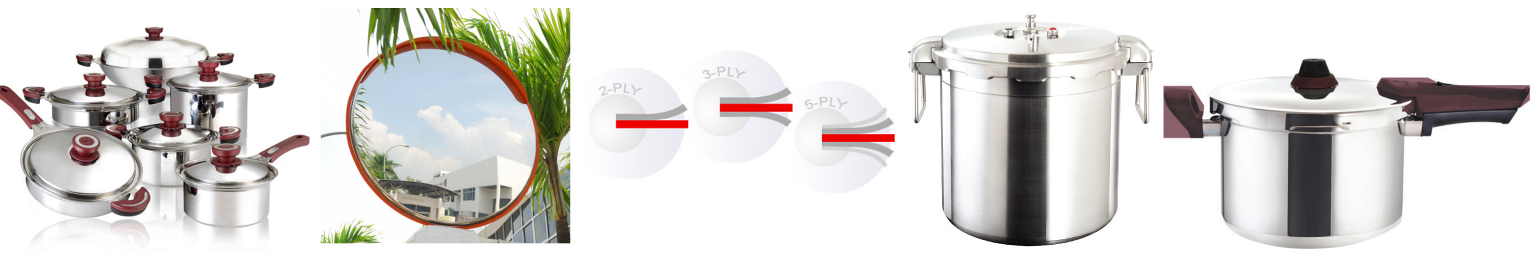
NI HSIN

ANNUAL REPORT 2018

Essence Through Traditionalism
Splendor Through Ordinary



CONTENTS

Corporate Information

BOARD OF DIRECTORS

SOFIYAN BIN YAHYA
Independent Non-Executive Chairman

RIZVI BIN ABDUL HALIM
Executive Director

NG SHWU CHING
Executive Director

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

DATUK TAN CHOON HWA
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)
Tan Ai Ning (MAICSA 7015852)

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
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

AUDITORS
KPMG PLT (LLP0010081-LCA & AF0758)
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, 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

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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

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100%

Ni Hsin Marketing Sdn Bhd
(formely known as MyAngkasa Ni Hsin Sdn Bhd)
(Company No. 1169517-K)
Incorporated in Malaysia

General merchandiser, distribution and marketing of cookware, kitchenware, water filters, convex mirrors 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 2014 to 31 December 2018:-

Key Operating Results	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	40,727	45,936	37,817	39,612	33,195
Earnings/(Loss) before interest, taxation, depreciation and amortisation ("EBITDA")	3,373	5,813	(1,743)	5,155	4,102
Depreciation	(2,595)	(2,642)	(2,774)	(2,528)	(2,354)
Interest expense	(213)	(80)	(49)	(54)	(60)
Interest income	7	8	6	20	81
Profit/(Loss) before taxation ("PBT/(LBT)")	572	3,099	(4,560)	2,593	1,769
Taxation	(515)	(883)	(459)	(526)	396
Profit/(Loss) after taxation ("PAT/(LAT)")	57	2,216	(5,019)	2,067	2,165
Non-controlling interests ("NCI")	-	-	105	18	2
Profit/(Loss) for the financial year attributable to owners of the Company	57	2,216	(4,914)	2,085	2,167

