of RM45.9 million. The lower revenue recorded was mainly due to decreased sales orders in the cookware and clad metal segments.

Gross Profit ("GP") margin achieved during the year remained flat compared to the previous year. The Group incurred a Loss Before Taxation ("LBT") of RM4.6 million in FY2016 against a Profit Before Taxation of RM3.1 million in FY2015. The LBT incurred in FY2016 was mainly due to the recognition of the Employees' Share Option Scheme ("ESOS") fair value of RM5.03 mil, which was a notional cost computed based on Binomial Option Pricing Model and has no impact on the cashflow and the net assets of the Group. The ESOS fair value of RM5.03 million was recognized and charged to income statement as operating expense upon the granting of ESOS to the Directors and eligible employees on 13 June 2016. Simultaneously, a Share Option Reserve of RM5.03 million was created and was classified as Non-Distributable Reserves. The other factors that contributed to the difference in profitability include sale of products with lower profit margins in FY2016 and realised gain in foreign exchange on the weakened Ringgit Malaysia in FY2015. Consequently, the Group incurred a Loss After Taxation ("LAT") of RM5.0 million in FY2016 compared to a Profit After Taxation of RM2.2 million achieved in FY2015.

The Group's net assets per share as at 31 December 2016 increased to RM0.34. The Group's non-current assets increased to RM55.71 million compared with the non-current assets of RM37.82 million as at 31 December 2015 due to recognition of fair value for landed properties of the Group. Inventories increased to RM18.64 million as at 31 December 2016 due to advance purchase of raw materials at a favourable price in anticipation of price increase. Receivables, deposits and prepayments increased marginally by RM0.30 million to RM5.58 million. The Group's net current assets was RM22.54 million as at 31 December 2016. The Group is in a positive net cash position as at 31 December 2016 with cash and cash equivalent of RM3.95 million after deducting all borrowings of the Group.

The Group's net operating cash inflow for FY2016 was RM1.53 million. The net cash outflow from investing activities was RM1.91 million, mainly due to purchases of property, plant and equipment. Net cash outflow from financing activities was RM1.52 million, mainly due to repurchase of treasury shares which was partially offset by the proceeds from exercise of warrants. The net resultant impact to the Group's cashflow was a decrease in cash of RM1.90 million during FY2016. Net cash and cash equivalents amounted to RM3.95 million as at 31 December 2016.

Management Discussion And Analysis (continued)

SALES PERFORMANCE BY DIVISION

The Group's performance by each Division for the financial year ended 31 December 2016 is as follows:

(i) Cookware

The Cookware Division's revenue for FY2016 decreased by RM6.64 million or 25.6% to RM19.28 million compared with the revenue achieved in FY2015 of RM25.92 million, as sales to the Group's key export markets declined during FY2016. The Group experienced lower sales of premium cookware to Japan which is the Group's major export market. Sales to the Asia Pacific countries (excluding Japan), Europe, USA and Canada also declined in FY2016. The cookware revenue by geographical market for the period is as follows:

	FY2016 RM'000	FY2015 RM'000	Increase/ (Decrease) RM'000	%
Japan	7,096	9,113	(2,017)	(22.1%)
Asia Pacific (excluding Japan)	10,117	14,247	(4,130)	(29.0%)
USA & Canada	1,665	1,978	(313)	(15.9%)
Europe	398	577	(179)	(31.0%)
	19,276	**25,915**	**(6,639)**	**(25.6%)**

(ii) Convex Mirror

The Convex Mirror Division achieved a revenue of RM11.13 million for FY2016, an increase of RM1.62 million compared with the revenue of RM9.51 million achieved in FY2015. The increase in revenue is attributed to higher export sales to Europe and other Asia Pacific countries.

	FY2016 RM'000	FY2015 RM'000	Increase/ (Decrease) RM'000	%
Japan	3,953	3,904	49	1.2%
Asia Pacific (excluding Japan)	4,440	3,595	845	23.5%
USA & Canada	292	218	74	33.9%
Europe	2,445	1,793	652	36.4%
	11,130	**9,510**	**1,620**	**17.0%**

(iii) Clad Metal

Clad Metal Division's revenue declined in FY2016 by RM3.10 million to RM7.41 million compared with the revenue achieved in FY2015 of RM10.51 million. Sales of clad metal declined in FY2016 mainly due to decreased orders from customers in Europe, USA and Canada, but was partially offset by increased orders from customers in Japan and Thailand. We faced stiff competition in Europe in respect of price and variant materials offered by competitors. Steadfast is the belief in the quality of our products and principles Ni Hsin did not reciprocate to the competition.

	FY2016 RM'000	FY2015 RM'000	Increase/ (Decrease) RM'000	%
Japan	2,944	1,995	949	47.6%
Asia Pacific (excluding Japan)	1,714	1,859	(145)	(7.8%)
USA & Canada	335	961	(626)	(65.1%)
Europe	2,418	5,696	(3,278)	(57.5%)
	7,411	**10,511**	**(3,100)**	**(29.4%)**

Management Discussion And Analysis (continued)

RISK FACTORS

(i) Few major Customers

Sales to our ten (10) largest customers accounted for approximately 61% of our total revenue in FY2016. Although we enjoy a good rapport with them, there can be no assurance that these customers will continue to procure the Group's products. Failure to maintain our business relationship or reduction in orders from these major customers may materially affect our operating results.

We attempt to mitigate any loss of customers by having integrated manufacturing capabilities to offer exclusive product design to our OEM/ODM customers. We face stringent production and operational audits by our customers as they require a reliable manufacturer to protect their brand name. These OEM/ODM customers would visit our R&D and manufacturing facilities and conduct stringent quality tests on the sample products before accepting us as their OEM/ODM partner. Once accepted as their OEM/ODM partner, we usually maintain long term relationships with our customers.

We also attempt to mitigate the risk of over dependency on our existing major customers by continually seeking new customers. We would also continue to enhance our value-added services propositions, improve our service levels, making regular visits to our customers to listen and respond to their needs and feedback on the products and business concerns, broaden our products range and develop a more diversified market both locally and overseas. We are also developing our own brand of premium stainless steel multi-ply cookware for the local and overseas markets, called PENTOLI.

(ii) Competition from Overseas Players

Locally there is not much direct competition among the local stainless steel cookware manufacturers. The cookware market is segregated into three (3) different segments, namely, low-end, medium range and high-end. Our Group is positioned in the high-end segment and there is no other local stainless steel cookware manufacturer in this segment. Nevertheless, low pricing from low-end and medium range manufacturers and imported high-end cookware pose a threat to our market share.

On the global front, we face competition from a few OEM and ODM high-end stainless steel cookware manufacturers such as Spring AG (Switzerland), West Bend Cookware (USA), Regal Ware Inc (USA) and Lagostina (Italy).

In recent years there has been an increasing trend of outsourcing high-end stainless steel cookware to manufacturers in Asia, especially Malaysia, the People's Republic of China and South Korea, due to lower operating costs in these countries thus increasing the competition.

Our Directors are of the view that we possess the necessary strengths to maintain our competitiveness. Our competitive strengths include synergistic operations in the manufacturing of our raw materials – our own proprietary multi-ply clad metal, strategic partnerships with our customers via our OEM/ODM strategies, strong R&D capabilities, experienced management team, consistent high product quality, innovative designs, competitive pricing, prompt delivery and efficient production.

(iii) Shortage or Increase in Prices of Raw Materials

Our principal raw material is stainless steel sourced from Japan and aluminium which is sourced locally. We purchase our raw materials from a pool of suppliers who have an established track record and are able to provide constant supply at competitive prices promptly.

We are also exposed to the risk of increase in prices of raw materials. Notwithstanding this risk, we may still be able to maintain reasonable margins by passing the increase in cost to our customers who are familiar with raw material price fluctuations. Our management has extensive experience in purchasing raw materials. In the FY2016 the management made some bulk purchases of raw materials at a favourable price in anticipation of price increases.

(iv) Foreign Exchange Fluctuations

We are exposed to the foreign exchange risk through our exports to other countries such as Japan, USA, Europe, Australia and the Asia Pacific. Our exports to these countries are mostly denominated in USD. Our purchases of imported raw materials are also denominated in USD. As such, we have a natural hedge against foreign currency exposure.

Management Discussion And Analysis (continued)

FUTURE PROSPECTS

The global economy gained momentum in the final quarter of 2016 and is expected to continue in 2017. However, this could be derailed by a rise in protectionist policies especially in the US where the Republican Party is hotly debating a border adjustment tax which would tax all imports into the US. In addition, an expected higher inflation and political developments in the Eurozone could add uncertainty to the global environment (Source: Focus Economics). Notwithstanding the uncertain global economy, we anticipate our overall business outlook to be brighter this year.

The Group will intensify its efforts to further develop and expand existing market as well as penetrating into new markets worldwide. Among the measures undertaken and planned are the forging of new strategic partnerships, participation in trade exhibitions worldwide and introducing products other than the traditional products being transacted in existing established markets like Japan. At Ni Hsin, we are committed to provide exquisite quality products without compromise. We are seeing the benefits of this policy as some customers in the clad metal division are returning to re-order from us as they appreciate our quality.

FORGING STRATEGIC PARTNERSHIPS

The signing of an Exclusive Distributorship Agreement with Grayns Malaysia Sdn. Bhd. on 23 January 2017 to distribute Grayns Starch Reducing Rice Cooker in China, Hong Kong, Singapore and Malaysia is a synergistic venture as Ni Hsin will be able to leverage on its existing established marketing network to distribute the Grayns Rice Cooker in the said markets.

The partnership with Mingkeda Holding Co. Ltd. Shenzhen, China (“Mingkeda”) for the distribution of PENTOLI brand cookware products and our stainless steel convex mirrors in China on 6 February 2017 via the signing of an Exclusive Distributorship Agreement (“EDA”) is an important milestone in the history of Ni Hsin. Through Mingkeda’s vast distribution network and marketing channels, Ni Hsin’s products will be able to venture into China market in a much shorter time than setting up of our own network from scratch. Driving this engagement between Ni Hsin and Mingkeda is a growing demand for quality cookware and convex mirror products by customers in China. As their lifestyles change, more consumers are increasingly concerned with quality, health and safety issues in the products they buy as compared to the past where they paid more attention to the price of the products. Ni Hsin’s products appropriately address these issues. This EDA is expected to have a positive impact on the cookware and convex mirror division in FY2017 and beyond.

Established in Shenzhen, China in 1991, Mingkeda’s businesses comprise home appliance wholesale and retail, maintenance & installation, warehousing & logistics, property development & management. Mingkeda’s awards include the “Shenzhen Top 10 Supply Chain Managers”, “2007 Shenzhen Hong Kong Star 100 brand-name enterprises”.

Board of Directors' Profile

RIZVI BIN ABDUL HALIM
Independent Non-Executive Chairman

Rizvi Bin Abdul Halim, a Malaysian, aged 47, male, was first appointed as our Independent Non-Executive Director on 10 October 2014 and was subsequently re-designated as Independent Non-Executive Chairman on 1 March 2017. He serves as the Chairman of the Nomination Committee, Chairman of the Remuneration Committee and is a member of the Audit Committee.

Rizvi holds a Master of Business Administration from Ohio University USA and a Bachelor of Science Degree in Business Administration from Indiana State University USA. He also holds a Diploma in Hotel Management from Universiti Teknologi MARA (UiTM). Whilst in UiTM, he underwent the Reserve Officer Training Unit (ROTU) programme and was commissioned as a second lieutenant army officer.

Rizvi has vast experience in corporate banking, corporate finance, capital market and syndication and capital market regulations. He held the position of Account Manager in the Corporate Banking Department of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad) from 1995 to 1996. From 1997 to 2000, he was the Assistant Manager in the Capital Markets & Syndications Department of Malaysian International Merchant Bankers Berhad (now known as MIMB Investment Bank Berhad). He joined Securities Commission Malaysia in 2000 and held the position of Senior Manager in the Equities-Corporate Finance Department until 2012.

Currently, Rizvi sits on the Board of Ideal Jacobs (Malaysia) Corporation Berhad and PDZ Holdings Berhad as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad. He is also a shareholder and Director of Cascade Crest Sdn. Bhd., a company involved in construction and engineering work. He is primarily responsible on the project initiation and management functions of the company.

Rizvi attended all the five (5) Board meetings held in the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

CHEN SHIEN YEE
Managing Director

Chen Shien Yee, a Malaysian, aged 51, male, was first appointed as our Executive Director on 4 November 2014 and was subsequently re-designated as Managing Director on 19 December 2014. He is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institution of Accountants.

Mr Chen has extensive experience in finance and accounting, auditing, and corporate restructuring and had held various senior positions in several public and private companies, namely, L&M Corporation Bhd, Dataprep Holdings Bhd, Rhythm Consolidated Bhd, PPSC Industrial Holdings Sdn Bhd (a subsidiary of Wah Seong Corporation Bhd) and Medilink Global UK Limited.

Currently, Mr Chen sits on the Board of Ideal Jacobs (Malaysia) Corporation Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Bhd as an Executive Director.

Mr Chen attended all the five (5) Board meetings held in the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

Board of Directors' Profile (continued)

NG SHWU CHING
Executive Director

Ng Shwu Ching, a Malaysian, aged 49, female, was first appointed as our Executive Director on 19 March 2005. She graduated from Cheng Chi University in Taiwan with a Bachelor of Finance. She also holds a Diploma in Taxation from Help Institute and Master in Finance from RMIT University obtained in 2002.

Ms Ng joined NHC as a Costing Assistant in 1992 after completing her training in KPMG Taiwan as an Accounts Services Executive. She was promoted to Finance Manager in 1996 to oversee the Finance and Accounting department. She was also responsible for the Management Information System function of our Group and helped to set up an Enterprise Resources Planning system. She was re-designated as Finance & Administration Manager in 2003 where she also oversees the human resource functions of our Group.

Ms Ng is currently responsible for the overall day-to-day operations which include business development and marketing operations, finance, accounting, secretarial, administrative, production and human resource functions of our Group.

Ms Ng attended all the five (5) Board meetings held in the financial year. She does not have any family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

DATIN IDA SUZAINI BINTI ABDULLAH
Non-Independent Non-Executive Director

Datin Ida Suzaini Binti Abdullah, a Malaysian, aged 56, female, was first appointed as our Executive Director on 10 October 2014. She was redesignated as Non-Independent Non-Executive Director on 31 March 2017. She holds a Master of Business Admin Certificate of Achievement from University of Heriot Watt, United Kingdom and Bachelor of Science (Hons) Geology from University of Malaya.

Datin Ida has experience in Oil and Gas ("O&G") sector. She was an advisor for Persada Nuri Sdn Bhd from 2006 to 2008. From 1995 to 2005, she was a dealer representative for US Desk Stockbroker in Rashid Hussain Securities. From 1994 to 1995, she was one of the top 5 stockbrokers in Sarawak Securities Sdn Bhd. She joined Sarawak Shell Berhad from 1984 to 1994 as seismic interpreter, exploration geologist and wellsite geologist. She was the Head of Research in copper and gold open pit mine for Overseas Mineral Resources Development.

Datin Ida attended four (4) out of five (5) Board meetings held in the financial year. She does not have any family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

Board of Directors' Profile (continued)

DATUK TAN CHOON HWA
Non-Independent Non-Executive Director

Datuk Tan Choon Hwa, a Malaysian, aged 59, male, was first appointed as our Non-Independent Non-Executive Director on 21 January 2015.

Datuk Tan is a businessman with twenty (20) years of experience in various industries such as timber, mining, hotel resort, housing, land development and finance investment holding. He is the executive chairman of TCH Group. He also holds directorships in Wazlian Group. He also holds other chairmanship in several associations, President Malaysia – China Chamber of Commerce (Kelantan Branch) and Centre Committee, Vice President Malaysia Volleyball Association, Advisor Malaysia Chinese Business Association and Deputy Treasurer of Kelantan Amateur Football Association (KAFA).

Currently, Datuk Tan sits on the Board of SMTrack Berhad as an Executive Director, ML Global Berhad as an Independent Non-Executive Director and Sand Nisko Capital Berhad (formerly known as Len Cheong Holding Berhad) as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad.

Datuk Tan attended all the five (5) Board meetings held in the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

LEOW CHAN KHIANG
Independent Non-Executive Director

Leow Chan Khiang, a Malaysian, aged 50, male, was first appointed as our Independent Non-Executive Director on 26 October 2015. He serves as the Chairman of the Audit Committee and is a member of the Nomination Committee and the Remuneration Committee.

