

Financial Year End	31/12/2017
Report Period Ending	30/06/2017
Reporting Quarter	2Q-2017

<b>Recommendation</b>	<b>HOLD</b>
FBMKLCI	1772.9
Target Price (MYR)	0.26
Current Price (MYR)	0.25
Expected Share Return (%)	4.0
Expected Dividend Return (%)	0.0
<b>Expected Total Return (%)</b>	<b>4.0</b>

#### Key Company Statistics

Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Listing	Main Market
Sector	Con. Products
Par Value (sen)	0.00
Issued Capital (mn shares)	238.35
Market Capitalisation (MYR mn)	59.59
52 week High (MYR)	0.32
52 week Low (MYR)	0.23
Average Volume (3 month) '000	347.16
Beta	0.46
Estimated Free Float (%)	51.86

#### Major Shareholders (%)

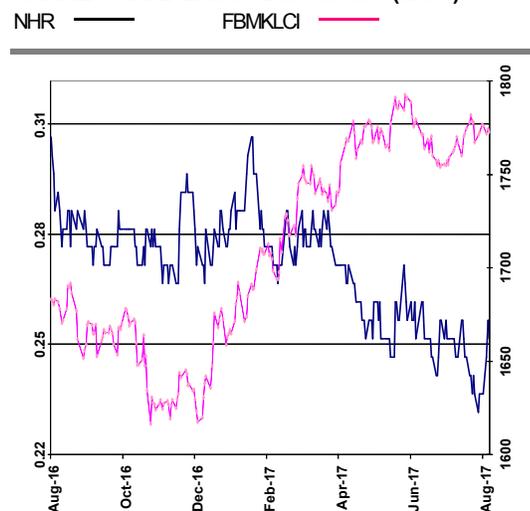
Khoo Chee Kong	6.8
Chih-Che Hsiao	5.7

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Price Performance (%)	1M	3M	12M
Absolute	0.0	-2.0	-18.0
Relative	-0.8	-2.3	-22.2

#### SHARE PRICE LAST 12 MONTHS (MYR)



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### RESULTS REPORT

YTD 2Q FY17 revenue rose 2.3% vs YTD 2Q FY16. Cookware sales fell 4.3%. Convex mirror sales rose 21.8% whilst clad metal sales fell 5.8% respectively over the same period. Cookware sales remain very challenging in both local and export markets as the slowdown in global trade makes itself felt. However, cookware sales in Malaysia is picking up a bit. NHR has done a commendable job in controlling costs, keeping gross margins above 28% YTD 2Q 2017. Demand weakness in many key markets is keeping capacity utilisation low; however NHR is developing some new sales initiatives. See page five for details

### INVESTMENT RISKS

Risks to our recommendation and target price include: i) significant weakening in the MYR exchange rate, ii) rising promotional costs, iii) a sharp slowdown in the general level of economic activity in Malaysia, Japan, elsewhere in Asia Pacific, and North America, and iv) a rise in stainless steel prices would be an additional concern. See page five for more details.

### RECOMMENDATION

NHR has made very good progress in its marketing efforts; but weakened regional and global demand is starting to be felt. We maintain our HOLD recommendation and maintain our fair value at MYR 0.26. At prices below MYR 0.22 value investors will want to accumulate this name. NHR has regained its focus on its core business of cookware manufacturing. We are forecasting conservative sales growth in the quarters ahead, but if NHR beats our targets, we may well raise our target price. New agreements to sell cookware and convex mirrors in China and around the region have been signed. See page five for more details.

### FTSE-BURSA INDEX MEMBERSHIP

FBM KLCI	FBM 70	FBM EMAS	FBM HIJRAH
No	No	No	No

### COMPANY PROFILE

Ni Hsin Resources Bhd ("NHR") is one of the leading cookware manufacturers listed in Malaysia. The company has its roots in Taiwan, and was incorporated in Malaysia in 1989 and listed in 2005. About 24% of total revenue is currently realised in Malaysia, with Japan and Asia Pacific accounting for the lion's share of the company's substantial export revenue. Group YTD 2Q FY17 revenue comprised 47.9% cookware products, 31.5% convex mirrors and 20.6% clad metal. (see page five)

### ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2015	2016	2017F	2018F
Revenue	45.9	37.8	41.1	42.0
Revenue g (%)	12.8	-17.7	8.8	2.1
Net Profit	2.2	-4.9	1.1	1.2
Net Profit g (%)	>100%	na	na	14.1
Dividends Paid	0.0	0.0	0.0	0.0
Total Assets	67.0	84.8	86.5	89.7
Owners' Equity	58.7	74.5	75.6	76.8
Total Liabilities	8.3	10.4	11.0	13.0
Debt/Equity (%)	14.2	14.0	14.6	16.9
Dvd Yield (%)	0.0	0.0	0.0	0.0
EPS (sen)	1.0	-2.3	0.4	0.5
NTA (MYR)	0.26	0.34	0.32	0.32
P-BV (x)	1.1	0.8	0.8	0.8
ROA %	3.3	-5.8	1.2	1.4
ROE %	3.8	-6.6	1.4	1.6