Other Key Data

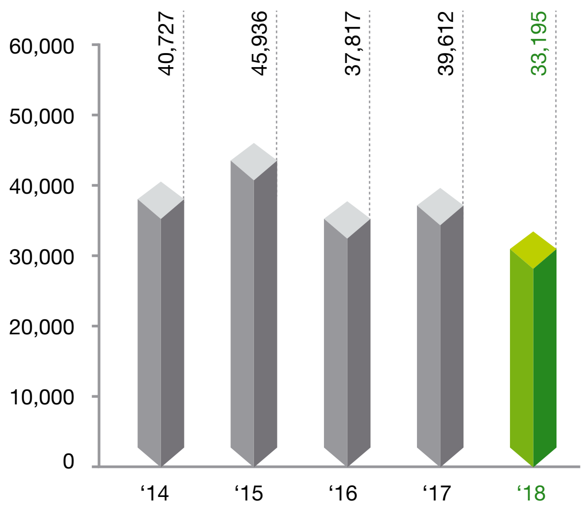
	2014	2015	2016	2017	2018
Total assets	70,165	66,955	84,844	90,571	103,386
Total borrowings	2,585	170	254	-	1,755
Shareholders' equity	59,261	58,653	74,444	80,118	92,737
PBT/(LBT) Margin (%)	1.40	6.75	(12.06)	6.55	5.33
PAT/(LAT) after NCI Margin (%)	0.14	4.82	(12.99)	5.26	6.53
Weighted average ordinary shares ('000)	230,958	229,001	218,671	220,243	291,148
Share price as at the financial year end (RM)	0.335	0.300	0.280	0.230	0.250
Gross Earnings/(Loss) Per Share ("EPS/LPS") (sen) [1]	0.25	1.31	(2.04)	1.19	0.61
Net EPS/(LPS) (sen) [1]	0.02	0.97	(2.25)	0.95	0.74
Tax-exempt Dividends Per Share (sen)	0.50	-	-	-	-
Gross Taxable Dividends Per Share (sen)	-	-	-	-	-
Return on total assets (%)	1.11	4.74	(5.32)	2.90	1.69
Return on equity (%)	1.31	5.41	(6.07)	3.28	1.88

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

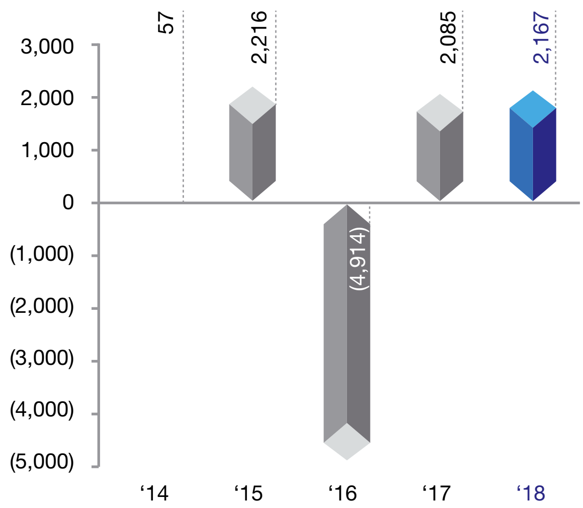
[2] There were no extraordinary or exceptional items for the financial years under review, except for the impairment loss on investment in subsidiary and amount due from subsidiaries and gain on disposal of other investments.

Five-Year Group Financial Highlights (continued)

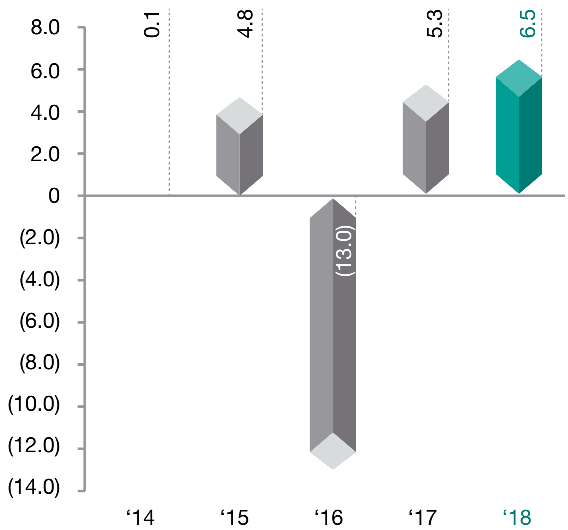
Revenue (RM'000)



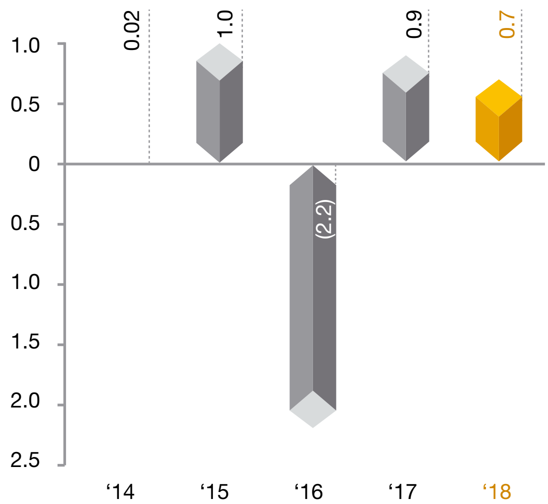
Profit/(Loss) Attributable to Owners of the Company (RM'000)