Mr Leow is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. He obtained a Bachelor degree in Economics from the University of Malaya in 1990 and a Master's degree in Business Administration from Universiti Utara Malaysia in 1999. He is also an approved GST Tax Agent by the Royal Malaysian Customs.

Mr Leow began his career in 1991 as an executive in Hong Leong Bank Berhad and was promoted to assistant manager in 1994. In 1996, he left Hong Leong Bank Berhad and joined Malaysian International Merchant Bankers Berhad as an assistant manager where he was responsible for various corporate fund raising exercises as well as general advisory work until 2001. Subsequently, he joined a logistic company until 2002. In 2002, he joined CAB Cakaran Corporation Berhad ("CAB") as a director of corporate finance, and subsequently, was appointed as an executive director in 2003 where he was responsible for corporate planning, accounting and tax as well as joint-venture matters. He resigned from his position as an executive director of CAB in 2007.

Currently, Mr Leow sits on the Board of SLP Resources Berhad as an Independent Non-Executive Director and Salutica Berhad as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad.

Mr Leow attended all the five (5) Board meetings held in the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN
Independent Non-Executive Director

Rithauddin Hussein Jamalatiff Bin Jamaluddin, a Malaysian, aged 52, male, was first appointed as our Independent Non-Executive Director on 1 March 2017. He serves as a member of the Audit Committee, Nomination Committee and the Remuneration Committee.

Rithauddin holds a Bachelor degree in Law (L.L.B. Honours) from the University of Buckingham and a Certificate of Legal Practice from Universiti of Malaya. He is a lawyer by profession and co-founder of Rithauddin and Azlin, a legal firm in Kuala Lumpur established in May 1992.

He sits on the Board of ES Ceramics Technology Berhad, a company listed on Bursa Malaysia Securities Berhad as an Independent Non-Executive Director.

Rithauddin had not attended any Board meetings which were held in the financial year due to his Board's appointment date which took effect from 1 March 2017. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2016.

Key Senior Management Profile

KHOO CHEE KONG
Managing Director
Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, Inoco Resources Sdn Bhd and Pentoli Sdn Bhd

Khoo Chee Kong, a Malaysian, aged 55, male, was appointed as Managing Director of the subsidiary companies of the Group namely, Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, both on 1 October 2016, Inoco Resources Sdn Bhd on 5 December 2016 and Pentoli Sdn Bhd on 31 January 2017, overseeing the operations of these companies.

He is an Accountant by training. He began his career with Messrs. BDO Binder in 1979 as an Audit Assistant and was subsequently promoted as an Audit Senior in 1980. He left Messrs. BDO Binder and subsequently joined United Industries Group of Companies as an Internal Auditor in 1981. While he was with United Industries group of companies, he was seconded to its subsidiaries holding various finance related positions. He joined Kopenda Holdings Sdn Bhd as Financial Accountant in 1984, Innovest Hart Engineering Sdn Bhd as the Finance Manager in 1988 and Lyman Group of Indonesia as the Head of Corporate Finance and Business Development Department in 1990.

Having gained wide business and financial experience in both the domestic and international market place from his previous employments, he started the Kyeros Kebab business in 1997 which soon grew into an international fast food chain. Kyeros Kebab then merged with CAB Cakaran Corporation Group Berhad ("CAB") and was listed in the Bursa Malaysia Stock Exchange in 2003. He was an Executive Director of CAB from 2003 to 2006.

He is a major shareholder of the Company and has direct interest in 14,864,000 shares in the Company. He is not a Director in any public company in Malaysia. He does not have any family relationship with any Director of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

LIM KAM TEN
Market Development Manager
Ni Hsin Corporation Sdn Bhd and Ever-Grow Advanced Materials Sdn Bhd

Lim Kam Ten, a Malaysian, aged 44, male, graduated from Takushoku University in Japan with a Degree in Bachelor of Arts in Commerce. He joined Ni Hsin Corporation Sdn Bhd in 1999 as an Assistant Officer in Sales & Marketing Department, in charge of the market development and customer service for Japan and Asian countries in respect of cookware.

In 2014, he was also tasked with the sales and marketing of convex mirrors and clad metals in Ever-Grow Advanced Materials Sdn Bhd. During his tenure of service, he has successfully developed major customers and/or markets for stainless steel cookware, convex mirror, non-stick cookware and clad metal products.

Recognised for his outstanding performance, he was promoted to the position of Business Development Executive in February 2004 and subsequently on 1 September 2006, to his current position of Market Development Manager.

Mr Lim does not have any family relationship with any Director of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any public company in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHIA HOON ANG
Quality Management Manager
Ni Hsin Corporation Sdn Bhd

Chia Hoon Ang, a Malaysian, aged 41, female, joined the subsidiary company of Ni Hsin Resources Bhd, Ni Hsin Corporation Sdn Bhd in 1999 as an Assistant Officer immediately after her graduation from University Putra Malaysia with Bachelor of Science.

She obtained further qualification as a Lead Auditor from Authorised Registered Authority in 2000. She has gained vast experience in multi disciplines working in various positions in Quality Assurance, Document Control Center, and as Secretary to the General Manager.

Ms Chia was actively involved in several main projects in Ni Hsin Corporation Sdn Bhd which include re-organising the operations in the Quality Assurance ("QA") Section in 2004 and shop-floor re-engineering in 2005. She was promoted to QA Manager in 2007. On 1 January 2017, she was appointed as the Head of QA to oversee the functions of the Quality Management System, Quality Assurance and Production Engineering.

She was also appointed as the Chairman of the Safety & Health Committee for the period 2009 to 2011 and Employee Welfare and Sports (EWS) Chairman for year 2012. She is also a First Aid Team member since 2012.

Ms Chia does not have any family relationship with any Director of the Company, nor does she have any conflict of interest with the Company. She is not a Director in any public company in Malaysia. She has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Key Senior Management Profile (continued)

HOO YOKE FONG
Human Resources and General Affairs Manager
Ni Hsin Corporation Sdn Bhd and Ever-Grow Advanced Materials Sdn Bhd

Hoo Yoke Fong, a Malaysian, aged 44, female, joined Ni Hsin Corporation Sdn Bhd in 1991 as Production Assistant after completing her secondary studies. In 1992, she was promoted to Junior Secretary to the Factory Manager. With her initiative and astute learning capability, she accumulated various experience and skills in production, secretarial, purchasing and human resource functions. She was appointed as Secretary to the General Manager in 1996. Capitalising on her multi-skills she took on the position of Human Resource and General Affairs Executive in 2001. She obtained a Diploma in Business Administration from the Institute of Business Administration and Management through her part-time studies in the same year. Ms Hoo was promoted to her current position of Human Resource and General Affairs Manager on 1 May 2012.

She was awarded with the Best Employee and Perfect Attendance accolades throughout her years of service with the Group. She was also appointed as the Safety & Health Committee Chairman for the period from 2012 to 2014.

Ms Hoo does not have any family relationship with any Director of the Company, nor does she have any conflict of interest with the Company. She is not a Director in any public company in Malaysia. She has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PHUAH YEW HOCK
Management Information System Manager
Ni Hsin Corporation Sdn Bhd and Ever-Grow Advanced Materials Sdn Bhd

Phuah Yew Hock, a Malaysian, aged 43, male, graduated with a Diploma in Information Technology from Informatics College. He also holds a Postgraduate Diploma in Strategic Business Information Technology from NCC Education. He joined the Group in the year 2000 and on 1 February 2001, he was promoted as a Management Information System Manager.

He has more than ten (10) years of experience in system design, system analysis, system integration and Enterprise Resource Planning project implementation.

Prior to joining the Group, he worked in Bristol Trading Sdn Bhd as an Assistant Information Technology (IT) Manager, where he was responsible for the overall IT project implementation and technical support.

Mr Phuah is also a member of the Emergency & Evacuation Team Member since the year 2009.

He does not have any family relationship with any Director of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any public company in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

TAI FOOT NEE
Production Manager
Ni Hsin Corporation Sdn Bhd

Tai Foot Nee, a Malaysian, aged 49, male, joined Ni Hsin Corporation Sdn Bhd in 2006 as a Trainee Production Control Executive.

He has accumulated more than ten (10) years' experience in leading the production function rising through the ranks to his current position as Production Manager on 1 May 2012.

Mr Tai was the Emergency & Evacuation Team Leader from 2015 to 2016 and was appointed Chairman for the Safety & Health Committee for the period from 2017 to 2018.

He does not have any family relationship with any Director of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any public company in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Statement on Corporate Governance

The Board of Directors ("the Board") of Ni Hsin Resources Berhad ("NHR") is committed to the principles and the recommendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), in order to meet the highest standard of corporate governance as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance; and safeguard the interest of other stakeholders.

The Board is pleased to provide the following statement which demonstrates the Board's commitment in cultivating a responsible organisation by instilling excellence in corporate governance standards at all times. Unless otherwise stated, the Group has complied with the principles and recommendations of the Code during the financial year ended 31 December 2016.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board

The Group is led by an effective and experienced Board with members from different backgrounds possessing a wide range of expertise. Together they bring a broad range of skills, experience and knowledge which gives added strength to the leadership in managing and directing the Group's operations. The Managing Director briefs the Board on business operations and management initiatives during board meetings. The Management meets regularly to discuss and resolve operational issues.

The Board assumes overall responsibility for strategic direction, future expansion, corporate governance, risk management, human resource planning and development, investments made by the Company and overseeing the proper conduct of business of the Group. In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees which operate within defined terms of reference. The respective Committees report to the Board on matters discussed and deliberated and makes recommendations to the Board for final decision. The Board Committees include the Audit Committee, Nomination Committee and Remuneration Committee. The composition of the Board Committees is set out in Section 2.

Key matters reserved for the Board's approval include the annual business plan and budget, dividend policy, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group.

1.2 Roles and Responsibilities of the Board

The following are the roles of the Board and its principal responsibilities :

(a) Strategy and Planning

(i) Establish overall business objectives and consider whether they continue to be appropriate in the context of business opportunities being pursued.
(ii) Review and approve management strategies and plans designed to pursue business objectives and ensure they continue to remain prudent in the context of the objectives of the business, the economic environment, available resources and reasonable achievability of results.
(iii) Approve and monitor the progress of major capital expenditure and acquisitions/divestitures.
(iv) Establish procedures for the approval of all significant acquisitions and major contracts and approve all significant acquisitions and major contracts outside the ordinary course of business.
(v) Approve 12 months' operational budgets and evaluate results against budgets in the context of business objectives, strategies and operations plans being pursued. Consider and approve any action/remedial plans to be implemented.
(vi) Approve all major changes to the structure of the organisation.
(vii) Succession planning in place by ensuring that all candidates appointed to senior management positions are of sufficient calibre and to provide for the orderly succession of senior management.

(b) Human Resource

(i) Define required board competencies and number and profile of board members.
(ii) Appoint board members.
(iii) Approve induction program for new board members and on-going training programs.
(iv) Ensure easy access to internal and external sources of information and advice.
(v) Manage performance of the board as a whole and of the individual members.
(vi) Evaluate performance of senior management.
(vii) Approve appointment and removal of the Company Secretary.
(viii) Approve executive succession plans.

Statement on Corporate Governance (continued)

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.2 Roles and Responsibilities of the Board (continued)

(c) Remuneration

(i) Determine remuneration of Directors to ensure that they are consistent with sustainable achievement of business objectives, prudent management of operations and prompt on-going assessments on the risks to which the Company is exposed.
(ii) Approve employees' share option schemes for submission to shareholders for approval at General Meeting and any other executive incentive schemes.

(d) Capital Management and Financial Reporting

(i) Monitor and review the capital and solvency positions of the Group.
(ii) Approve quarterly reports, audited financial statements and Annual Report.
(iii) Approve dividend policy and dividend payments.
(iv) Approve major financing arrangements.

(e) Risk Management, Audit and Compliance

(i) Review major risks that the Group is likely to be exposed to.
(ii) Review risk management resources, structures and processes and consider and approve changes.
(iii) Approve risk management strategies.
(iv) Monitor compliance with all legal, tax and regulatory obligations.
(v) Review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies annually.
(vi) Review the effectiveness of NHR's implementation of its risk management system.

(f) Board Processes and Policies

(i) Decide the role and composition of board committees.
(ii) Approve delegated authorities.
(iii) Define and execute a policy dealing with conflicts of interest.
(iv) Define codes of conduct governing related party transactions, dealings in securities by Directors and principal officers, and insider trading policy.
(v) Approve policies dealing with Director's liabilities, indemnities and insurance.

1.3 Code of Ethics and Code of Conduct

The Company has issued a Code of Ethics and Code of Conduct that applies to all Directors and employees. All employees are required to read, understand, accept and abide by the terms of this code and all new staff are briefed on the requirements of the code and provided with a copy of the Code of Conduct on the commencement of their employment in the course of new employees' induction programme. The Codes are effectively communicated via the Company's intranet and are also subject to regular review and updates.

The Company's Code of Ethics for Directors and employees govern the standards of ethics and good conduct expected of Directors and employees, respectively. The Code of Ethics serves as a road map to guide actions and behaviours while working for and/or dealing with the Company to maintain high standards of corporate governance and corporate behaviour with the intention of achieving the following:-

- To establish a standard of ethical behaviour for Directors, Senior Management and employees of the Group based on trustworthiness and values that can be accepted, are held or upheld by any one person; and
- To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company.

The Code of Ethics for Directors includes principles relating to their duties, confidentiality of information, conflict of interest (COI) and dealings in securities. For employees, the Code of Conduct covers all aspects of the Group's business operations, such as confidentiality of information, dealings in securities, protecting the Group's assets and intellectual properties, COI, gifts, gratuities or bribes, dishonest conduct and sexual harassment.

Statement on Corporate Governance (continued)

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

1.4 Strategies Promoting Sustainability

The Board promotes the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating the Group's commitment to the environment, community, marketplace and workplace, appears in the Corporate Sustainability Statement of this Annual Report.

1.5 Supply and Access to Information

All Board members are supplied with information in a timely manner. The meeting agenda is set and Board files are sent out via emails or physical copies to all directors not less than 5 days before the Board Meetings. The Board has unrestricted access to timely and accurate information, necessary in the furtherance of their duties, which is not only quantitative but also such information deemed necessary for instance, customers' satisfaction, products and services qualities, market share, market reaction and environmental performance.

To ensure effective functioning of the Board, the Directors are given access to information through the following means:-

- Management may be invited to the Board and Board Committees' meetings to report or present areas within their responsibilities to ensure the Board is able to effectively discharge its responsibilities.
- Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committee papers circulated to Directors and Committee members prior to the respective Board and Board Committee meetings, to enable the Board and Committee members to make informed decisions and to deal with matters arising from such meetings.
- Directors have ready and unrestricted access to the advice and services of the Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails.
- Directors may obtain independent professional advice at the Company's expense, where necessary after consultation with the Chairman and other Board members, in furtherance of their duties.
- The Directors may also access to the advice and updates of the external auditors on any new Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.

1.6 Qualified and Competent Company Secretaries

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, the Code and legislations.

The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required and has attended training seminars conducted by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and other bodies to be updated on the changes to regulations and requirements.

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Directors' reference and briefed the Board members on these updates at Board meetings. The Company Secretaries also notified the Directors and Principal Officers on the closed period for trading in the Company's securities, in accordance with Chapter 14 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured, minuted and documented.

1.7 Board Charter

The Board Charter is available on the Company's website at www.ni-hsin.com. The document clearly sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. It serves as a reference to provide prospective and existing Board members and Management insight into the fiduciary and leadership functions of the Directors of NHR. The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter was last updated on 29 March 2017.

Statement on Corporate Governance (continued)

2.0 COMPOSITION OF THE BOARD

2.1 Board Balance

The Board currently has seven (7) members, comprising three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Director, one (1) Executive Director and one (1) Managing Director. This complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, who are Independent Directors. In the event of any vacancy in the Board resulting in non-compliance with the requirements on Independent Directors, the vacancy must be filled within 3 months of that event.

The Board is led by an experienced Independent Non-Executive Chairman. The Board is well balanced, comprising experienced businessmen and qualified professionals. The Directors with their differing backgrounds, collectively bring with them extensive experience and expertise in areas such as business development, finance, corporate affairs, marketing and operations. The profiles of the Directors are presented on pages 13 to 15 of the Annual Report.