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

Year End Dec 2017	30/06/2016	31/03/2017	30/06/2017		CY 2Q17/ CY 1Q17	CY 2Q17/ CY 2Q16	YTD 2Q 17/ YTD 2Q16
Revenue	10.5	10.4	10.1		-2.9%	-4.1%	2.3%
Operating Profit	-4.9	0.2	0.5		>100%	na	na
Other Income	0.1	0.1	0.8		na	>100%	>100%
Share of Associates	0.0	0.0	0.0		na	na	na
Depreciation/Amort	0.7	0.7	0.6		-7.6%	-5.7%	-3.6%
Finance Costs	0.0	0.0	0.0		-20.0%	-40.0%	12.5%
Pre Tax Profit	-4.9	0.2	0.5		>100%	na	na
Tax	0.1	0.1	0.1		12.0%	17.9%	52.5%
Minority Interest	-0.1	0.0	0.0		-92.9%	-98.3%	-74.1%
Net Profit to Shareholders	-5.0	0.1	0.4		>100%	na	na
	<b>30/06/2016</b>	<b>31/03/2017</b>	<b>30/06/2017</b>			<b>YTD FY16</b>	<b>YTD FY17</b>
Operating Margin (%)	-46.5%	1.8%	5.4%			-22.6%	3.6%
Net Margin (%)	-47.1%	0.8%	4.2%			-24.5%	2.5%
Tax Rates	-1.9%	59.2%	20.9%			-2.9%	30.0%

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

Current Year Ending*	Ni Hsin Resources Bhd Dec-17	CAM Resources Bhd Dec-17
Revenue	41.1	254.8
Net Profit	1.1	5.2
Owners' Equity	75.6	105.1
Dividends	0.0	2.0
Total Assets	86.5	169.1
Market Cap	59.6	49.2
P-S (x)	1.4	0.2
P-E (x)	55.9	9.4
P-BV (x)	0.8	0.5
Div Yield (%)	0.0	4.1
Net Margins (%)	2.6	2.1
ROE (%)	1.4	5.0
Payout Ratio (%)	0.0	38.2
Total Debt/Equity (%)	14.6	60.9
Total Debt	11.0	64.0

**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Dec	2015	2016	2017F	2018F
Revenue	45.9	37.8	41.1	42.0
Operating Profit	3.2	-4.5	1.4	1.6
Other Income	2.1	0.8	1.2	0.5
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortisation	-2.6	-2.8	-2.7	-2.8
Finance Costs	-0.1	0.0	0.0	0.0
Pre Tax Profit	3.1	-4.6	1.4	1.6
Tax	-0.9	-0.5	-0.3	-0.4
Minority Interest	0.0	-0.1	0.0	0.0
Net Profit to Shareholders	2.2	-4.9	1.1	1.2
Operating Margin (%)	6.9	-11.9	3.5	3.9
PBT Margin (%)	6.7	-12.1	3.4	3.8
Net Margin (%)	4.8	-13.0	2.6	2.9
Effective Tax Rate (%)	28.5	na	24.0	24.0

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

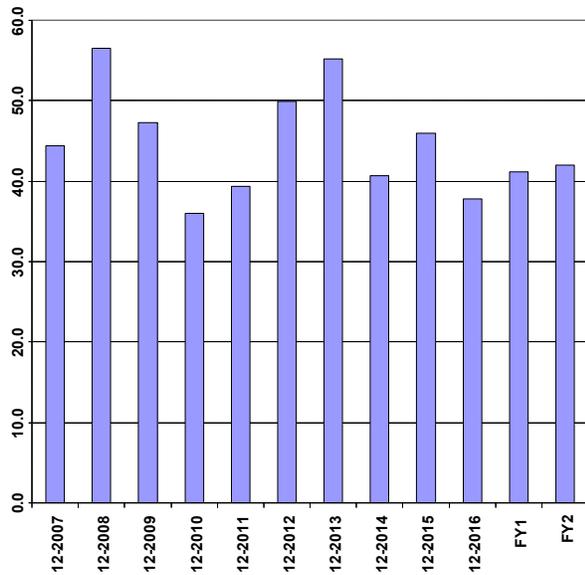
FY Dec	2015	2016	2017F	2018F
Total Assets	67.0	84.8	86.5	89.7
Fixed Assets	31.4	49.3	50.0	50.0
Current Assets	29.1	29.1	30.0	33.1
Other LT Assets	6.4	6.4	6.5	6.6
Current Liabilities	6.1	6.6	7.0	8.0
Non Cur Liabilities	2.2	3.8	4.0	5.0
Total Liabilities	8.3	10.4	11.0	13.0
Share Capital	44.3	47.7	49.5	49.5
Minority Interest	0.0	-0.1	-0.1	-0.1
Own ers' Equity	58.7	74.5	75.6	76.8
Total Equity	58.7	74.4	75.5	76.7
Total Liabilities & Equity	67.0	84.8	86.5	89.7