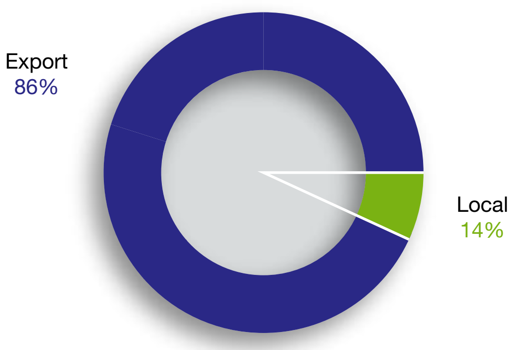
Profit/(Loss) Attributable to owners of the company After Tax Margin (%)



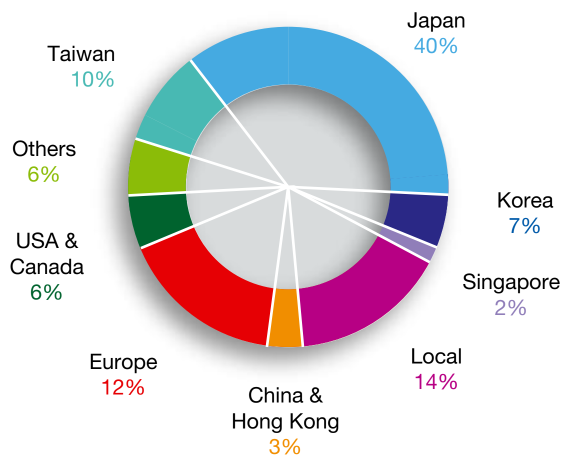
Net Earnings/(Loss) Per Share (Sen)



Local vs Export Sales 2018



Group Revenue by Country 2018



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 2018 ("FY2018").

FY2018 has been a challenging year with the turmoil in global economy due to the trade war between USA and China and weak consumer confidence. The Group recorded total revenue of RM33.2 million in FY2018, RM6.4 million lower compared with financial year ended 31 December 2017 ("FY2017"). Gross profit margin was lower by 6.4% from that of FY2017. Profit After Taxation ("PAT") in FY2018 was RM2.17 million, marginally higher than in FY2017.

FY2019 is expected to continue to be challenging but the Management is confident the Group's business will remain resilient and will leverage on our achievements and experience in the industry to improve our business performance. We are committed to high product quality, innovative designs, prompt delivery and efficient production which gives us a competitive advantage over new players. We are confident that the market will recognise and appreciate our merits. In fact, we are already witnessing it as some previous customers have returned to place orders. Our largest market is Japan, known for their stringent requirements for quality, innovation and safety.

Moving forward the Group has plans to diversify into the distribution of other related products, namely food products and road safety equipment to complement our cookware and convex mirror respectively.

IN APPRECIATION

On behalf of the Board of Directors, I wish to extend our appreciation to the Management and Staff for their valuable contribution, dedication and commitment which are essential to the success of the Group.

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.

SOFIYAN BIN YAHYA
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 globally.

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 besides having our own in-house brand of various multi-ply stainless steel cookware products known as Pentoli;
- 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:
Asia Pacific (exclude Japan) – 41.7%, Japan – 39.6%, USA & Canada – 6.4%, Europe – 12.3%

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2018 ("FY2018"), the Group achieved a total revenue of RM33.2 million which was 16.2% lower than the total revenue achieved in FY2017 of RM39.6 million. Lower revenue was recorded in all segments during FY2018 due to the ongoing turbulent global market conditions leading to the cautious spending of consumers and the stiffer competition from overseas rivals.