The presence of Independent Non-Executive Directors fulfills a pivotal role in corporate governance accountability. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important, as they provide an unbiased and independent view, advice and judgement taking into account the interest, not only of the Group, but also of shareholders, employees and communities in which the Group conducts its business. The Board is of the view that its current composition fairly reflects the representation of the minority shareholders of the Company.

The Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed. All members of the Board have demonstrated that they are always available to the other members and stakeholders. All issues can be openly discussed during Board meetings.

2.2 Re-election of Directors

In accordance with the Articles of Association of the Company, at least one-third (1/3) of the Directors for the time being or if the number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) shall retire from office at each Annual General Meeting ("AGM"). All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been the longest in office since their last election. This provides an opportunity for the shareholders to review and approve their tenure in office.

2.3 Nomination Committee and Annual Assessment of Directors, Committees and the Board

The Nomination Committee ("NC") was established on 1 August 2005. The members of the NC comprises wholly of the following Independent Non-Executive Directors:-

Name	Position
Rizvi Bin Abdul Halim	Chairman *(Independent Non-Executive Director)*
Leow Chan Khiang	Member *(Independent Non-Executive Director)*
Rithauddin Hussein Jamalatiff Bin Jamaluddin^	Member *(Independent Non-Executive Director)*

^ Appointed as a member of NC on 1 March 2017.
Note: Md Nazir Bin Md Kassim ceased as a member of NC on 1 March 2017.

The duties and responsibilities of the NC include the following:-

- recommend to the Board, candidates for all directorships. The NC will review candidates to ensure a good mix of skill, experience and strength in the qualities necessary for the Board to discharge its responsibilities in an effective and competent manner. The NC also considers the diversity of the Board's composition such as experience, skills, competence, race, gender and nationality to facilitate optimal decision-making by harnessing different insights and perspectives. In making the recommendations the Committee should also consider candidates proposed by the Managing Director, and within the bounds of practicability, by any other senior executive, director or shareholder;
- recommend to the Board, directors to fill the seats on the board committees;
- review annually the required mix of skills and experience of the Board, including core competencies which non-executive directors should bring to the Board; and

Statement on Corporate Governance (continued)

2.0 COMPOSITION OF THE BOARD (CONTINUED)

2.3 Nomination Committee and Annual Assessment of Directors, Committees and the Board (continued)

- assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director.

The evaluation process is led by the Chairman of the NC and supported by the Company Secretary annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board committees. The assessment by all Directors are summarised and disclosed at the NC's meeting and reported at a Board meeting by the Chairman of the NC.

The NC is mindful of the Board's support for boardroom diversity, particularly, in terms of ethnicity and gender. These factors will be given prime consideration in the recruitment of new Board members. The Board opines that Board diversity optimizes the decision-making process and will conscientiously improve on its current diversity.

Meeting of the NC shall be held at least once in a financial year. During the financial year ended 31 December 2016, one (1) NC meeting was held which was attended by all the members.

The NC has reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the NC was satisfied with the existing Board composition in terms of gender, ethnicity and age, and was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively. The NC has concluded that, based on the annual assessment, the independent Directors have demonstrated conduct and behaviour that is independent.

Assessment was also carried out on the character, experience, integrity, competency and time commitment of each Director, including the Director responsible for the financial management of the Company.

2.4 Gender, Age and Ethnic Diversity

The Board is supportive of gender, age and ethnic diversity in the composition of the Board. Based on the profiles of our current Directors, the Board has a wide spectrum of skills, experiences and diversity in terms of gender, ethnicity and age. This has given an added strength in terms of leadership and management to the Group. In terms of gender diversity, the Board currently has 2 female Directors out of a total of 7 Directors.

2.5 Remuneration Committee and Directors' Remuneration Policies

The Remuneration Committee ("RC") was established on 1 August 2005. The RC comprises wholly of the following Independent Non-Executive Directors:-

Name	Position
Rizvi Bin Abdul Halim	Chairman *(Independent Non-Executive Director)*
Leow Chan Khiang	Member *(Independent Non-Executive Director)*
Rithauddin Hussein Jamalatiff Bin Jamaluddin^	Member *(Independent Non-Executive Director)*

^ Appointed as a member of RC on 1 March 2017.
Note: Md Nazir Bin Md Kassim ceased as a member of RC on 1 March 2017.

RC carries out the annual review of the overall remuneration policy for Directors whereupon recommendations are submitted to the Board for approval. The RC and the Board ensure that the Group's remuneration policy remains supportive of the corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors are sufficiently attractive to attract and to retain persons of high calibre. The RC is authorised by the Board to seek appropriate professional advice within and outside the Group as and when necessary.

Meeting of the RC shall be held at least once in a financial year. During the financial year ended 31 December 2016, one (1) RC meeting was held which was attended by all the members.

2.0 COMPOSITION OF THE BOARD (CONTINUED)

2.5 Remuneration Committee and Directors' Remuneration Policies (continued)

The RC had reviewed the remuneration package for the Managing Director and Executive Directors of the Company. The remuneration/fees of the Non-Executive Directors shall be determined by the Board as a whole where each individual Director abstains from discussion on their own remuneration/fees. The directors' fees will be subject to the shareholders' approval at the Company's forthcoming AGM.

The remuneration package for Executive Directors is structured on the basis of linking rewards to corporate and individual performance. Performance is measured against the results achieved by the Group and individual achievement against targets set at the beginning of each year. Executive Directors are remunerated via:

(i) *Basic salary*
The basic salary (inclusive of statutory employer's contributions to the Employees Provident Fund) for each Executive Director is recommended by the Remuneration Committee, taking into account the individual responsibility, contribution, performance, and additional responsibilities of the Directors, as well as the market-rate for similar positions in comparable companies.

(ii) *Fees*
Directors' fees is recommended by the Remuneration Committee, taking into account the individual experience, responsibility, contribution and performance of the Directors.

(iii) *Bonus*
The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme include the level of profit achieved by the Group from its business activities against targets, together with an assessment of each individual's performance during the period. Bonuses payable to the Executive Directors are reviewed by the Remuneration Committee and approved by the Board.

(iv) *Benefits-in-kind*
Other benefits (such as company car, security services and travelling allowance) are made available as appropriate.

Non-Executive Directors are remunerated by way of Directors' Fees based on the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Fees payable to Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting.

The aggregate Directors' remuneration paid or payable to all Directors of the Company by the Group for the financial year ended 31 December 2016, and categorised into appropriate components as follows:

	Fees (RM)	Salaries, Allowances and EPF (RM)	Benefits-in-kind (RM)	Total (RM)
Holding Company				
Executive Directors	105,000	-	11,100	116,100
Non-Executive Directors	150,000	-	-	150,000
Total	**255,000**	**-**	**11,100**	**266,100**
Subsidiary Companies				
Executive Directors	-	1,118,712	39,900	1,158,612
Total	**-**	**1,118,712**	**39,900**	**1,158,612**
Grand total	**255,000**	**1,118,712**	**51,000**	**1,424,712**

Statement on Corporate Governance (continued)

2.0 COMPOSITION OF THE BOARD (CONTINUED)

2.5 Remuneration Committee and Directors' Remuneration Policies (continued)

The number of Directors whose remuneration falls within the following bands for financial year ended 31 December 2016 is as follows:-

	Number of Directors	
Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
Below RM50,000	-	4
RM50,001 - RM100,000	1	-
RM250,001 – RM300,000	1	-
RM400,001 – RM450,000	1	-
RM450,001 - RM500,000	1	-

The Board has chosen to disclose the remuneration in bands pursuant to the Main Market Listing Requirements as separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence of Non-Executive Directors

The Board, through the Nomination Committee, assesses the independence of Non-Executive Directors annually using the Directors' independence declaration form, which takes into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Based on the assessment in 2016, the Board is generally satisfied with the level of independence demonstrated by all the Non-Executive Directors, and their ability to act in the best interest of the Company.

3.2 Tenure of Independent Directors

The Board has adopted a cumulative nine-year policy for Independent Non-Executive Directors, which is implemented on a gradual basis to ensure the continued effective functioning of the Board as well as to enable the progressive refreshing thereof, in line with the Code. The Board will justify and seek shareholders' approval in the event it retains an independent director who has served in that capacity for a cumulative period of more than nine years.

3.3 Shareholders' Approval for Independent Directors of More Than 9 Years

The Independent Directors have served the Board for less than nine years where their tenure of service are set out in the Board of Directors' Profiles of this Annual Report.

3.4 Chairman and Managing Director

The roles of the Chairman and Managing Director are undertaken by separate persons. The Chairman is an Independent Non-Executive member of the Board.

4.0 FOSTERING COMMITMENT

4.1 Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of NHR. This is evidenced by the attendance record of the Directors at Board meetings, as set out in the table.

4.0 FOSTERING COMMITMENT (CONTINUED)

4.1 Time Commitment (continued)

During the financial year ended 31 December 2016, the Board held a total of five (5) meetings and the details of Directors' attendances are as follows:-

Name	Position	Attendance
Rizvi Bin Abdul Halim*	Independent Non-Executive Chairman	5/5
Md Nazir Bin Md Kassim**	Independent Non-Executive Chairman	5/5
Chen Shien Yee	Managing Director	5/5
Ng Shwu Ching	Executive Director	5/5
Hsiao Tung Min#	Executive Director	5/5
Datin Ida Suzaini Binti Abdullah##	Non-Independent Non-Executive Director	4/5
Datuk Tan Choon Hwa	Non-Independent Non-Executive Director	5/5
Leow Chan Khiang	Independent Non-Executive Director	5/5
Rithauddin Hussein Jamalatiff Bin Jamaluddin^	Independent Non-Executive Director	N/A

* Re-designated as Independent Non-Executive Chairman on 1 March 2017
** Resigned as Independent Non-Executive Chairman on 1 March 2017
# Resigned as Executive Director on 1 December 2016
# # Re-designated as Non-Independent Non-Executive Director on 31 March 2017
^ Appointed on 1 March 2017

The Board endeavours to meet at least four (4) times a year, at quarterly intervals, with additional meetings to be convened when necessary. Board meetings for each year are scheduled before the end of the previous financial year in order for the Directors to plan according to their schedules. All meetings will be preceded by an agenda with due notice issued. The relevant reports and Board papers will be distributed to all Directors prior to the Board meetings to allow the Directors sufficient time to peruse for effective discussions and decision making during meetings. To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance to a structured agenda. All pertinent issues discussed at the meetings in arriving at the decisions and conclusions are properly recorded to assist the Board in discharging its duties and responsibilities.

It is the Board's policy where a director shall notify the other Directors officially before accepting any new directorships in other companies and the notification shall include an indication of time that will be spent on the new appointment.

4.2 Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme. The Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in legislation and regulations affecting the Group. The Directors are also committed to continue to undergo other relevant training programmes and seminars whether in-house or external to keep abreast with the developments of the business environment and further enhance their skills and knowledge.

During the financial year ended 31 December 2016, the Directors attended the following training programmes and seminars:-

Name of Director	Course Title	Date
Leow Chan Khiang	• The 2017 Budget Seminar	29 November 2016
	• GST Conference 2016	29 and 30 August 2016
	• MFRS/FRS Update 2016/2017 Seminar by KPMG	6 October 2016
	• Risk Management & Internal Control: Workshop for Audit Committee Members	7 April 2016
Chen Shien Yee	• Tax & Business Conference – Budget 2017	2 November 2016

The other Directors were unable to attend any training during the financial year ended 31 December 2016 due to their busy work schedule. However, they have kept themselves abreast on financial and business matters as well as changes in requirements and regulations to enable them to contribute to the Board effectively.

Statement on Corporate Governance (continued)

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board aims to present a balanced and clear assessment of the Group's financial performance and prospects in presenting the annual financial statements and quarterly reports as well as announcements to Bursa Securities. The Board is assisted by the Audit Committee in reviewing the Group's financial reporting processes and accuracy of its financial results, and scrutinising information for disclosure to ensure compliance with accounting standards, accuracy, adequacy and completeness. Timely release of announcement on quarterly financial statements reflects the Board's commitment to provide transparent and up-to-date disclosure of the performance of the Group.

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the Finance Director provided assurance to the Audit Committee that adequate processes and controls are in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group in compliance with the Malaysian Financial Reporting Standards.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring compliance with the provisions of the Companies Act, 1965, the Companies Act, 2016 (with effect from 31 January 2017) (the "Act") and applicable Accounting Standards approved by the Malaysian Accounting Standards Board ("MASB") in Malaysia.

The Audit Committee is committed to meet with the external auditors twice a year, without the presence of the other directors or management, to discuss their audit plan, audit findings and the financial statements. The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

At an Audit Committee meeting held on 21 February 2017, the Audit Committee assessed the suitability and independence, and reviewed the level of non-audit services rendered by the external auditors, and have recommended to the Board to propose to shareholders at the forthcoming AGM the re-appointment of the external auditors to hold office for the ensuing year.

6.0 RECOGNISE AND MANAGE RISKS

6.1 Risk Management Framework

The first line of defence of risk management activities were carried out by the Group's Risk Management Committee ("RMC") which comprises Executive Directors. The RMC is chaired by Mr Chen Shien Yee, the Managing Director.

The RMC assists the Board in identifying, mitigating and monitoring critical risks highlighted by business units. Significant risks affecting the Group's strategic and business plans are then escalated to the Board and discussed at their scheduled meetings. The RMC was tasked to assist the Board of Directors in establishing and maintaining effective policies and guidelines to ensure proper management of risks to which the Group is exposed and to take appropriate and timely action to manage such risks.

Details of the Company's risk management framework is set out in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report respectively.

6.2 Internal Audit Function

The Group recognises that an internal audit function is essential in ensuring the effectiveness of the Group's system of internal control and is an integral part of the risk management process.

The Company has outsourced its internal audit function to a professional service firm whose primary responsibility is to independently assess and report to the Board, through the Audit Committee, the systems of internal control of the Group.

Details of the Company's internal control system and risk framework are set out in the Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report respectively.

Statement on Corporate Governance (continued)

7.0 TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure

The Company has put in place a code of conduct on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

The Board is guided by the Listing Requirements of Bursa Securities in terms of continuing disclosure requirements of any material transaction or events that warrant public disclosure. Persons responsible for preparing the disclosure will conduct due diligence and proper verification, as well as coordinate the efficient disclosure of material information to the investing public.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website, www.ni-hsin.com is a tool of communication that provide easy access to the latest corporate information of the Group. Under the Company's corporate website is a comprehensive investor relations ("IR") section. The IR section contains relevant information for investors and shareholders such as corporate information, share price and volume history, technical charting, price ticker, historical financial summary and ratios, dividend history, annual reports, analyst reports, announcements and media articles. Board Charter, Code of Ethics and Whistle Blowing policies are also available in the corporate website.

To enhance access and to effectively address any issues and concerns, the Group has also set up a dedicated email address (ir@ni-hsin.com), to which its stakeholders can direct their queries.

Members of senior management are directly involved in investor relations through investor briefings with financial analysts, institutional shareholders and fund managers. The Company has also participated in Bursa Securities' CMDF-Bursa Research Scheme and analyst reports of the Group can be downloaded at Bursa Securities' website.

8.0 STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

8.1 Shareholder Participation at General Meetings and Communication and Proactive Engagement with Shareholders

A number of formal communication channels are used to inform shareholders about the performance of the Group. These include the Annual Report and Financial Statements and announcements made through Bursa Securities, as well as through the AGM.

Notice of the AGM and Annual Report are sent out to shareholders at least 21 days before the date of the AGM. Hence, sufficient time is given to shareholders to allow them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

The AGM will be the principal forum for dialogue with individual shareholders, as it provides shareholders the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general. The Share Registrar is available to attend to matters relating to shareholders' interests.

Extraordinary General Meetings ("EGM") are held as and when required. When an EGM is held to obtain shareholders' approval on certain business or corporate proposals, comprehensive circulars to shareholders will be sent within prescribed deadlines in accordance with regulatory and statutory provisions.

At the 12th AGM, all Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The proceedings of the 12th AGM included the presentation of the external auditors' unqualified report to the shareholders, and a question and answer session during which the Chairman invited shareholders to raise questions pertaining to the Company's audited financial statements, before putting the resolution to vote. The Directors and external auditors were in attendance to respond to the shareholders' queries.

8.2 Encourage Poll Voting

The Board is required to put all resolutions of general meetings to be voted by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution. At the last general meeting, the Chairman informed the shareholders of their right to demand a poll vote at the commencement of the general meeting.

Statement on Corporate Governance (continued)

9.0 ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Listing Requirements of Bursa Securities.

9.1 Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2016.