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

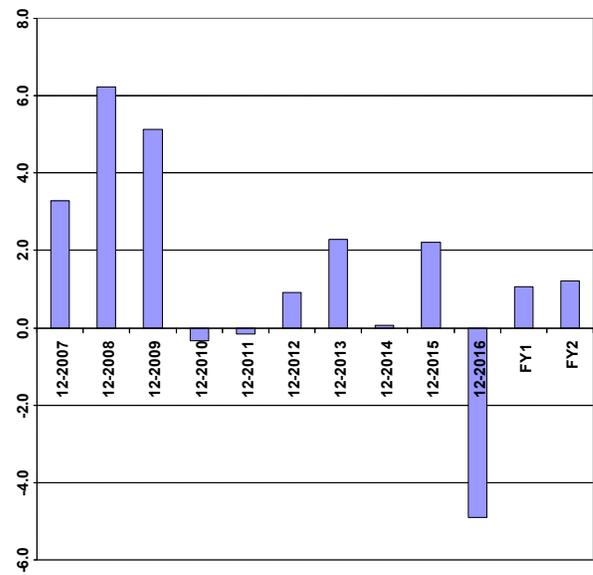
FY Dec	2015	2016	2017F	2018F
Revenue	20.7	17.4	17.3	17.6
Cash Flow	3.6	0.7	1.3	1.3
Earnings (EPS)	1.0	-2.3	0.4	0.5
Dividends (DPS)	0.0	0.0	0.0	0.0
Book Value (NTA)	26.5	34.3	31.7	32.2
Payout (%)	0.0	0.0	0.0	0.0
P-S (x)	1.4	1.6	1.4	1.4
P-BV (x)	1.1	0.8	0.8	0.8
P-CF (x)	8.4	39.7	19.9	19.9
P-E (x)	30.0	-12.4	55.9	49.0
Dvd Yield (%)	0.0	0.0	0.0	0.0
ROA%	3.3	-5.8	1.2	1.4
ROE %	3.8	-6.6	1.4	1.6
Debt/Equity (%)	14.2	14.0	14.6	16.9

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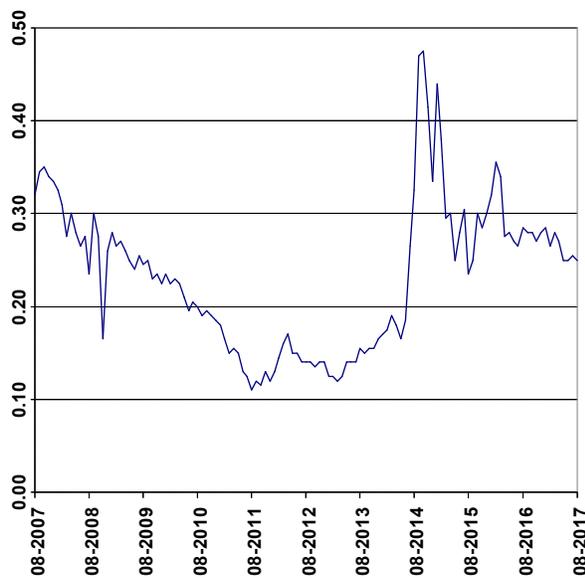
REVENUE - ANNUAL LAST 10 YEARS (MYR mn)



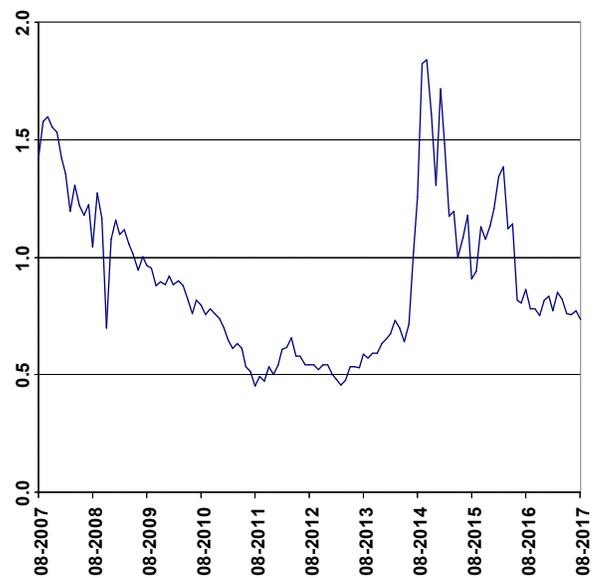
NET PROFIT - ANNUAL LAST 10 YRS (MYR mn)