Gross Profit ("GP") margin achieved during the year decreased by 6.4% compared to the previous year as a result of lower production volume. The Group recorded a Profit Before Taxation ("PBT") of RM1.77 million in FY2018 against a PBT of RM2.59 million in FY2017. The factors that contributed to the difference in profitability include lower sales and decreased profit margins in all segments of business in FY2018. Profit After Taxation ("PAT") achieved by the Group was RM2.17 million in FY2018 compared to a PAT of RM2.07 million recorded in FY2017.

Management Discussion And Analysis (continued)

The Group's non-current assets decreased marginally to RM52.61 million compared with the non-current assets of RM53.24 million as at 31 December 2017. Inventories increased slightly to RM20.61 million as at 31 December 2018. Receivables, deposits and prepayments increased by RM0.73 million to RM4.68 million. The Group's net current assets was RM44.23 million as at 31 December 2018. The Group is in a positive net cash position as at 31 December 2018 with cash and cash equivalent of RM11.13 million after deducting all borrowings of the Group.

The Group's net operating cash outflow for FY2018 was RM5.50 million. The net cash outflow from investing activities was RM3.42 million, mainly due to acquisition of quoted shares and purchases of plant and equipment after deducting proceeds from the disposal of quoted shares. Net cash inflow from financing activities was RM12.36 million, mainly attributable to the proceeds from exercise of warrants. The net resultant impact to the Group's cashflow was an increase in cash of RM3.43 million during FY2018. Net cash and cash equivalents amounted to RM12.89 million as at 31 December 2018.

SALES PERFORMANCE BY DIVISION

The Group's performance by each Division for the financial year ended 31 December 2018 is as follows:

(i) Cookware

The Cookware Division's revenue for FY2018 decreased by RM1.92 million or 9.9% to RM17.45 million compared with the revenue achieved in FY2017 of RM19.37 million. This was due mainly to the contraction of sales to the Asia Pacific countries (excluding Japan) by RM2.89 million while sales to Japan and USA & Canada improved by RM0.87 million and RM0.09 million respectively. The cookware revenue by geographical market for the period is as follows:

	FY2018 RM'000	FY2017 RM'000	Increase/ (Decrease) RM'000	%
Japan	7,205	6,334	871	13.8%
Asia Pacific (exclude Japan)	7,912	10,799	(2,887)	(26.7%)
USA &Canada	1,806	1,713	93	5.4%
Europe	529	527	2	0.4%
	17,452	19,373	(1,921)	(9.9%)

(ii) Convex Mirror

The Convex Mirror Division achieved a revenue of RM10.14 million for FY2018, a decrease of RM1.96 million compared with the revenue of RM12.10 million achieved in FY2017 attributable to overall lower export sales. The revenue for the Convex Mirror Division by geographical market for the period is as follows:

	FY2018 RM'000	FY2017 RM'000	Increase/ (Decrease) RM'000	%
Japan	3,555	4,379	(824)	(18.8%)
Asia Pacific (exclude Japan)	4,079	4,528	(449)	(9.9%)
USA &Canada	267	333	(66)	(19.8%)
Europe	2,241	2,857	(616)	(21.6%)
	10,142	12,097	(1,955)	(16.2%)

Management Discussion And Analysis (continued)

(iii) Clad Metal

Clad Metal Division's revenue decreased in FY2018 by RM2.69 million to RM5.45 million compared with the revenue achieved in FY2017 of RM8.14 million due mainly to decreased orders from Asia Pacific and Europe resulting from stiff competition from overseas rivals. The revenue for the Clad Metal Division by geographical market for the period is as follows:

	FY2018 RM'000	FY2017 RM'000	Increase/ (Decrease) RM'000	%
Japan	2,324	2,474	(150)	(6.1%)
Asia Pacific (exclude Japan)	1,774	2,756	(982)	(35.6%)
USA &Canada	62	-	62	-
Europe	1,293	2,912	(1,619)	(55.6%)
	5,453	8,142	(2,689)	(33.0%)

RISK FACTORS

i) Few Major Customers

Sales to our ten (10) largest customers accounted for approximately 59% of our total revenue in FY2018. Although we enjoy a good rapport with them, there can be no assurance that these customers will continue to procure the Group's products.