9.2 Audit Fees and Non-audit Fees

During the financial year, the amount incurred by the Company and by the Group in respect of audit fees and non-audit related fees for services rendered by the external auditors are as follows:-

	Company (RM)	Group (RM)
Audit services	30,000	155,000
Non-audit Services	30,000	62,000
Total	**60,000**	**217,000**

The non-audit services comprised the following assignments:-
a) Review of the Statement of Risk Management and Internal Control
b) Tax compliance services
c) Review of fair value report on Employees Share Option Scheme ("ESOS")
d) Review of oversea subsidiaries management accounts for the financial year ended 31 December 2016
e) Review of supplementary financial information on the breakdown of realised and unrealised profits or losses for the financial year ended 31 December 2016

9.3 Material Contracts or Loans

There were no material contracts or loans entered into by the Group involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

9.4 Revaluation Policy on Landed Properties

During the financial year, the Group elected to measure the landed properties using the revaluation model under Malaysian Financial Reporting Standards (MFRS) 116 Property, Plant and Equipment.

The Group revalues its property comprising freehold land and factory buildings every five (5) years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. The latest revaluation was carried out in December 2016.

9.5 Recurrent Related Party Transactions

At the Twelfth AGM held on 18 May 2016, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

All recurrent related party transactions entered into by the Group during the financial year ended 31 December 2016 are disclosed in Note 27 of the financial statements on pages 90 to 92 of this Annual Report.

10.0 COMPLIANCE STATEMENT

The Board is satisfied that in 2016, the Company complied with the principles and recommendations of the Code.

This Statement is made in accordance with the resolution of the Board dated 29 March 2017.

Audit Committee Report

1. MEMBERS

The Audit Committee was established on 21 March 2005 and its term of reference is consistent with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance 2012 ("the Code"). A detailed terms of reference of the Audit Committee has been drawn up and approved by the Board and this is available online in the Investor Relations section of the Company's website at www.ni-hsin.com. The terms of reference of the Audit Committee is reviewed annually. Any revision or amendment shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of the terms of reference and this terms of reference shall be considered duly revised or amended. The terms of reference of the Audit Committee was last reviewed on 18 May 2016.

During the financial year ended 31 December 2016, the Audit Committee held a total of five (5) meetings. The members of the Audit Committee together with their attendance are set out below:-

Name	Position	Attendance
Leow Chan Khiang	Chairman (Independent Non-Executive Director)	5/5
Rizvi Bin Abdul Halim	Member (Independent Non-Executive Director)	5/5
Md Nazir Bin Md Kassim^	Member (Independent Non-Executive Director)	5/5
Rithauddin Hussein Jamalatiff Bin Jamaluddin*	Member (Independent Non-Executive Director)	N/A

^ Ceased as a member of the Audit Committee on 1 March 2017.
* Appointed as Member of the Audit Committee on 1 March 2017.

2. SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016 in line with the terms of reference, the Audit Committee carried out the following work in discharging of its function and duties:-

a) reviewed the unaudited quarterly reports of the Group prior to submission to the Board for consideration and approval;

b) reported and recommended to the Board the unaudited quarterly reports of the Group for approval;

c) reviewed the related party transactions on a quarterly basis and also the internal audit reports to ascertain that the review procedures established to monitor the related party transactions have been complied with;

d) met with the external auditors during the year to review the external auditors' independence, scope of work and the audit plan, their audit fees, the results of their examination in the external audit reports and management's responses, as well as weaknesses in the internal control;

e) met with the external auditors on the updates of new Malaysian Financial Reporting Standards ("MFRS") and the impact on the Group as well as new developments on regulatory requirements;

f) met with the internal auditors to review and approve the Group's internal audit plan, scope of work and audit fees;

g) met with the internal auditors to review the internal audit reports and findings on the effectiveness of the system of internal control, adequacy of risk management and other compliance and governance processes;

h) met with the external auditors (without the presence of the Management staff or any Executive Directors) on 24 February 2016 to discuss audit findings for the financial year ended 31 December 2015 and on 23 November 2016 to dicuss audit plans for financial year ended 31 December 2016;

met with the internal auditors (without the presence of the Management staff or any Executive Directors) for the financial year ending 31 December 2016 on the following dates:

- 24 February 2016 to discuss the Internal Audit Strategy and Planning Memorandum;
- 23 August 2016 to discuss the internal audit findings; and
- 23 November 2016 to discuss the internal audit findings

Audit Committee Report (continued)

2. SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONTINUED)

i) reviewed the terms of reference of the Audit Committee and recommend any amendments, where necessary to the Board for approval;

j) monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission Malaysia, MASB and other legal and regulatory bodies;

k) reviewed the Annual Report (except for the Chairman's Statement) before submission to the Board for approval; and

l) reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.

3. TRAINING

During the financial year ended 31 December 2016, the Audit Committee Chairman attended the following training programmes, seminars, forums and discussions relating to business, corporate governance, law, accounting, finance, taxation and economy to enhance their knowledge to enable them to discharge their duties more effectively:-

- The 2017 Budget Seminar
- GST Conference 2016
- MFRS/FRS Update 2016/2017 Seminar by KPMG
- Risk Management & Internal Control: Workshop for Audit Committee Members

4. INTERNAL AUDIT FUNCTION

The Group recognises that an internal audit function is essential in ensuring the effectiveness of the Group's system of internal control and is an integral part of the risk management process.

The Company has outsourced its internal audit function to a professional service firm whose primary responsibility is to independently assess and report to the Board, through the Audit Committee, the systems of internal control of the Group. The internal audit functions are as set out in the Statement on Risk Management and Internal Control on pages 31 to 33 of the Annual Report.

During the financial year, the Internal Auditors carried out internal audit reviews to assess the adequacy and integrity of the system of internal control as established by the Management, so as to provide reasonable assurance that:-

- the system of internal control continues to operate satisfactorily and effectively;
- assets and resources are safeguarded;
- integrity of records and information is protected;
- internal policies, procedures and standards are adhered to; and
- applicable rules and regulations are complied with.

The scope of work, as approved by the Audit Committee, was essentially based on the risk profiles of companies in the Group, where areas of higher risk were included for internal audit. The internal audit covered key operational, financial and compliance controls, including the risk management process deployed by Management. Audit findings and areas of concern that need improvements were highlighted in the internal audit reports and reviewed at the Audit Committee meetings. During the Board meetings, the Chairman of the Audit Committee briefed the Board on audit matters and the minutes of the Audit Committee meetings were duly noted by the Board.

The cost incurred in outsourcing of the internal audit function to an independent professional firm during the financial year amounted to approximately RM51,000 which included expenses.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors is pleased to present the following Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2016 in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

RESPONSIBILITY

The Board acknowledges the importance of maintaining a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets. Accordingly, the Board affirms its responsibility for the Group's system of risk management and internal control and its commitment to review its effectiveness, adequacy and integrity. The Group's existing system of internal control includes financial, operational and compliance controls and risk management procedures. Due to the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The Board also recognises that a sound system of risk management and internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has received assurance from the Managing Director and the Executive Director (who is in charge of Financial and Corporate Affairs) that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies is further elaborated in the following paragraphs.

RISK MANAGEMENT

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment.

The Group operates a risk management framework in which the Board assumes overall responsibility with established and clear functional responsibilities and accountabilities under two lines of defence for the management of risk.

The first line of defence of risk management activities were carried out by the Group's Risk Management Committee ("RMC") which comprises of Executive Directors. The RMC is currently chaired by Mr Chen Shien Yee (Managing Director). As part of the Risk Management process, a Registry of Risk and a risk management policy was maintained during the period to identify principal business risks and updated for on-going changes in the risk profile. The risk management policy summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concept. The respective heads of departments are entrusted to identify risks and to ensure that adequate control systems are implemented to mitigate significant risks faced by the Group. Significant risk factors identified are reported to the Board for further elaboration and strategic decision making.

Key management staff and Heads of Department are delegated with the responsibility to manage risks in their respective areas of responsibilities. They are also responsible for creating a risk-awareness culture within the organisation to ensure greater understanding of the importance of risk management and that its principles are embedded in key operational processes. In the periodic management meetings, key risks and mitigating controls are deliberated. Significant risks affecting the Group's strategic and business plans are then escalated to the Board and discussed at their scheduled meetings.

The second line of defence is the Group's Internal Audit function, which is currently outsourced to an independent firm of professional internal auditors that reports directly to the Audit Committee. The Audit Committee provides independent assurance of the adequacy and reliability of the risk management processes and system of internal controls.

Statement on Risk Management and Internal Control (continued)

INTERNAL AUDIT FUNCTION

The internal audit function has the primary objective of carrying out reviews of the internal control system to determine if the internal control procedures have been complied with as well as to make recommendations to strengthen the internal control system so as to foster a strong management control environment.

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent professional service firm to provide an independent assurance the Board requires on the effectiveness and efficiency of the Group's system of internal control.

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles from the comprehensive risk assessment of the specific business units of the Group. Scheduled internal audits are carried out by the internal auditors based on the annual internal audit plan presented to and approved by the Audit Committee. On a quarterly basis, the internal auditors present to the Audit Committee the internal audit reports which summarise the audit approach, scope, key risks, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The cost of internal audit function for the financial year ended 31 December 2016 was approximately RM51,000, which included expenses.

The review of the adequacy and effectiveness of the risk management and internal control process has been undertaken by the internal audit function, and necessary actions have been taken to remedy significant failing or weaknesses identified for the financial year 2016.

THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The system is designed to manage the principal risks attributed to the Group's operations and due to the limitations that are inherent in any system, the Board takes cognizance that the system can only provide reasonable but not absolute assurance against material loss or misstatement.

The key elements of the Group's internal control system are as follows:-

- An organisational structure with defined responsibilities and delegation of authorities for Committees of the Board and Operational Committees;
- Company's Policies and Procedures, which set out guidelines and the expected standards for the Group's operations, are under regular review and update so as to maintain its effectiveness at all times;
- A strategic planning and an annual budgeting process has been established, whereby all key operating subsidiaries of the Group are required to prepare budgets and business plans for the coming year;
- Operational review meetings are held and attended by the Executive Directors and the department heads to assess the performance of the Group's operations;
- Monthly financial reporting by the subsidiaries to the holding company. Actual performance compared with budget is reviewed monthly with major variances being followed up and management action taken where necessary;
- Each department measures its performance against its business objectives and monitors the identified risks associated with the achievability of its objectives;
- The public releases of quarterly financial reports are made after the review by the Audit Committee and the approval of the Board;
- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities;
- A formal employee appraisal to evaluate and measure employee's performance and their competency is performed at least once a year;
- A centralised accounting and disbursement function ensures compliance with the procedures and approval authority;
- A co-ordinated procurement function for major purchases and maintenance expenditures that ensures adherence to approval procedures as well as to leverage on economies of scale;
- Regular production meetings, which involve the senior production management and related units to promptly address any production problems faced;
- ISO 9001:2008 Quality Management System has been implemented for a subsidiary, Ni Hsin Corporation Sdn. Bhd. Documented internal procedures and standard operating procedures have been put in place and internal quality audits are carried out by the management and annual surveillance audits are conducted by a certification body to provide assurance of compliance with the procedures.

Statement on Risk Management and Internal Control (continued)

The key aspects of the risk management process are:

- The RMC coordinates and oversees risk management activities across the Group;
- The RMC will report to the Board significant risks that require the Board's attention;
- An enterprise risk assessment will be performed with inputs from Executive Directors and Heads of Departments;
- The RMC maintains a Registry of Risk which is the identification and analysis of risks to the achievement of business objectives. A scoring of the risks is then performed based on the likelihood of the risks occurring and the evaluation of the consequence of the occurrence. This forms a basis for determining how risks should be managed. The Registry of Risk is updated on a half yearly basis, and when any material changes in risks are identified.
- The RMC then deliberates and decides the risk response to the identified risks. The risk response could be to transfer, reduce, accept or avoid the risks. The residual risks are then tabled to determine whether it should be reported as a key issue or a supplemental issue where internal controls could be used to mitigate the risks.
- Heads of Departments will then monitor and review the key risks and report to the RMC from time to time. Any significant change in existing risks with significant impact or the emergence on new risks will warrant an immediate reporting to the RMC.
- Key risks will be highlighted to the internal audit function to review and monitor proper controls are implemented and carried out to mitigate those risks.

MONITORING AND REVIEW OF THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The existing system of risk management and internal control has operated effectively in the year under review and up to the date of issuance of this statement. Although control lapses were identified for certain business processes within the Group, there were no significant failures or weaknesses that has resulted in material loss that requires disclosure in the Group's annual report for the financial period under review. The Board is committed towards operating a sound system of risk management and internal control and will strive for continuous improvement where necessary, to further enhance the Group's system of risk management and internal control. The Board has reviewed the risk management and internal control system in accordance with the guidelines for directors on risk management and internal control, the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

The Board is of the view that the system of risk management and internal control being instituted throughout the Ni Hsin Group is adequate and effective.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Corporate Sustainability Statement

AT NI HSIN GROUP, WE ARE COMMITTED TO CREATE VALUE FOR OUR CUSTOMERS, OUR EMPLOYEES, OUR SHAREHOLDERS AND THE COMMUNITY BY GIVING ATTENTION TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") ASPECTS OF BUSINESS WHICH UNDERPIN SUSTAINABILITY.

MARKETPLACE

We practice ethical and responsible business policies in the conduct of our business operations. Whilst striving to provide customer satisfaction, paying close attention to their evolving preferences, lifestyles and concerns, we place great emphasis on the efficiency and energy conservation aspects of our products. Our products are convenient and encourage healthy lifestyles in the form of healthy food and family bonding.

All the facilities within our Group are accredited with ISO 9001:2008 Quality Management System.

ENVIRONMENT

Our Group is committed to managing our operations in an environmentally sustainable way incorporating the following measures:
- Recycling of raw material wastages for re-use.
- Ensuring compliance to all relevant environmental legal and other requirements and raising environmental awareness among employees.
- Minimising air, water, land and noise pollution in the workplace and surroundings.
- Integrating environmental and quality management systems together to strive for continual improvement.

Our cookware products are developed to be efficient in heat distribution through the usage of our proprietary multi-ply stainless steel clad metals and our unique multi-stacking feature allows for different food to be cooked simultaneously thus saving time and energy.

Our employees are also trained to practise other conservation measures like recycling of office stationery and paper, switching off the lights and air conditioners when not in use. We also send such items to a social welfare organisation which collects items for recycling or charity purposes.

COMMUNITY

Our Group is committed to being a responsible corporate citizen. Our products are environment and community friendly as they are designed with energy efficient features that reduce costs when cooking while promoting safety among commuters with the use of our convex mirrors in areas with traffic. As we advocate a healthy and caring lifestyle, we educate our distributors and end customers on the many ways that our products could be used to reduce energy usage and accidents. Our Group also makes donations to charitable organisations from time to time.

WORKPLACE

At Ni Hsin, our employees are our greatest asset. We believe that the commitment and efforts of our employees are fundamental to our continued growth and hence, the economic sustainability of our business via increased productivity and innovation. To attract and retain talent, we aim to be a preferred employer, offering a challenging and exciting environment along with avenues for personal development.

Our employees are treated fairly and with dignity. We care for their welfare dearly and place considerable emphasis on their goals and aspirations while ensuring that diversity in the workplace is embraced. Various reward schemes to recognise employees' loyalty, dedication and performance are established. Recognising the importance of strong bonds, our employees and family members come together for a time of fun and togetherness at our annual dinners and other communal gatherings. In addition, sports activities and teambuilding activities were held to encourage employees to enjoy a healthy lifestyle.

We provide our employees with continuous internal and external training, including on-the-job training in areas of technical and management skills.

Corporate Sustainability Statement (continued)

Great emphasis is placed on creating a safe working environment and ensuring safe practices in all aspects of our operations. Our Group's Occupational Safety and Health Policy is actively and effectively implemented to ensure that the occupational safety and health of all employees are not compromised. We have established a Safety & Health Committee ("SHC") to oversee the occupational safety and health of our employees. The SHC has initiated health and safety programmes such as fire drills, safety system checks on equipment, first aid training, plant evacuation exercises as well as health talks during the year.

Our local workforce consists of 53% Malay, 43% Chinese and 4% Indian. Our employees are made up of 80% male and 20% female. Our Group has maintained a healthy balance of gender equality in management positions. Currently, women comprise more than 25% of management personnel on the middle and top management levels.

Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Securities to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Board is responsible for ensuring that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Malaysian Financial Reporting Standards ("MFRS") approved by the Malaysian Accounting Standards Board ("MASB") in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of the results and cash flows of the Group and the Company for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2016, the Group and the Company have adopted suitable accounting policies in accordance with applicable MFRSs approved by the MASB in Malaysia and applied them consistently and reasonably.

The Statement is made in accordance with a resolution of the Board of Directors dated 29 March 2017.

FINANCIAL STATEMENTS

Directors' report
for the year ended 31 December 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	(4,914)	(4,026)
Non-controlling interests	(105)	-
	(5,019)	(4,026)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in note 10 to the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend any final dividend for the financial year ended 31 December 2016.

Directors of the Company

Directors who served since the date of last report are:

Ng Shwu Ching
Datin Ida Suzaini Binti Abdullah
Rizvi Bin Abdul Halim
Chen Shien Yee
Datuk Tan Choon Hwa
Leow Chan Khiang
Rithauddin Hussein Jamalatiff Bin Jamaluddin (Appointed on 1 March 2017)
Hsiao Tung Min (Resigned on 1 December 2016)
Md Nazir Bin Md Kassim (Resigned on 1 March 2017)

Directors' report
for the year ended 31 December 2016 (continued)

Directors' interests in shares

The interests and deemed interests in the ordinary shares and warrants over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Shareholdings in which Directors have interests in the Company	**Number of ordinary shares of RM0.20 each**			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Direct interests				
Ng Shwu Ching				
- own	720,000	-	(720,000)	-
Datuk Tan Choon Hwa				
- own	1,188,000	-	-	1,188,000

By virtue of their interests in the Company, the above Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2016 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

During the financial year, the Company issued 1,753,600 new ordinary share of RM0.20 each for cash arising from the exercise of warrants at exercise price of RM0.20 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Treasury shares

The repurchased shares are held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held at the financial year end is 217,480,410 (2015: 221,649,410) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

The details of shares repurchased during the financial year is disclosed in Note 10 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 18 May 2016, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued capital of the Company to eligible Directors and employees of the Group at any point in time during the tenure of the ESOS.

Directors' report
for the year ended 31 December 2016 (continued)

Options granted over unissued shares (continued)

The salient features of the ESOS scheme are, inter alia, as follows:

i) Eligible Directors and employees are those Directors and employees of Ni Hsin Resources Bhd Group who have been confirmed in service on the date of the offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.

ii) The aggregate number of shares to be issued under the ESOS shall not be more than 15% of the issued and paid-up share capital of the Company.

iii) The Scheme shall be in force for a period of five (5) years from the first grant date.

iv) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.20.

v) An option holder may fully exercise the number of shares in the option certificate without any retention period or restriction on transfer.

vi) The option granted to eligible employees and directors will lapse when they are no longer in employment with the Group.

	Number of options over ordinary shares of RM0.20 each				
	At 1.1.2016	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2016**
Chen Shien Yee	-	18,440,000	-	-	18,440,000
Hsiao Tung Min	-	2,500,000	-	(2,500,000)	-
Ng Shwu Ching	-	3,000,000	-	-	3,000,000
Datin Ida Suzaini binti Abdullah	-	500,000	-	-	500,000
Datuk Tan Choon Hwa	-	300,000	-	-	300,000
Rizvi bin Abdul Halim	-	300,000	-	-	300,000
Md Nazir bin Md Kassim	-	300,000	-	-	300,000
Leow Chan Khiang	-	300,000	-	-	300,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders who have been granted options to subscribe for less than 300,000 shares required by section 169(11)(a) and 169(11)(b) of the Companies Act, 1965. This information has been separately filed with the Companies Commission of Malaysia. Other than the Directors of the Company, the names of the option holders and the number of options granted which are in aggregate for 300,000 shares and above are as follows:

Name of option holder	Number of options over ordinary shares of RM0.20 each
Low Meng Chai	400,000
Lim Kam Ten	400,000
Phuah Yew Hock	400,000
Gan Gwo Chyang	400,000
Teh Siok Nee	400,000
Lim Sai Weng	300,000
Loo Yee Mun	300,000

There were no ESOS exercised during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Directors' report
for the year ended 31 December 2016 (continued)

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in Note 17 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

The details of such event is disclosed in Note 28 to the financial statements.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Chen Shien Yee
Director

....

Ng Shwu Ching
Director

Selangor Darul Ehsan
Date: 29 March 2017

Statements of financial position
as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	49,267	31,377	235	208
Investment property	6	1,306	1,333	1,306	1,333
Goodwill	4	5,105	5,105	-	-
Investments in subsidiaries	5	-	-	59,455	59,455
Deferred tax assets	11	35	-	-	-
Total non-current assets		55,713	37,815	60,996	60,996
Inventories	7	18,639	17,339	-	-
Current tax assets		804	760	37	-
Trade and other receivables	8	5,575	5,280	81	415
Cash and cash equivalents	9	4,113	5,761	435	635
Total current assets		29,131	29,140	553	1,050
Total assets		84,844	66,955	61,549	62,046
Equity					
Share capital		47,671	47,320	47,671	47,320
Reserves		26,848	11,333	13,788	14,565
Equity attributable to owners of the Company		74,519	58,653	61,459	61,885
Non-controlling interest		(75)	-	-	-
Total equity	10	74,444	58,653	61,459	61,885
Liabilities					
Deferred tax liabilities	11	3,810	2,149	-	-
Loans and borrowings	12	-	87	-	-
Total non-current liabilities		3,810	2,236	-	-
Trade and other payables	13	6,336	5,961	90	150
Loans and borrowings	12	254	83	-	-
Current tax liabilities		-	11	-	11
Derivative financial liabilities	14	-	11	-	-
Total current liabilities		6,590	6,066	90	161
Total liabilities		10,400	8,302	90	161
Total equity and liabilities		84,844	66,955	61,549	62,046

The notes on pages 49 to 92 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	15	37,817	45,936	2,580	6,260
Cost of sales		(27,383)	(33,098)	-	-
Gross profit		10,434	12,838	2,580	6,260
Other income		776	2,143	-	-
Distribution expenses		(836)	(781)	-	-
Administrative expenses		(14,891)	(11,029)	(6,518)	(1,192)
Results from operating activities		(4,517)	3,171	(3,938)	5,068
Finance costs	16	(49)	(80)	-	-
Finance income		6	8	5	5
(Loss)/Profit before tax		(4,560)	3,099	(3,933)	5,073
Tax expense	18	(459)	(883)	(93)	(165)
(Loss)/Profit for the year	19	(5,019)	2,216	(4,026)	4,908
Other comprehensive income/ (expense), net of tax:					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property	20	17,149	-	-	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		31	(11)	-	-
Other comprehensive income/ (expense) for the year, net of tax		17,180	(11)	-	-
Total comprehensive income/ (expense) for the year		12,161	2,205	(4,026)	4,908
(Loss)/Profit attributable to:					
Owners of the Company		(4,914)	2,216	(4,026)	4,908
Non-controlling interests		(105)	-	-	-
(Loss)/Profit for the year		(5,019)	2,216	(4,026)	4,908
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		12,266	2,205	(4,026)	4,908
Non-controlling interests		(105)	-	-	-
Total comprehensive income/ (expense) for the year		12,161	2,205	(4,026)	4,908
(Loss)/Earnings per ordinary share (sen)					
Basic	21	(2.25)	0.97		
Diluted	21	(1.93)	0.82		

The notes on pages 49 to 92 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2016

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	Property revaluation reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/---- Attributable to owners of the Company ----/											
		/---- Non-distributable ----/								Distributable			
At 1 January 2015		47,320	(1,676)	1,820	202	60	-	-	9,206	2,329	59,261	-	59,261
Foreign currency translation differences for foreign operations		-	-	-	-	(11)	-	-	-	-	(11)	-	(11)
Other comprehensive expense for the year		-	-	-	-	(11)	-	-	-	-	(11)	-	(11)
Profit for the year		-	-	-	-	-	-	-	-	2,216	2,216	-	2,216
Total comprehensive (expense)/income for the year		-	-	-	-	(11)	-	-	-	2,216	2,205	-	2,205
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(3,055)	-	-	-	-	-	-	-	(3,055)	-	(3,055)
Own shares sold		-	288	-	-	-	-	-	-	(46)	242	-	242
Total transactions with owners of the Company		-	(2,767)	-	-	-	-	-	-	(46)	(2,813)	-	(2,813)
At 31 December 2015		47,320	(4,443)	1,820	202	49	-	-	9,206	4,499	58,653	-	58,653

Consolidated statement of changes in equity
for the year ended 31 December 2016 (continued)

		/---------- Attributable to owners of the Company ----------/											
		/---------- Non-distributable ----------/							Distributable				
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	Property revaluation reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016		47,320	(4,443)	1,820	202	49	-	-	9,206	4,499	58,653	-	58,653
Foreign currency translation differences for foreign operations		-	-	-	-	31	-	-	-	-	31	-	31
Revaluation of property		-	-	-	-	-	17,149	-	-	-	17,149	-	17,149
Total other comprehensive income for the year		-	-	-	-	31	17,149	-	-	-	17,180	-	17,180
Loss for the year		-	-	-	-	-	-	-	-	(4,914)	(4,914)	(105)	(5,019)
Total comprehensive income/(expense) for the year		-	-	-	-	31	17,149	-	-	(4,914)	12,266	(105)	12,161
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(1,785)	-	-	-	-	-	-	-	(1,785)	-	(1,785)
Warrant exercised		351	-	-	-	-	-	-	-	-	351	-	351
Share-based payment transactions		-	-	-	-	-	-	5,034	-	-	5,034	-	5,034
Ownership interests in a subsidiary		-	-	-	-	-	-	-	-	-	-	30	30
Total transactions with owners of the Company		351	(1,785)	-	-	-	-	5,034	-	-	3,600	-	3,630
At 31 December 2016		47,671	(6,228)	1,820	202	80	17,149	5,034	9,206	(415)	74,519	(75)	74,444
		Note 10.1	Note 10.2		Note 10.3	Note 10.4	Note 10.5	Note 10.6	Note 10.7				

Statement of changes in equity
for the year ended 31 December 2016

Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000
		/---- *Attributable to owners of the Company*					----/
		/---- *Non–distributable*			----/	*Distributable*	
At 1 January 2015		47,320	(1,676)	1,820	-	12,326	59,790
Profit and comprehensive income for the year		-	-	-	-	4,908	4,908
Contributions by and distributions to owners of the Company							
Own shares acquired		-	(3,055)	-	-	-	(3,055)
Own shares sold		-	288	-	-	(46)	242
Total transactions with owners of the Company		-	(2,767)	-	-	(46)	(2,813)
At 31 December 2015/1 January 2016		47,320	(4,443)	1,820	-	17,188	61,885
Loss and comprehensive expense for the year		-	-	-	-	(4,026)	(4,026)
Contributions by and distributions to owners of the Company							
Own shares acquired		-	(1,785)	-	-	-	(1,785)
Warrant exercised		351	-	-	-	-	351
Share-based payment transactions		-	-	-	5,034	-	5,034
Total transactions with owners of the Company		351	(1,785)	-	5,034	-	3,600
At 31 December 2016		47,671	(6,228)	1,820	5,034	13,162	61,459
		Note 10.1	Note 10.2		Note 10.6		

The notes on pages 49 to 92 are an integral part of these financial statements.

Statements of cash flows
for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(4,560)	3,099	(3,933)	5,073
Adjustments for:					
Depreciation of property, plant and equipment	3	2,774	2,642	37	24
Depreciation of investment property	6	27	-	27	-
Dividend income		-	-	(2,100)	(5,540)
Share-based payment	19	5,034	-	5,034	-
Finance costs	16	49	80	-	-
Finance income		(6)	(8)	(5)	(5)
(Gain)/Loss on unrealised foreign exchange	19	(68)	210	-	-
Gain on disposal of property, plant and equipment	19	-	(31)	-	-
Property, plant and equipment written off	19	29	33	-	-
Net loss in fair value of financial instruments measured at fair value	19	-	11	-	-
Impairment loss on investment in subsidiary	5	-	-	70	-
Provision for doubtful debts in subsidiary	8	-	-	248	-
Operating profit/(loss) before changes in working capital		3,279	6,036	(622)	(448)
Change in inventories		(1,300)	3,877	-	-
Change in trade and other receivables		(290)	(647)	87	(391)
Change in trade and other payables		378	(351)	(60)	72
Cash generated from/(used in) operations		2,067	8,915	(595)	(767)
Interest paid	16	(49)	(80)	-	-
Interest received		6	8	5	5
Income tax paid		(939)	(969)	(142)	(150)
Income tax refund		450	76	-	-
Net cash generated from/(used in) operating activities		1,535	7,950	(732)	(912)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,942)	(1,596)	(64)	(232)
Proceeds from disposal of property, plant and equipment		-	111	-	-
Acquisition of investment property		-	(1,333)	-	(1,333)
Acquisition of subsidiary		-	-	(70)	-
Acquisition of non-controlling interests		30	-	-	-
Net cash used in investing activities		(1,912)	(2,818)	(134)	(1,565)

Statements of cash flows
for the year ended 31 December 2016 (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from financing activities					
Repayment of bankers' acceptances		-	(1,956)	-	-
Payment of finance lease liability		(84)	(124)	-	-
Proceeds from sale of treasury shares		-	241	-	241
Repurchase of treasury shares		(1,785)	(3,055)	(1,785)	(3,055)
Dividend received		-	-	2,100	5,540
Proceeds from exercise of warrants		351	-	351	-
Net cash (used in)/generated from financing activities		(1,518)	(4,894)	666	2,726
Net (decrease)/increase in cash and cash equivalents		(1,895)	238	(200)	249
Effect of exchange rate fluctuations on cash held		80	7	-	-
Cash and cash equivalents at 1 January		5,761	5,516	635	386
Cash and cash equivalents at 31 December	*(i)*	3,946	5,761	435	635

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Deposits with licensed banks	189	183	170	165
Cash and bank balances	3,924	5,578	265	470
Bank overdrafts	(167)	-	-	-
	3,946	5,761	435	635

The notes on pages 49 to 92 are an integral part of these financial statements.

Notes to the financial statements

Ni Hsin Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
No. 45, Jalan Taming Dua
Taman Taming Jaya
43300 Seri Kembangan
Selangor Darul Ehsan

Registered office
Lot 6.05, Level 6, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 29 March 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Notes to the financial statements
(continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 128 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company will assess the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 7.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets **(continued)**

(c) Available-for-sale financial assets **(continued)**

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment under the revaluation model

The Group revalues its property comprising freehold land and factory buildings every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognized in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

• Factory buildings	3%
• Hostels	2%
• Building	2%
• Plant and machinery	7%
• Moulds	7%
• Factory equipment	10%
• Office equipment, furniture, fixtures and fittings	10% - 20%
• Motor vehicles	20%
• Renovation	10%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

The Directors estimate fair value of the Group's investment property without involvement of independent valuers. Fair value is arrived at by reference to market evidence of sales listing prices for similar properties within the same/adjacent location.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(m) Provisions

A provision is recognised, if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales arrangement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants over ordinary shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the financial statements
(continued)

3. **Property, plant and equipment**

Group

	Freehold land RM'000	Factory buildings RM'000	Hostels RM'000	Plant and machinery RM'000	Moulds RM'000	Factory equipment RM'000	Office equipment, furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost										
At 1 January 2015	11,445	9,540	102	35,661	8,900	1,212	3,100	2,251	776	72,987
Additions	-	-	-	690	238	161	71	436	-	1,596
Disposals	-	-	-	-	-	-	(99)	(276)	-	(375)
Written off	-	-	-	(168)	-	(15)	(67)	-	-	(250)
At 31 December 2015/ 1 January 2016	11,445	9,540	102	36,183	9,138	1,358	3,005	2,411	776	73,958
Additions	-	-	-	964	138	314	453	68	5	1,942
Revaluation of property	15,255	1,760	-	-	-	-	-	-	-	17,015
Disposals	-	-	-	-	-	-	(5)	-	-	(5)
Written off	-	-	-	(1,071)	(571)	(11)	(160)	-	-	(1,813)
At 31 December 2016	26,700	11,300	102	36,076	8,705	1,661	3,293	2,479	781	91,097
Accumulated depreciation										
At 1 January 2015	-	1,140	45	28,326	6,359	1,153	2,109	650	669	40,451
Depreciation for the year	-	285	2	1,254	337	55	303	383	23	2,642
Disposals	-	-	-	-	-	-	(75)	(220)	-	(295)
Written off	-	-	-	(138)	-	(14)	(65)	-	-	(217)
At 31 December 2015/ 1 January 2016	-	1,425	47	29,442	6,696	1,194	2,272	813	692	42,581
Depreciation for the year	-	342	2	1,408	333	65	250	354	20	2,774
Revaluation of property	-	(1,736)	-	-	-	-	-	-	-	(1,736)
Disposals	-	-	-	-	-	-	(5)	-	-	(5)
Written off	-	-	-	(1,071)	(551)	(10)	(152)	-	-	(1,784)
At 31 December 2016	-	31	49	29,779	6,478	1,249	2,365	1,167	712	41,830
Carrying amounts										
At 1 January 2015	11,445	8,400	57	7,335	2,541	59	991	1,601	107	32,536
At 31 December 2015/ 1 January 2016	11,445	8,115	55	6,741	2,442	164	733	1,598	84	31,377
At 31 December 2016	26,700	11,269	53	6,297	2,227	412	928	1,312	69	49,267

Notes to the financial statements
(continued)

3. Property, plant and equipment (continued)

Company	**Motor vehicle RM'000**	**Total RM'000**
Cost		
At 1 January 2015	-	-
Additions	232	232
At 31 December 2015/1 January 2016	232	232
Additions	64	64
At 31 December 2016	296	296
Accumulated depreciation		
At 1 January 2015	-	-
Depreciation for the year	24	24
At 31 December 2015/1 January 2016	24	24
Depreciation for the year	37	37
At 31 December 2016	61	61
Carrying amounts		
At 1 January 2015	-	-
At 31 December 2015/1 January 2016	208	208
At 31 December 2016	235	235

3.1 Property, plant and equipment under the revaluation model

Freehold land and factory buildings were revalued during the financial year by independent professional valuers using comparison approach.