SHARE PRICE - MONTHLY LAST 10 YEARS (MYR)



P-BV (X) - MONTHLY LAST 10 YEARS



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**RECENT COMPANY NEWS & INDUSTRY OUTLOOK**

**Sales By Segment**

Cookware sales in NHR's Asia Pacific export markets continued to soften YTD 2Q 2017, keeping pace with broad declines in global trade around the region. Japan saw particularly sharp declines in cookware sales, though other sales in Malaysia firmed up. Meanwhile, convex mirror sales increased 21.8%, whilst clad metal sales also decreased 5.8%. Convex mirror sales have been a bright spot, and they presently account for about 31% of total sales. Globally, NHR is one of a handful of listed companies that manufactures high quality stainless steel convex mirrors. Over the next quarters NHR plans to focus more resources on this segment, as global demand for convex mirrors remains solid. Meanwhile, the company embarked on two new initiatives that may prove rather exciting in the quarters to come.

**Re-branding and Re-structuring. New selling platforms, new distributors and new markets.**

In June 2016, NHR acquired 100% of Pentoli Sdn Bhd ("PSD"). NHR is using PSD to re-brand, manufacture and distribute NHR's kitchen equipment, electronic appliances and apparatus. In Feb 2017, PSD entered into an exclusive distribution agreement with Mingkeda Group Holding Co Ltd ("MKD") to sell Pentoli cookware and Ni Hsin convex mirrors products in China. The terms of the agreement stipulate a minimum order of MYR 7 mn, MYR 15 mn and MYR 31 mn for the 1st, 2nd and 3rd years respectively. We maintain a conservative outlook however, and expect total sales of MYR 41-43 mn for 2017.

NHR also signed an agreement with GRAYNS Malaysia in early 2017 for GRAYNS to distribute starch-reducing rice cookers in Malaysia, Singapore, Hong Kong and China. NHR seems to be evolving into a more sales driven organisation, tapping new internet technologies and developing new selling partnerships.

MYR (000s)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 E	FY17 / FY13 4yr cagr%
Cookware	33,699	21,614	25,917	19,317	19,700	-12.6%
Convex Mirror	8,496	9,883	10,521	12,028	14,700	14.7%
Clad Metal	22,366	17,853	20,265	13,042	13,900	-11.2%
Other	1,092	589	0	0	0	NA
Rev. Including Inter-segment	65,653	49,939	56,703	44,387	48,300	-7.4%
Eliminations	-10,503	-9,212	-10,767	-6,570	-7,200	-9.0%
<b>Total Revenue</b>	<b>55,150</b>	<b>40,727</b>	<b>45,936</b>	<b>37,817</b>	<b>41,100</b>	<b>-7.1%</b>
<b>Annual Change</b>	<b>10.4%</b>	<b>-26.2%</b>	<b>12.8%</b>	<b>-17.7%</b>	<b>8.7%</b>	

**ANALYST'S RECOMMENDATION RECORD**

Ticker	Date	Recommendation	FairValue	Price At Recommendation Date	% Price Change Since Prior Recommendation
NHR MK Equity	21-May-14	HOLD	0.18	0.17	-5.6%
NHR MK Equity	21-Aug-14	HOLD	0.22	0.33	91.2%
NHR MK Equity	19-Nov-14	HOLD	0.22	0.45	38.5%
NHR MK Equity	16-Feb-15	HOLD	0.22	0.41	-10.0%
NHR MK Equity	21-May-15	HOLD	0.22	0.30	-27.2%
NHR MK Equity	19-Aug-15	BUY	0.22	0.26	-11.9%
NHR MK Equity	18-Nov-15	BUY	0.30	0.36	38.5%
NHR MK Equity	25-Feb-16	BUY	0.30	0.36	0.0%
NHR MK Equity	18-May-16	HOLD	0.26	0.29	-20.8%
NHR MK Equity	24-Aug-16	HOLD	0.24	0.30	5.3%
NHR MK Equity	23-Nov-16	HOLD	0.23	0.28	-8.3%
NHR MK Equity	21-Feb-17	HOLD	0.26	0.28	0.0%
NHR MK Equity	22-May-17	HOLD	0.26	0.26	-5.5%
NHR MK Equity	23-Aug-17	HOLD	0.26	0.25	-3.8%
<b>Return Last Three Years of Coverage</b>					<b>80.3%</b>



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**ANALYST'S DISCLOSURE**

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

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

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

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

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

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

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