We attempt to mitigate any loss of customers by having integrated manufacturing capabilities to offer exclusive product design to our OEM/ODM customers and adhere to stringent production and operational standards which are subjected to audits by our customers. We also continually seek new customers, broaden our products range and develop a more diversified market both locally and overseas. We have also developed our own brand of premium stainless steel multi-ply cookware, PENTOLI, for the local and overseas markets.

ii) Competition from Overseas Players

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.

We believe our competitive strengths which 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 play a significant role in mitigating the risk of competition.

iii) Shortage or Increase in Prices of Raw Materials

We purchase our raw materials, mainly stainless steel and aluminium, from a pool of suppliers who have an established track record and are able to provide constant supply at competitive prices promptly, thus mitigating the risk of shortage of raw materials.

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.

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)

PROSPECTS AND STRATEGIES

Focus Economics Consensus Forecast panelists expect the global economy to expand 3.0% in 2019. The panel sees global economic growth inching down to 2.9% in 2020.

While the global economy has entered a soft patch this year, robust labor markets worldwide and supportive fiscal policies are expected to shore up economic growth. Moreover, the U.S. Federal Reserve's decision to pause its tightening cycle will allow central banks to adopt more accommodative monetary policies.

Nevertheless, risks to the global economic outlook are clearly skewed to the downside. Despite President Trump's plan to delay additional tariffs on Chinese goods, trade tensions between China and the United States remain elevated. Furthermore, the U.S. administration has already threatened its trade partners that new tariffs, this time on cars, are on the table. Meanwhile, China's economy continues to slow, adding downward pressure on global demand, while uncertainty surrounding Brexit shows no sign of abating.

Among developing economies, growth prospects in Asia ex-Japan remained stable on hopes that China and the U.S. will be able to clinch a trade deal in the coming months and that policy stimulus will avoid an economic downturn in China. Economic growth in Eastern Europe will slow due to headwinds in Turkey, subdued economic activity in Russia and moderating dynamics in the European Union—the region's main trading partner. *(Source: Focus Economics).*

Despite the dull economic outlook the Group is confident of achieving positive results in FY2019. 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 development of new and improved versions to our current range of products;
- venturing into trading and distribution of related products to complement our current range of products;
- collaboration with various e-commerce marketplace to expand our distribution channels for our product offerings; and
- participation in trade exhibitions worldwide.

The development of new and improved versions to our current range of products include pressure cookers and cooking pots for the Food and Beverage Segment. We are collaborating with various food and beverage cookware/equipment suppliers to supply our commercial series of pressure cookers and cooking pots to restaurants, hotels, cafes and bistros in Malaysia and Singapore. The inner rice bowl, a healthy replacement for the common aluminium rice cooker bowl developed by the Group, is being aggressively promoted to the Japanese and South East Asian market.

The Group plans to venture into related products to improve the revenue by leveraging on the existing customer base and to better fulfill our customers' procurement needs through one source. The products targeted are food products such as spices, sauces, pastries and other food products to complement our cookware items and road safety goods such as traffic safety equipment and accessories to complement our convex mirrors.

As for the Convex Mirrors, we have developed a new version called the Coated Convex Mirror with unique characteristics such as environment friendliness, scratch proof, heat resistant, antibacterial and anti-fog. We are also developing the anti-freeze version of the convex mirrors. These products are targeted at the Japanese and European markets.

In the e-commerce marketplace we are collaborating with 11Street.com, Lazada.com and Shopee.com besides having our own website known as http://www.pentoli.com. The website offers a wide range of Pentoli products with different price range to cater to the needs of different customers both local and abroad.

Board of Directors' Profile

SOFIYAN BIN YAHYA
Independent Non-Executive Chairman

Sofiyan Bin Yahya, a Malaysian, aged 61, male, was appointed as our Independent Non-Executive Chairman on 22 November 2017. He serves as the Chairman of the Nomination Committee, Chairman of the Remuneration Committee and is a member of the Audit and Risk Management Committee.

Sofiyan holds a Bachelor Degree in Mechanical Engineering from the City University, London. He is also a Professional Technologist (Ts.) under the Malaysian Board of Technologists (MBOT) and Fellow of the Institute of Materials Malaysia (IMM).