Had the freehold land and factory buildings been carried the cost model, their carrying amounts would have been RM11,445,000 and RM7,827,000 respectively.

3.2 Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles under finance leases with carrying amount of RM199,000 (2015: RM233,000).

4. Goodwill

	Group	
	2016 RM'000	**2015 RM'000**
Cost	5,105	5,105
Carrying amounts	5,105	5,105

Notes to the financial statements
(continued)

4. Goodwill (continued)

4.1 Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value-in-use. The carrying amount of the unit was determined to be approximately its recoverable amount and no impairment loss was recognised.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Revenue growth rate ranging from 5% to 10% per annum (2015: 7% to 7.45% per annum)
- Gross profit margin of 20% (2015: 21%)
- A pre-tax discount rate of 8.5% (2015: 9.35%)

The values assigned to the key assumptions represent management's assessment of future trends in the clad metals and convex mirrors industry and are based on both external sources and internal sources (historical data).

5. Investments in subsidiaries

	Note	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost		56,654	56,584
Less: Impairment loss		(70)	-
		56,584	56,584
Amount due from a subsidiary	5.1	2,871	2,871
		59,455	59,455

5.1 The amount due from a subsidiary is non-trade in nature, unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is a part of the Company's net investment in the subsidiary in substance, it was stated at cost less accumulated impairment.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2016 %	Effective ownership interest 2015 %
Ni Hsin Corporation Sdn. Bhd. ("NHC")#	Design, manufacture and sale of stainless steel kitchenware and cookware	Malaysia	100	100
Ever-Grow Advanced Materials Sdn. Bhd. ("EGAM")#	Research, development and manufacturing of clad metals and stainless steel convex mirrors	Malaysia	100	100

Notes to the financial statements (continued)

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2016 %	Effective ownership interest 2015 %
Steel Crafts Europa S.R.L. ("SCE")*	Trading and assembly of kitchenware, cookware, clad metals and stainless steel convex mirrors	Italy	100	100
and its subsidiary: Pentoli S.R.L. *(formerly knows as Kit-Zen S.R.L.)* ("Pentoli SRL")*	Retail sales of kitchenware, tableware and cookware, water filter and related products and accessories	Italy	100	100
Inoco Resources Sdn. Bhd. ("Inoco")@	General merchandiser and other commodities of all kinds and descriptions and retailer	Malaysia	100	100
MyAngkasa Ni Hsin Sdn. Bhd. ("MNH")@	Distribution and marketing of cookware, kitchenware, water filters and related products and accessories	Malaysia	70	-
Pentoli Sdn. Bhd. ("PSB")@	Distribution and marketing of cookware, kitchenware, water filters, convex mirrors and related products and accessories	Malaysia	100	-

* Subsidiaries incorporated in Italy have not been audited as they are exempted from statutory audit under Italian Company Laws. They are consolidated based on unaudited management accounts for the year ended 31 December 2016.

\# Audited by KPMG

@ Not audited by KPMG

5.1 Non-controlling interests in subsidiary

The Group's subsidiary that have material non-controlling interests ("NCI") is as follows:

	MyAngkasa Ni Hsin 2016 RM'000
NCI percentage of ownership interest and voting interest	30%
Carrying amount of NCI	(75)
Loss allocated to NCI	(105)
Summarised financial information before intragroup elimination	
As at 31 December	
Non-current assets	3
Current assets	16
Current liabilities	(268)
Net liabilities	(249)

Notes to the financial statements (continued)

5. Investments in subsidiaries (continued)

5.1 Non-controlling interests in subsidiary (continued)

The Group's subsidiary that have material non-controlling interests ("NCI") is as follows: (continued)

	2016 RM'000
Year ended 31 December	
Revenue	17
Loss for the year	(349)
Cash flows used in operating activities	(332)
Cash flows used in investing activities	(3)
Cash flows from financing activities	348
Net increase in cash and cash equivalents	13
Dividends paid to NCI	-

6. Investment property

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost				
At 1 January	1,333	-	1,333	-
Additions	-	1,333	-	1,333
At 31 December	1,333	1,333	1,333	1,333
Accumulated depreciation				
At 1 January	-	-	-	-
Depreciation for the year	(27)	-	(27)	-
At 31 December	(27)	-	(27)	-
Carrying amounts	1,306	1,333	1,306	1,333

Included in the above are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost :				
Building	1,333	1,333	1,333	1,333

Notes to the financial statements
(continued)

6. Investment property (continued)

6.1 Fair value information

The following are recognised in profit or loss in respect of investment property:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Direct operating expenses:				
- non-income generating investment property	10	6	10	6

Fair value of investment properties are categorised as follows:

	2016 Level 3 RM'000	2015 Level 3 RM'000
Group and Company		
Building	1,978	1,893

Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method considers the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size of the lot, legal and legislation constraints, supply and demand. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM451 – RM686)	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

Notes to the financial statements (continued)

7. Inventories

	Group 2016 RM'000	Group 2015 RM'000
Raw materials and component parts	10,442	7,880
Indirect materials	945	976
Work-in-progress	729	848
Manufactured inventories	6,523	7,635
	18,639	17,339
Recognised in profit or loss:		
Inventories recognised as cost of sales	27,383	33,098

7.1 The management assesses the net realisable value ("NRV") of inventories by identifying inventories aged 3 years and above with values more than RM10,000 and:

- Comparison of carrying value of these inventories against sales made to external customers subsequent to year end; and/or
- Utilisation and scrap sales of each components of these inventories.

8. Trade and other receivables

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current					
Trade					
Trade receivables	8.1	3,365	3,449	-	-
Non-trade					
Subsidiary		-	-	327	334
Less : provision for doubtful debt		-	-	(248)	-
		-	-	79	334
Other receivables	8.2	1,597	1,456	1	66
Deposits		150	161	1	7
Prepayments		463	214	-	8
		2,210	1,831	81	415
		5,575	5,280	81	415

Group

8.1 In prior year, included in trade receivables are amounts due from corporations in which certain Directors have substantial financial interests amounting to RM1,315,000 and are subject to normal trade terms.

8.2 Included in other receivables are club memberships in the Klang Valley. The memberships are valued at their fair value of RM320,000 (2015: RM320,000).

Company

The amount due from a subsidiary is non-trade related, unsecured, interest free and is repayable on demand.

Notes to the financial statements
(continued)

9. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	189	183	170	165
Cash and bank balances	3,924	5,578	265	470
	4,113	5,761	435	635

10. Share capital and reserves

10.1 Share capital

	Group and Company			
	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Authorised:				
Ordinary shares of RM0.20 each	100,000	500,000	100,000	500,000
Issued and fully paid:				
Ordinary shares of RM0.20 each				
At 1 January	47,320	236,600	47,320	236,600
Exercise of warrant	351	1,754	-	-
At 31 December	47,671	238,354	47,320	236,600

10.2 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 18 May 2016, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

For the financial year ended 31 December 2016, the Company repurchased 5,922,600 units of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.30 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

Details of the share buy-back during the financial year were as follows:

2016	Average repurchased price RM	Highest repurchased price RM	Lowest repurchased price RM	Number of treasury shares repurchased	Total consideration paid RM
January	0.295	0.295	0.295	500,000	148,164
March	0.334	0.346	0.320	1,895,000	632,152
April	0.289	0.300	0.275	2,000,000	577,487
May	0.277	0.280	0.270	732,000	202,685
June	0.260	0.260	0.260	16,900	4,443
August	0.285	0.285	0.283	669,700	191,201
November	0.265	0.265	0.265	109,000	29,107

Notes to the financial statements
(continued)

10. Share capital and reserves (continued)

10.2 Treasury shares (continued)

There were no treasury shares resold during the financial year.

The number of outstanding shares in issue after deducting treasury shares held at the financial year end is 217,480,410 (2015: 221,649,410) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

10.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The financial assets are the club memberships (Note 8.2).

10.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM, as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

10.5 Property revaluation reserve

Property revaluation reserve arises from the revaluation of property during the financial year.

10.6 Share option reserve

The share option reserve comprises the cumulative value of Directors and employee services received for the issue of share options by the Group. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

10.7 Other reserve

Other reserve comprises the reclassification of revaluation reserve and foreign currency translation reserve at the date of transition to MFRSs.

10.8 Warrants

During the financial year, the warrant exercised by registered warrantholders to new ordinary shares of RM0.20 each at exercise price of RM0.20 per ordinary share as follow:

Month of exercise	Exercise price (RM)	No. of warrant exercised
March	0.20	889,100
April	0.20	670,000
May	0.20	194,500

The number of warrants unexercised at the end of the reporting period was 113,725,203 (2015: 115,478,803).

Notes to the financial statements
(continued)

11. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Property, plant and equipment	26	-	(3,597)	(2,238)	(3,571)	(2,238)
Provisions	42	94	-	-	42	94
Unabsorbed reinvestment allowances carried forward	65	106	-	-	65	106
Tax losses carried forward	59	133	-	-	59	133
Others	-	-	(370)	(244)	(370)	(244)
Tax assets/(liabilities)	192	333	(3,967)	(2,482)	(3,775)	(2,149)
Set off of tax	(157)	(333)	157	333	-	-
Net tax assets/(liabilities)	35	-	(3,810)	(2,149)	(3,775)	(2,149)

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax asset against current tax liability and where the deferred taxes relate to the same taxation authority.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Tax loss carry-forwards	105	-	-	-
Other deductible temporary differences	1	-	-	-
	106	-	-	-

During the financial year, RM106,000 unrecognised tax losses of a subsidiary that was suffering loss were not recognised as management considered it probable that future taxable profits will not be available against which they can be utilised.

The unabsorbed tax losses and other deductible temporary differences do not expire under current tax legislation.

Notes to the financial statements
(continued)

11. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

	At 1.1.2015 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised in other comprehensive income (Note 20) RM'000	At 31.12.2016 RM'000
Group						
Property, plant and equipment	(2,565)	327	(2,238)	269	(1,602)	(3,571)
Provisions	249	(155)	94	(52)	-	42
Unabsorbed capital allowances carried forward	338	(338)	-	-	-	-
Unabsorbed reinvestment allowances carried forward	111	(5)	106	(41)	-	65
Tax losses carried forward	211	(78)	133	(74)	-	59
Other items	(311)	67	(244)	(126)	-	(370)
	(1,967)	(182)	(2,149)	(24)	(1,602)	(3,775)

12. Loans and borrowings

	Group 2016 RM'000	Group 2015 RM'000
Non-current		
Finance lease liability	-	87
Current		
Bank overdrafts	167	-
Finance lease liability	87	83
	254	83
	254	170

Bank overdrafts

The Group's bank overdrafts are supported by negative pledge over the Group's assets and corporate guarantee from the Company.

Notes to the financial statements
(continued)

12. Loans and borrowings (continued)

Finance lease liability

Finance lease liability is payable as follows:

Group	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000
Less than one year	90	3	87	90	7	83
Between one and three years	-	-	-	90	3	87
	90	3	87	180	10	170

Included in the Group's finance lease liability is lease of motor vehicles amounting to RM250,000 (2015: RM250,000) under the finance lease expiring within one year.

13. Trade and other payables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Trade				
Trade payables	2,359	985	-	-
Non-trade				
Other payables	3,133	4,224	90	150
Accrued expenses	844	752	-	-
	3,977	4,976	90	150
	6,336	5,961	90	150

14. Derivative financial liabilities

	2016 Nominal value RM'000	2016 Assets RM'000	2016 Liabilities RM'000	2015 Nominal value RM'000	2015 Assets RM'000	2015 Liabilities RM'000
Group						
Derivatives held for trading at fair value through profit or loss						
- Forward exchange contracts	-	-	-	1,890	-	11

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

Notes to the financial statements
(continued)

15. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	37,817	45,936	-	-
Dividend income	-	-	2,100	5,540
Management fees	-	-	480	720
	37,817	45,936	2,580	6,260

16. Finance costs

	Group	
	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
Bank overdrafts	16	8
Bankers' acceptances	27	62
Finance lease liability	6	10
	49	80

17. Employee benefits

On 13 June 2016, the Company granted share options to qualified Directors and employees to purchase ordinary shares in the Company under the Employees Share Option Scheme ("ESOS") approved by the shareholders of the Company on 18 May 2016. In accordance with these programmes, the options are vested at the grant date and the holders are entitled to purchase shares at the exercise price.

The number and exercise prices of share options are as follows:

	Number of options '000
Granted at 13 June 2016	32,500
Exercised during the year	-
Forfeited during the year	-
Outstanding at 31 December 2016	32,500

The options outstanding as at 31 December 2016 have an exercise price of RM0.29 and expiry on 12 June 2021.

There were no options exercised during the year.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using binomial option pricing model, with the following inputs:

Options fair value	RM0.1549
Share price at grant date	RM0.2850
Volatility	58.56%
Risk free rate	3.48%

The share options expense is recognised in the profit or loss of the Company during the financial year.

Notes to the financial statements
(continued)

18. Tax expense

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current	490	727	94	165
- (over)/under provision in prior years	(55)	(26)	(1)	-
Total current tax recognised in profit or loss	435	701	93	165
Deferred tax expense				
- origination and reversal of temporary differences	(6)	283	-	-
- under/(over) provision in prior years	30	(24)	-	-
- effect of changes in tax rate	-	(77)	-	-
Total deferred tax recognised in profit or loss (Note 11)	24	182	-	-
Total income tax expense	459	883	93	165
Reconciliation of effective tax expense				
(Loss)/Profit for the year	(5,019)	2,216	(4,026)	4,908
Tax expense	459	883	93	165
(Loss)/Profit excluding tax	(4,560)	3,099	(3,933)	5,073
Reconciliation of effective tax expense				
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	(1,095)	775	(944)	1,268
Non-deductible expenses	1,635	312	1,542	282
Tax exempt income	-	-	(504)	(1,385)
Tax incentives	(81)	(77)	-	-
	459	1,010	94	165
Current year losses for which no deferred tax asset was recognised	25	-	-	-
(Over)/Under provision in prior years	(25)	(50)	(1)	-
Effect of changes in tax rate	-	(77)	-	-
Tax expense	459	883	93	165

The corporate tax rate is 24% for year of assessment 2016. Consequently, deferred tax assets and liabilities are measured using these tax rates.