Sofiyan has more than thirty-five (35) years of experience in the oil and gas industry, in Malaysia and internationally. He began his career in 1979 as a graduate engineer in the Production Department of PETRONAS, obtaining his first exposure to the oil and gas industry. He later joined other companies as engineer and progressed into management positions, largely involved in engineering, construction and project management projects. He has gained exposure and accumulated extensive experience in various aspects of technical, operational, administration, projects, contractual, business development (including international business) and senior management.

Currently, he is the Chief Executive Officer of SEAMOG Group Sdn Bhd and Executive Chairman of Cekap Technical Services Sdn Bhd.

Sofiyan attended four (4) out of five (5) Board meetings held during the financial year. Other than Ni Hsin Resources Berhad, he does not hold any other directorship in any other public company or listed issuer 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 any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

NG SHWU CHING
Executive Director

Ng Shwu Ching, a Malaysian, aged 51, female, was 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 Ni Hsin Corporation Sdn Bhd 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 during the financial year. Other than Ni Hsin Resources Berhad, she does not hold any other directorship in any other public company or listed issuer in Malaysia. 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 2018.

Board of Directors' Profile (continued)

RIZVI BIN ABDUL HALIM
Executive Director

Rizvi Bin Abdul Halim, a Malaysian, aged 49, 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. On 22 November 2017, he was re-designated as Executive Director.

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 Hong Leong 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 is the shareholder and Director of Cascade Crest Sdn Bhd, a company involved in construction and engineering works. He is primarily responsible on the project initiation and management functions of the company.

Rizvi attended all the five (5) Board meetings held during the financial year. Other than the directorship as disclosed above, he does not hold any other directorship in any other public company or listed issuer 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 2018.

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

Datin Ida Suzaini Binti Abdullah, a Malaysian, aged 58, female, was appointed as our Executive Director on 10 October 2014 and was subsequently re-designated as Non-Independent Non-Executive Director on 1 April 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 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 during the financial year. Other than Ni Hsin Resources Berhad, she does not hold any other directorship in any other public company or listed issuer in Malaysia. 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 2018.

DATUK TAN CHOON HWA
Independent Non-Executive Director

Datuk Tan Choon Hwa, a Malaysian, aged 61, male, was appointed as our Non-Independent Non-Executive Director on 21 January 2015 and was subsequently re-designated as Independent Non-Executive Director on 22 November 2017.

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 chairmanships 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 and APFT Berhad as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities").

Datuk Tan attended all the five (5) Board meetings held during the financial year. Other than the directorships as disclosed above, he does not hold any other directorship in any other public company or listed issuer 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 2018 except the following:

On 25 April 2016, Datuk Tan (including 5 other directors of China Stationery Limited ("CSL")) had been publicly reprimanded and was imposed a fine of RM7,400.00 by Bursa Securities during his tenure as a Non-Independent Non-Executive Director and an

Board of Directors' Profile (continued)

Audit Committee Member in CSL (which he has resigned on 20 January 2015) for breach of Paragraph 16.13(b) of the Main Market Listing Requirements of Bursa Securities for permitting CSL's failure to announce/issue its financial statements on the due date thereby breaching the following provisions in the Main Market Listing Requirements of Bursa Securities:

1) Paragraph 9.16(1)(a) – for failure to take into account the adjustments in respect of recognition of deferred tax assets and provision of doubtful debts resulting in a deviation between CSL's unaudited and audited results for the 9-months period ended 30 September 2014;

2) Paragraph 9.23(1) – for CSL's failure to issue its Annual Report for the financial year ended 31 December 2013 on or before the due date of 30 June 2014 thereby resulting in a delay of 31 market days; and

3) Paragraph 9.23(2) – for CSL's failure to announce its annual audited financial statements for the financial year ended 31 December 2013 on or before the extended due date of 30 June 2014 thereby resulting in a delay of 6 market days.

LEOW CHAN KHIANG
Independent Non-Executive Director

Leow Chan Khiang, a Malaysian, aged 52, male, was appointed as our Independent Non-Executive Director on 26 October 2015. He serves as the Chairman of the Audit and Risk Management Committee and is a member of the Nomination Committee and 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.