Notes to the financial statements (continued)

19. (Loss)/Profit for the year

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
(Loss)/Profit for the year is arrived at after charging:				
Auditors' remuneration				
- Audit fees	155	139	30	69
- Non-audit fees	62	51	30	23
Depreciation of property, plant and equipment	2,774	2,642	37	24
Depreciation of investment property	27	-	27	-
Net loss on foreign exchange				
- unrealised	-	210	-	-
Property, plant and equipment written off	29	33	-	-
Net change in fair value of financial instruments measured at fair value	-	11	-	-
Personnel expenses (including key management personnel)				
- Contributions to state plans	575	683	-	-
- Share-based payments	5,034	-	5,034	-
- Wages, salaries and others	9,242	10,500	372	404
Rental expense	158	163	-	-
(Loss)/Profit for the year is arrived at after crediting:				
Gain on disposal of property, plant and equipment	-	31	-	-
Dividend income from subsidiaries	-	-	2,100	5,540
Net gain on foreign exchange				
- unrealised	68	-	-	-
Net gain on foreign exchange				
- realised	612	2,090	-	-
Rental income from land and buildings	162	162	-	-

20. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2016			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	18,751	(1,602)	17,149
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	31	-	31
2015			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(11)	-	(11)

Notes to the financial statements
(continued)

21. (Loss)/Earnings per ordinary share

Group

Basic (loss)/earnings per ordinary share

The calculation of basic loss per ordinary share at 31 December 2016 was based on the loss (2015: profit) attributable to ordinary shareholders of RM4,914,000 (2015: RM2,216,000) and the number of weighted average ordinary shares outstanding during the year of 218,670,841 (2015: 229,000,683) after accounting for share buy-backs and effect of exercise of warrants. (2015: share buy-backs, reissue of treasury shares and effect of exercise of warrants).

Diluted (loss)/earnings per ordinary share

The calculation of diluted loss per ordinary share at 31 December 2016 was based on loss (2015: profit) attributable to ordinary shareholders of RM4,914,000 (2015: RM2,216,000) and the number of weighted average diluted ordinary shares outstanding during the year of 254,827,487 (2015: 268,945,453) after accounting for share buy-backs and adjustment for the effects of all dilutive potential ordinary shares of 36,156,646 (2015: 39,944,770) shares arising from the share warrants on issue (2015: share buy-backs, reissue of treasury shares and effect of exercise of warrants).

The effect of ESOS granted to the eligible Directors and employees of the Group that could potentially dilute basic earnings per share in future, but were not included in the calculation of diluted loss per share as above because they are anti-dilutive for the financial year ended 31 December 2016.

The average market value of the Company's shares for purpose of calculating the dilutive effect of share warrants was based on quoted market prices for the period during which the warrants were outstanding.

22. Dividends

No dividends were declared by the Company during the financial year.

23. Operating segments

The Group has three main reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Managing Director) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's main reportable segments:

(i)	Cookware	Design, manufacture and sale of stainless steel kitchenware and cookware
(ii)	Convex mirrors	Manufacture and sale of stainless steel convex mirrors
(iii)	Clad metals	Research, development and manufacture of clad metals

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Notes to the financial statements
(continued)

23. Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2016						
Business segments						
Revenue	19,276	11,130	7,411	-	-	37,817
Inter-segment revenue	41	898	5,631	-	(6,570)	-
Total revenue	19,317	12,028	13,042	-	(6,570)	37,817
2015						
Business segments						
Revenue	25,915	9,510	10,511	-	-	45,936
Inter-segment revenue	2	1,011	9,754	-	(10,767)	-
Total revenue	25,917	10,521	20,265	-	(10,767)	45,936
2016						
Results						
Segment results	(351)	2,563	(718)	(8)	515	2,001
Unallocated corporate expenses						(6,518)
Interest expense						(49)
Interest income						6
Loss before tax						(4,560)
Tax expense						(459)
Loss for the year						(5,019)
Assets						
Segment assets	59,798	5,667	17,088	-	(2,661)	79,892
Unallocated corporate assets						4,952
Total assets						84,844
Liabilities						
Segment liabilities	4,759	1,364	2,845	86	(2,464)	6,590
Unallocated corporate liabilities						3,810
Total liabilities						10,400

Notes to the financial statements (continued)

23. Operating segments (continued)

Geographical segments (continued)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers (continued)

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Eliminations RM'000	Total RM'000
2016						
Other information						
Capital expenditure	1,002	893	47	-	-	1,942
Depreciation	1,856	267	678	-	-	2,801
Others	27	1	1	-	-	29

	Revenue RM'000
Geographical segments	
Japan and Korea	16,840
Malaysia and Singapore	5,327
China, Taiwan and Hong Kong	5,477
Thailand and Indonesia	1,582
Europe	5,262
USA and Canada	2,292
Australia	547
Others	490
	37,817

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Eliminations RM'000	Total RM'000
2015						
Results						
Segment results	2,095	2,846	(534)	(13)	(31)	4,363
Unallocated corporate expenses						(1,192)
Interest expense						(80)
Interest income						8
Profit before tax						3,099
Tax expense						(883)
Profit for the year						2,216
Assets						
Segment assets	43,138	5,485	14,314	-	(2,503)	60,434
Unallocated corporate assets						6,521
Total assets						66,955

Notes to the financial statements
(continued)

23. Operating segments (continued)

Geographical segments (continued)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers (continued)

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2015						
Liabilities						
Segment liabilities	4,862	629	2,492	29	(1,859)	6,153
Unallocated corporate liabilities						2,149
Total liabilities						8,302
Other information						
Capital expenditure	919	509	168	-	-	1,596
Depreciation	1,655	217	770	-	-	2,642
Others	(29)	12	19	-	-	2

	Revenue RM'000
Geographical segments	
Japan and Korea	17,465
Malaysia and Singapore	5,883
China, Taiwan and Hong Kong	8,457
Thailand and Indonesia	932
Europe	8,066
USA and Canada	3,157
Australia	1,468
Others	508
	45,936

The carrying amount of segment assets and cost to acquire property, plant and equipment by location of assets are not provided. The assets of the Group are located and capital expenditure incurred for these assets, are principally in Malaysia.

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS");
(c) Financial liabilities measured at amortised cost ("FL");
(d) Fair value through profit or loss ("FVTPL").

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	FVTPL RM'000
2016				
Financial assets				
Group				
Receivables and deposits	5,112	4,792	320	-
Cash and cash equivalents	4,113	4,113	-	-
	9,225	8,905	320	-
Company				
Receivables and deposits	81	81	-	-
Cash and cash equivalents	435	435	-	-
	516	516	-	-
Financial liabilities				
Group				
Bank overdrafts	(167)	(167)	-	-
Finance lease liability	(87)	(87)	-	-
Trade and other payables	(6,336)	(6,336)	-	-
	(6,590)	(6,590)	-	-
Company				
Trade and other payables	(90)	(90)	-	-
2015				
Financial assets				
Group				
Receivables and deposits	5,066	4,746	320	-
Cash and cash equivalents	5,761	5,761	-	-
	10,827	10,507	320	-
Company				
Receivables and deposits	407	407	-	-
Cash and cash equivalents	635	635	-	-
	1,042	1,042	-	-
Financial liabilities				
Group				
Bank overdrafts	-	-	-	-
Finance lease liability	(170)	(170)	-	-
Trade and other payables				
Derivative financial liabilities	(5,961)	(5,961)	-	-
	(11)	-	-	(11)
	(6,142)	(6,131)	-	(11)
Company				
Trade and other payables	(150)	(150)	-	-

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Loans and receivables	391	1,442	5	5
Financial liabilities measured at amortised cost	245	367	-	-
Fair value through profit or loss	-	(11)	-	-
	636	1,798	5	5

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

The Group has no significant exposure to any individual receivable other than the amounts due from corporations in which certain Directors have substantial financial interests in prior year as stated in Note 27 to the financial statements, which form 38% of the total trade receivables of the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Domestic	1,542	2,312	81	407
Others	3,570	2,754	-	-
	5,112	5,066	81	407

Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group	**Gross RM'000**	**Individual impairment RM'000**	**Net RM'000**
2016			
Not past due	4,164	-	4,164
Past due 1 - 30 days	660	-	660
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due over 181 days	288	-	288
	5,112	-	5,112
2015			
Not past due	2,920	-	2,920
Past due 1 - 30 days	1,161	-	1,161
Past due 31 - 60 days	454	-	454
Past due 61 - 90 days	399	-	399
Past due over 90 days	132	-	132
	5,066	-	5,066
Company			
2016			
Not past due	81	-	81
2015			
Not past due	407	-	407

Notes to the financial statements (continued)

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

As at the end of the reporting period, there was no indication that the receivables are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

As at the end of the reporting period, the Company provided total corporate guarantees amounting to RM26,140,000 (2015: RM26,140,000).

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM254,000 (2015: RM170,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries as these are repayable on demand.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
2016						
Non-derivative financial liabilities						
Bank overdrafts	167	7.75	167	167	-	-
Finance lease liability	87	2.48	90	90	-	-
Payables and accruals	6,336	-	6,336	6,336	-	-
2015						
Non-derivative financial liabilities						
Finance lease liability	170	2.48	170	83	87	-
Payables and accruals	5,961	-	5,961	5,961	-	-
Derivative financial liabilities						
Forward exchange contract (gross settled):						
Outflow	11	-	1,901	1,901	-	-
Inflow	-	-	(1,890)	(1,890)	-	-
Company						
2016						
Non-derivative financial liabilities						
Payables and accruals	90	-	90	90	-	-
Financial guarantee	-	-	26,140	26,140	-	-
2015						
Non-derivative financial liabilities						
Payables and accruals	150	-	150	150	-	-
Financial guarantee	-	-	26,140	26,140	-	-

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk arising from transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Japanese Yen ("JPY"), Euro ("EUR") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

		Denominated in		
	USD RM'000	**EUR RM'000**	**SGD RM'000**	**JPY RM'000**
Group				
2016				
Trade and other receivables	2,395	534	292	349
Trade payables	(829)	(350)	-	-
Net exposure	1,566	184	292	349
2015				
Trade and other receivables	1,525	172	457	600
Trade payables	(168)	(36)	-	-
Foreign exchange contracts	(11)	-	-	-
Net exposure	1,346	136	457	600

Company
The Company does not have any exposure to foreign currency risk at the end of the reporting period.

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (2015: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

	Profit or loss 2016 RM'000	Profit or loss 2015 RM'000
Group		
USD	(119)	(101)
SGD	(22)	(34)
JPY	(26)	(45)
EUR	(14)	(10)

A 10% (2015: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's investments in fixed deposits are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group has an informal policy in place and the exposure to interest rate risk is monitored on an ongoing basis.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets	189	183	170	165
Financial liabilities	(87)	(170)	-	-
Floating rate instruments				
Financial liabilities	(167)	-	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Notes to the financial statements (continued)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	2016 Profit or loss		2015 Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	(1)	1	-	-

24.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2016		2015	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Investments in club memberships	320	320	320	320
Forward exchange contracts	-	-	11	11

The fair value of investments in club memberships is based on their latest published membership price.

The fair value of forward exchange contracts are based on banker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

24.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities, that the Group can access at the measurement date.
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)

24. Financial instruments (continued)

24.7 Fair value of financial instruments (continued)

24.7.1 Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Financial assets				
Investments in club memberships	-	320	-	320
2015				
Financial assets				
Investments in club memberships	-	320	-	320
Financial liabilities				
Forward exchange contracts	-	11	-	11

25. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor adequacy of capital on an ongoing basis.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. Capital and other commitments

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment		
Contracted but not provided for	8	1,368

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with significant investors, subsidiaries, Directors and key management personnel.

Notes to the financial statements
(continued)

27. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follows:

	Transaction value for year ended 31 December		Balance outstanding as at 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Company				
Dividend income from subsidiaries	(2,100)	(5,540)	-	-
Management fees from subsidiaries	(480)	(720)	-	-
Administration fee paid on behalf of subsidiary	54	321	79	336
Group				
Related parties:				
Standardworld Holding Ltd.				
Marketing fee	740	-	(148)	-
Royalty fees payable	-	213	-	(213)
Sun New Stainless Steel Industry Ltd.				
Sales	(3,038)	(5,150)	300	-
Purchases	136	542	(1)	(5)
Ni Hsin International Trade Shanghai Co. Ltd.				
Sales	-	(108)	-	-
Purchases	4	134	-	-
Everpro Sdn. Bhd.				
Sales	(2,142)	(2,191)	628	1,161
Purchases	4	35	-	(2)
Rental income receivable	(162)	(162)	-	-
I.D.M. Creative Development Co. Ltd.				
Sales	(848)	(431)	237	154
Purchases	235	657	(4)	(2)
Buffalo GSB Sdn. Bhd.				
Sales	(5)	-	-	-
Buffalo Cookware Australia Pty. Ltd.				
Sales	(494)	-	-	-

Notes to the financial statements
(continued)

27. Related parties (continued)

The key management personnel compensations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors:				
- Fees	255	373	255	373
- Remuneration	1,388	1,068	45	2
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	51	50	11	9
- Employee share options scheme ("ESOS")	3,584	-	3,584	-
	5,278	1,491	3,895	384

28. Subsequent event

On 23 January 2017, Inoco Resources Sdn. Bhd., the wholly-owned subsidiary of the Company entered into an Exclusive Distributorship Agreement ("EDA") with Grayns Malaysia Sdn. Bhd. ("GMSB") for the distribution of GMSB's starch reducing rice cooker.

GMSB is the inventor and patent right holder and trademark owner of the trademark of the patented "Grayns" brand starch reducing rice cooker. The EDA will enable the Group to further expand its product range for local and export markets.

On 6 February 2017, Pentoli Sdn. Bhd., the wholly-owned subsidiary of the Company entered into an EDA with Mingkeda Group Holding Co. Ltd. ("MKD") for the distribution of PENTOLI brand cookware products and stainless steel convex mirrors.

The registered share capital of MKD is RMB20,000,000. The principal activities of MKD are household appliance trading and retailing, logistics and warehousing, E-commerce and business investment. The EDA will enable the Group to further expand its export markets in China.

29. Significant changes in accounting policies

29.1 Accounting for property

On 30 June 2016, the Group changed its accounting policy with respect to the subsequent measurement of property from cost model to revaluation model, with changes in fair value recognised in other comprehensive income. The Group believes that the subsequent measurement using the revaluation model provides more relevant information about the financial performance of these assets and assist users to better understand the risk associated with these assets.

This change in accounting policy was applied prospectively.

The effect on the statement of comprehensive income was as follows:

	Group 2016 RM'000
Changes in fair value of property	17,015
Effect of changes in deferred tax liabilities on other comprehensive income	(1,602)
Effect of changes in depreciation on other comprehensive income	1,736
Net effect on other comprehensive income	17,149

Notes to the financial statements
(continued)

30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total (accumulated losses)/ retained earnings of the Company and its subsidiaries				
- realised	36,166	40,279	13,246	17,272
- unrealised	(3,888)	(2,625)	(84)	(84)
	32,278	37,654	13,162	17,188
Less: Consolidation adjustments	(32,693)	(33,155)	-	-
Total (accumulated losses)/ retained earnings	(415)	4,499	13,162	17,188

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 42 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 93 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.*

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Chen Shien Yee
Director

....

Ng Shwu Ching
Director

Kuala Lumpur
Date: 29 March 2017

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Ng Shwu Ching**, the Director primarily responsible for the financial management of Ni Hsin Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 93 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Ng Shwu Ching (670803-10-6136) in Kuala Lumpur in the Federal Territory on 29 March 2017.

....

Ng Shwu Ching

Before me:

Independent auditors' report
to the members of Ni Hsin Resources Berhad

Report on the Audited of the Financial Statements

Opinion

We have audited the financial statements of Ni Hsin Resources Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 92.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of inventories</td></tr>
<tr><td colspan="2">Refer to Note 2(h) - Significant accounting policy: Inventories and Note 7 Inventories</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has RM19 million of inventories as at 31 December 2016. Inventories are measured at the lower of cost and net realisable value. Valuation of inventories is a key audit matter due to:
• Significant amount of inventories of the Group are slow moving.
• Significant level of judgement in:
- assessing the Group's assessment that inventories are stated at the lower of cost and net realisable values as the selling price were not readily available.
- assessing the adequacy of the Group's provision for slow-moving inventories.</td><td>We performed the following audit procedures, among others, around the valuation of inventories:
• We tested the accuracy of the aging of inventories by testing the age profile of the inventory balances to the respective Goods Received Notes, Work Orders, and Handover documents;
• We evaluated the Group's inventory net realisable values for finished goods as at 31 December 2016 by comparing the carrying value of the inventories to sales made to external customers subsequent to year end to test whether these exceeded the carrying value of inventory at year end;
• We evaluated the Group's basis of provision for slow-moving inventories as at 31 December 2016 based on our understanding of the utilisation and scrap sales of each components of these inventories; and
• Based on the inventory aging, we assessed the Group's adequacy of provision for slow-moving inventories as at 31 December 2016 by comparing the Group's provision amount to provision computed by us based on our work performed above.</td></tr>
</table>

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor's report.