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 and was appointed to the Board of SLP Resources Berhad as Non-Independent Non-Executive Director in the same year.

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

Mr Leow attended all the five (5) Board meetings held during the financial year. Other than the directorships as disclosed above, he does not hold any other directorship in any other public company or listed issuer 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 2018.

RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN
Independent Non-Executive Director

Rithauddin Hussein Jamalatiff Bin Jamaluddin, a Malaysian, aged 54, male, was appointed as our Independent Non-Executive Director on 1 March 2017. He serves as a member of the Audit and Risk Management Committee, Nomination Committee and 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 attended all the five (5) Board meetings held during the financial year since his date of appointment. Other than the directorship as disclosed above, he does not hold any other directorship in any other public company or listed issuer 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 2018 except the following:

On 25 April 2017, in his tenure as a Director of Unicliq Sdn Bhd, he was compounded by the Companies Commission of Malaysia for a total sum of RM4,000.00 due to breach of the following provisions:

1) Section 143(1) of the Companies Act, 1965 – failure to hold an annual general meeting every calendar year; and

2) Section 169(1) of the Companies Act, 1965 – failure to lay the profit and loss account at Unicliq Sdn Bhd's annual general meeting.

The compound has been duly settled.

Key Senior Management Profile

KHOO CHEE KONG
Managing Director
Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, Inoco Resources Sdn Bhd, Pentoli Sdn Bhd and Ni Hsin Marketing Sdn Bhd (Formerly known as MyAngkasa Ni Hsin Sdn Bhd).

Khoo Chee Kong, a Malaysian, aged 57, 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, Pentoli Sdn Bhd on 31 January 2017 and Ni Hsin Marketing Sdn Bhd (Formerly known as MyAngkasa Ni Hsin Sdn Bhd) on 23 October 2017. He is 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.

He 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. He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or other major shareholder 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 except for the following:

On 8 November 2016, in his tenure as a Director of Kyeros Capital Sdn Bhd, he was compounded by the Companies Commission of Malaysia for a total sum of RM4,000.00 for breach of the following provisions:-

1) Section 143(1) of the Companies Act, 1965 – failure to hold an annual general meeting once in every calendar year; and

2) Section 169(1) of the Companies Act, 1965 – failure to lay the profit and loss account at Kyeros Capital Sdn Bhd's annual general meeting.

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

Lim Kam Ten, a Malaysian, aged 46, 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.

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 and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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 43, female, joined 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 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 included 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 and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She is not a Director in

Key Senior Management Profile (continued)

any other public company and listed issuer 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.

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 46, female, joined Ni Hsin Corporation Sdn Bhd in 1991 as Production Assistant after completing her secondary studies. In 1992, she was promoted from 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 and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She is not a Director in any other public company and listed issuer 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 45, male, graduated with a Diploma in Information Technology from Informatics College. He joined the Group in 2000 as Management Information Senior Officer and was promoted to Management Information System Manager on 1 February 2001.

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 and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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.

LOW MENG CHAI
Factory Manager
Ni Hsin Corporation Sdn Bhd

Low Meng Chai, a Malaysian, aged 43, male, graduated with an Advanced Diploma in Business Administrative from Amset Institute. He joined Ni Hsin Corporation Sdn Bhd in 1998 as a System Analyst in Management Information System department where he developed skills in computer system maintenance, manufacturing management from initial stage of forecast until the output operation of production system and implementation. Due to his capable performance, he was transferred to the Factory Department as Production Controller in 2001 and was promoted to Material Control Executive in 2013. His excellent dedication and performance in carrying out his duties and responsibilities earned him a promotion to Production Control Executive in March, 2005.

Mr Low diligently worked his way through the ranks and was promoted as Factory Manager in May 2012. He was also appointed as the Chairman of the Safety & Health Committee for years 2015 and 2016.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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.

Key Senior Management Profile (continued)

YEO BOON KWONG
Assistant Production Manager
Ever-Grow Advanced Materials Sdn Bhd

Yeo Boon Kwong, a Malaysian, aged 40, male, graduated from Tunku Abdul Rahman College with a Degree in Information System Engineering. He joined Ni Hsin Corporation Sdn Bhd in 2001 as Management Information System Assistant and in 2005, he was transferred to Ever-Grow Advanced Materials Sdn Bhd as Production Control Officer.