Independent auditors' report
to the members of Ni Hsin Resources Berhad (continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report are as follow:

- Corporate Information
- Five-Year Group Financial Highlights
- Chairman's Statement
- Management Discussion and Analysis
- Board of Directors' Profile
- Key Senior Management Profile
- Statement on Corporate Governance
- Audit Committee Report
- Statement on Risk Management and Internal Control
- Corporate Sustainability Statement
- Directors' Responsibility Statement
- Directors' Report
- List of Properties

but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

Independent auditors' report
to the members of Ni Hsin Resources Berhad (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in note 5 to the financial statement.

Other Reporting Responsibilities

The supplementary information set out in Note 30 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter(s)

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Yee Keng
Approval Number: 2880/04/17 (J)
Chartered Accountant

29 March 2017
Petaling Jaya

Statement of shareholdings
As at 31 March 2017

Total number of issued shares	238,353,610 ordinary shares
Class of shares	Ordinary Shares
Voting rights	One vote per ordinary share

SIZE OF SHAREHOLDINGS AS AT 31 MARCH 2017

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares held	% of issued capital
Less than 100 shares	17	0.78	576	0.00
100 to 1,000 shares	365	16.85	169,254	0.08
1,001 to 10,000 shares	656	30.29	4,531,956	2.08
10,001 to 100,000 shares	930	42.94	36,553,650	16.81
100,001 to 10,874,019*	196	9.05	148,885,986	68.46
10,874,020 and above (**)	2	0.09	27,338,988	12.57
Total	2,166	100.00	217,480,410#	100.00

Note:

Excluding a total of 20,873,200 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2017.

* Less than 5% of issued shares (excluding treasury shares)

** 5% and above of issued shares (excluding treasury shares)

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

		Direct Interest		Indirect Interest	
	Name of Directors	No. of shares held	% of issued capital	No. of shares held	% of issued capital
1	Rizvi Bin Abdul Halim	-	-	-	-
2	Chen Shien Yee	-	-	-	-
3	Ng Shwu Ching	-	-	-	-
4	Datin Ida Suzaini Binti Abdullah	-	-	-	-
5	Datuk Tan Choon Hwa	-	-	-	-
6	Leow Chan Khiang	-	-	-	-
7	Rithauddin Hussein Jamalatiff Bin Jamaluddin	-	-	-	-

Statement of shareholdings
As at 31 March 2017 (continued)

30 LARGEST SHAREHOLDERS AS AT 31 MARCH 2017
(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name of Shareholders	No. of shares held	% of issued capital *
1	M & A Nominee (Tempatan) Sdn Bhd *Pledged securities account for Khoo Chee Kong*	14,864,000	6.83
2	Hsiao, Chih-Che	12,474,988	5.74
3	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Kim Hwa*	10,530,100	4.84
4	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Aw Sen Loi*	10,500,300	4.83
5	Hsiao Chih Chien	9,975,193	4.59
6	Hsiao Chih Jen	8,475,193	3.90
7	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chia Kee Siong*	6,357,500	2.92
8	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Koh Kin Lip*	5,700,000	2.62
9	Pelaburan Mara Berhad	5,500,000	2.53
10	M & A Nominee (Asing) Sdn Bhd *Pledged securities account for Meng Bin*	3,857,100	1.77
11	Chia Kee Siong	2,770,000	1.27
12	Hsiao Tung Wei	2,500,000	1.15
13	Sofiyan Bin Yahya	2,500,000	1.15
14	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Shahfina Binti Bahador Shah*	2,246,000	1.03
15	Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Mak Hon Leong*	2,034,800	0.93
16	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged securities account for Soh Mei Yen*	2,013,900	0.93
17	Hsiao Tung Min	2,000,000	0.92
18	Hsiao, Tung-Hsin	2,000,000	0.92
19	Tay Kim Kee	2,000,000	0.92
20	Cheong Min Suan	1,893,000	0.87
21	Chen Chee Seang	1,688,000	0.78
22	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Rickoh Corporation Sdn Bhd*	1,500,000	0.69
23	Teoh Hin Heng	1,432,000	0.66
24	Maybank Securities Nominees (Asing) Sdn Bhd *Pledged securities account for International Resourcehouse Limited*	1,399,400	0.64
25	Wong Ii Le	1,365,000	0.63
26	HLIB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ong Chee Seong*	1,300,000	0.60
27	Hoh Tze Kah	1,260,000	0.58
28	Mohd Radzuan Bin Ab Halim	1,188,000	0.55
29	Tay Yoo Swae	1,140,000	0.52
30	Wichford Group Limited	1,043,300	0.48
Total		**123,507,774**	**56.79**

Note:
* Excluding a total of 20,873,200 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2017.

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of shares held**	**% of issued capital ***	**No. of shares held**	**% of issued capital ***
1 Hsiao Chih Jen	8,475,193	3.90	4,000,000 ^1	1.84
2 Hsiao Chih Chien	9,975,193	4.59	2,500,000 ^2	1.15
3 Hsiao, Chih-Che	12,474,988	5.74	-	-
4 Khoo Chee Kong	14,864,000	6.83	-	-

Note:
^1 Deemed interest in the shares held by his sons, Hsiao Tung Hsin and Hsiao Tung Min.
^2 Deemed interest in the shares held by his son, Hsiao Tung Wei.
* Excluding a total of 20,873,200 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2017.

Statement of warrantholdings
As at 31 March 2017

No. of warrants in issue	115,478,803
Exercise of warrants	1,753,600
Expiry date of the warrants	11 February 2018
Exercise price of the warrants	RM0.20

SIZE OF WARRANTHOLDINGS AS AT 31 MARCH 2017

Size of Warrantholdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants Held	% of Issued Warrants
Less than 100 warrants	218	13.70	10,502	0.01
100 to 1,000 warrants	200	12.57	112,271	0.10
1,001 to 10,000 warrants	433	27.22	2,317,830	2.04
10,001 to 100,000 warrants	540	33.94	25,548,950	22.46
100,001 to 5,686,259 (*)	200	12.57	85,735,650	75.39
5,686,260 and above (**)	-	-	-	-
Total	1,591	100.00	113,725,203	100.00

* less than 5% of issued warrants
** 5% and above of issued warrants

DIRECTORS' WARRANTHOLDINGS AS AT 31 MARCH 2017

		Direct Interest		Indirect Interest	
	Name of Directors	No. of Warrants held	% of Issued Warrants	No. of Warrants held	% of Issued Warrants
1	Rizvi Bin Abdul Halim	-	-	-	-
2	Chen Shien Yee	-	-	-	-
3	Leow Chan Khiang	-	-	-	-
4	Ng Shwu Ching	-	-	-	-
5	Datin Ida Suzaini Binti Abdullah	-	-	-	-
6	Datuk Tan Choon Hwa	-	-	-	-
7	Rithauddin Hussein Jamalatiff Bin Jamaluddin	-	-	-	-

Statement of warrantholdings
As at 31 March 2017 (continued)

30 LARGEST WARRANT HOLDERS AS AT 31 MARCH 2017
(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name of Warrantholders	No. of warrants held	% of warrants held
1	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chia Kee Siong*	2,950,050	2.59
2	Hiew Fook Sang @ Fook Hew San	2,000,000	1.76
3	Siah Chin Seong	2,000,000	1.76
4	Susy Ding	2,000,000	1.76
5	Pakirisamy Baskaran A/L P Thangavelu	1,918,300	1.69
6	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Kwan Wing Hung*	1,783,800	1.57
7	HLIB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Soo See Lim*	1,725,000	1.52
8	Soo Yoke Mun	1,658,500	1.46
9	Lau Mei Tong Iris	1,600,000	1.41
10	Neo Chin Kian	1,591,000	1.40
11	Yong Ee Chuan	1,518,000	1.33
12	Lim Kwong Hon	1,500,000	1.32
13	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teo Ker-Wei*	1,450,000	1.27
14	Chin Bak Kim @ Ch'ng Bak Kim	1,350,000	1.19
15	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Choong Wai Han*	1,219,000	1.07
16	Soo Weng Swan	1,200,000	1.05
17	Affin Hwang Investment Bank Berhad *IVT*	1,140,400	1.00
18	Chin Yuen Kum	1,100,000	0.97
19	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Kiat*	1,100,000	0.97
20	Lee Yeh Meng	1,097,450	0.96
21	Chia Kuo Chung	1,000,000	0.88
22	Christina Loh Yoke Lin	1,000,000	0.88
23	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Teck Tay*	930,300	0.82
24	Teo Ker-Wei	900,000	0.79
25	Cheong Ming Suan	896,500	0.79
26	Lau Mei Chin	802,100	0.70
27	Liou Kok Lan	800,000	0.70
28	Wong Ii Le	757,500	0.67
29	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Siow Chock Shume*	740,000	0.65
30	Tan Teck Tay	737,600	0.65
Total		**40,465,500**	**35.58**

List of properties
As at 31 December 2016

No	Location	Description	Existing use	Tenure	Age of buildings (Years) #	Land Area (sq meters)	Built-up Area (sq meters)	Net Book Value RM'000	Year of Last Revaluation/ Acquisition
1	HS (D) 140097, PT No, 71214								
*	(formerly HS(D) 38402, PT No. 20620) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan	Industrial Land with 2 Storey Office Building and 1 Storey Factory Building	Office Building and Factory	Freehold	26	9,854	6,320	37,969	2016 (revaluation)
*	(formerly HS(D) 23491, PT No. 20621) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan	Industrial Land with 3 Storey Office Building and 1 Storey Factory Building	Office Building, Factory and Ware-house	Freehold	19	7,865	7,682	-	
2	Unit No. 06, Block BB, 3rd Floor, Taman Taming Jaya held under Strata Title Geran 34049/ M2/4/102, Lot 19716 for Parcel No. 102, Level No. 4, Building No. M2 Mukim of Kajang District of Hulu Langat Selangor Darul Ehsan	1 unit flat housing	Staff accommodation	Freehold	24	–	62	17.6	1990
3	Unit No. 07, Block BB, 3rd Floor, Taman Taming Jaya held under Strata Title Geran 34049/ M2/4/103, Lot 19716 for Parcel No. 103, Level No. 4, Building No. M2 Mukim of Kajang District of Hulu Langat Selangor Darul Ehsan	1 unit flat housing	Staff accommodation	Freehold	24	–	62	17.6	1990
4	Unit No. 08, Block BB, 3rd Floor, Taman Taming Jaya forming part of the land held under Master Title HS(D) 16865, PT No. 17962 Mukim of Kajang District of Hulu Langat Selangor Darul Ehsan	1 unit flat housing	Staff accommodation	Freehold	24	–	62	17.6	1990
5	Unit No. 368-4-1, 4th Floor, Bellisa Row, Jalan Burma, Pulau Pinang held under Strata Title Geran 58485/M1/4/49, Parcel No. 49, Storey No. 4, Building No. M1, Parent Lot No. 2626 Town of Georgetown Section 1 District of North East Pulau Pinang	1 unit shop office	Rental	Freehold	16	–	268	1,306	2015

Note:

Age of buildings starts from the date of certificate of fitness issued.

* On 16 April 2009, the respective pieces of land have been amalgamated pursuant to the condition imposed by the Securities Commission during the initial public offering.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Friday, 23 June 2017 at 9.00 a.m. to transact the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **Note 8**

2. To approve the payment of fees payable to the Directors in respect of the financial year ended 31 December 2016. **Ordinary Resolution 1**

3. To approve the fees and benefits payable to the Directors for the financial year ending 31 December 2017 and up to the date of the Fourteenth Annual General Meeting. **Ordinary Resolution 2**

4. To re-elect the following Directors retiring pursuant to the Articles of Association of the Company:-

   i) Mr Chen Shien Yee **Ordinary Resolution 3**
   ii) Datin Ida Suzaini Binti Abdullah **Ordinary Resolution 4**
   iii) En Rithauddin Hussein Jamalatiff bin Jamaluddin **Ordinary Resolution 5**

5. To re-appoint Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

6. **Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**

   "THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting or at the expiry of the period which the next Annual Gerenal Meeting is required to be held, whichever earlier, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."
   Ordinary Resolution 7

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries ("NHR Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.4 of the Circular to Shareholders dated 28 April 2017 ("Circular") with the related parties mentioned therein which are necessary for the NHR Group's day-to-day operations.

   THAT the NHR Group be and is hereby authorised to enter into the recurrent transactions with the related parties mentioned therein provided that:-

   a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

   b) the disclosure of the aggregate value of the transactions concluded during a financial year will be disclosed in the Annual Report for the said financial year.

   THAT authority conferred by such renewed mandate shall continue to be in force until:-

   i) the conclusion of the next Annual General Meeting ("AGM") of NHR at which time it will lapse, unless by a resolution passed at a general meeting, the authority is again renewed;

Notice of Annual General Meeting
(continued)

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (continued)**

   ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

   iii) revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is the earlier.

   AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution."
   Ordinary Resolution 8

8. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**

   "THAT, subject to the Companies Act 2016 ("the Act"), the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company to purchase such amount of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital of the Company;

   THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

   THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

   i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the Fourteenth ("14th") AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

   ii) the expiration of the period within which the 14th AGM of the Company is required by law to be held; or

   iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

   whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

   AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority."
   Ordinary Resolution 9

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
CHAN SU SAN (MAICSA 6000622)
Company Secretaries

Selangor Darul Ehsan
Date: 28 April 2017

Notice of Annual General Meeting
(continued)

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, participate, speak and vote instead of him.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of the meeting will be put to vote by way of poll.

7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2017 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

8. The Audited Financial Statements in Agenda 1 is meant for discussion only as approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this agenda is not put forward for voting by shareholders of the Company.

9. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

   (i) Ordinary Resolution No. 7 - Authority under Section 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares

   The Company had, during its Twelfth Annual General Meeting ("AGM") held on 18 May 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the then Section 132D of the Companies Act, 1965. The Company did not issue any shares pursuant to this mandate obtained.

   The Ordinary Resolution 7 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares timely in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for purpose of funding the working capital or future investments of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

   (ii) Ordinary Resolution No. 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

   Please refer to the Circular to Shareholders dated 28 April 2017 for further information.

   (iii) Ordinary Resolution No. 9 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

   Please refer to the Circular to Shareholders dated 28 April 2017 for further information.

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PROXY FORM

NI HSIN

NI HSIN RESOURCES BERHAD

(Company No. 653353-W)
(Incorporated in Malaysia)

CDS account no. of authorised nominee

No. of shares held

I/We*, ______________________________ (name of shareholder as per NRIC, in capital letters)

IC No./ID No./Company No.* ____________________ (new) ____________________ (old)

of ______________________________ (full address)

being a member/members* of NI HSIN RESOURCES BERHAD, hereby appoint ______________________________

(name of proxy as per NRIC, in capital letters) IC No. ____________________ (new) ____________________(old)

of ______________________________ (full

address) or failing him/her* ______________________________ (name of proxy as per NRIC,

in capital letters) IC No. ____________________ (new) ____________________ (old) of

______________________________ (full address) or

failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Thirteenth Annual General Meeting of the Company to be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Friday, 23 June 2017 at 9.00 a.m. or at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

No.	Ordinary Resolution	For	Against
Resolution 1	Approval of Directors' fees payable for the financial year ended 31 December 2016		
Resolution 2	Approval of Directors' fees and benefits payable for the financial year ending 31 December 2017 and up to the date of the next Annual General Meeting		
Resolution 3	Re-election of Mr Chen Shien Yee as Director		
Resolution 4	Re-election of Datin Ida Suzaini Binti Abdullah as Director		
Resolution 5	Re-election of En Rithauddin Hussein Jamalatiff bin Jamaluddin as Director		
Resolution 6	Re-appointment of Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016) as Auditors and authority to the Directors to fix the Auditors' remuneration		
Resolution 7	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares		
Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 9	Proposed Renewal of Authority for the Company to Purchase its Own Ordinary Shares		

**Strike out whichever is not desired.*

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

....
Signature/Common Seal of Member/(s)

Number of shares held: ....

Date: ....

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, participate, speak and vote instead of him.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. If the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of the meeting will be put to vote by way of poll.
7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2017 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

Fold this flap for sealing

Then fold here

Affix stamp

The Company Secretary
Ni Hsin Resources Berhad (Company No. 653353-W)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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傳统中鍊出经典

平實中綻放光彩

NI HSIN

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