He has accumulated more than ten (10) years' experience in the production function and in 2017, he was promoted to the position of Assistant Production Manager to lead the clad metals and convex mirrors production department. Besides that, he is also overseeing the inventory management and purchasing of raw materials. Mr Yeo is a member of the Safety & Health Committee and also an Emergency & Evacuation Team Member.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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.

HAMDAN BIN ESA
Technical Manager
Ni Hsin Corporation Sdn Bhd

Hamdan Bin Esa, a Malaysian, aged 47, male, joined Ni Hsin Corporation Sdn Bhd in 1991 as Machine Operator. Due to his potential and capable performance, he has progressed from the position of Drawing Technician through Technical Leader and Section Leader in Forming Section, Technical Coordinator, Assistant Engineer to Production Engineer. With his technical knowledge and intensive experience gained in technical field, he was awarded with the Best Technical Staff in 1999. Hamdan is now leading the Production Engineering Team, contributing to the enhancement of the production performance and effectiveness of Ni Hsin Corporation Sdn Bhd.

In July 2018, Hamdan was promoted to Technical Manager and was tasked to extend his support to Ever-Grow Advanced Materials Sdn Bhd's Technical Team for convex mirror and clad metal production in the technical and related engineering processes trouble shooting and improvement aspects.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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.

CHOW CHEE WAH
Technical Executive
Ever-Grow Advanced Materials Sdn Bhd

Chow Chee Wah, a Malaysian, aged 37, male, graduated from Open University Malaysia with a Degree in Technology Management. He joined Ever-Grow Advanced Materials Sdn Bhd in 2005 as Production Trainee and worked his way through the ranks to his current position as Technical Executive, leading the technical and Quality Control Section.

Due to his dedication, he was awarded with Perfect Attendance and Long Service Awards. He is also the Safety & Health Committee Chairman for years 2017 and 2018.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer 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.

Corporate Governance Overview Statement

The Board of Directors ("**the Board**") of Ni Hsin Resources Berhad ("**NHR**" or "**the Company**") is pleased to present its Corporate Governance Overview Statement ("**Statement**") for the financial year 2018 based on the principles and guidance as set out in the Malaysian Code on Corporate Governance ("**MCCG**") issued by Securities Commission in April 2017.

This Statement is prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and guided by Practice Note 9 of the MMLR of Bursa Securities and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad. This Statement should also be read together with the Corporate Governance Report 2018 of the Company ("**CG Report**") which is available on NHR website: www.ni-hsin.com as well as via an announcement on the website of Bursa Securities and in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit and Risk Management Committee ("**ARMC**") Report and Sustainability Statement) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statements.

The CG Report provides details on how the Company has applied each Practice as set out in the MCCG during the financial year 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1 Board Responsibilities

a. Board of Directors

The Group is headed by an experienced and effective Board. The Board assumes overall responsibility in leading the 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, namely ARMC, Nomination Committee ("**NC**") and Remuneration Committee ("**RC**") which operate within defined Terms of Reference ("**TOR**"). The Chairmen of the respective Board Committees report to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary.

b. Separation of Position of Chairman and Chief Executive Officer

The Company does not have a Chief Executive Officer, the Board was assisted by two (2) Executive Directors. The Chairman is an Independent Non-Executive Director who is responsible for overseeing the effective discharge of the Board's supervisory role emphasising on governance and compliance while the Executive Directors are responsible for the day-to-day operation of the Group's business. The role of the Chairman and Executive Directors are distinct and separate to engender accountability and facilitate clear division of responsibilities to ensure there is a balance of power and authority in the Company.

c. Company Secretaries

The Board is supported by two (2) qualified and competent Company Secretaries. The Board has direct access to the advice and services of the Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures, corporate governance and compliance with the relevant regulatory requirements and legislations.

d. Board Meeting

The Board conducts at least five (5) meetings in each financial year. An annual meeting calendar is prepared and circulated to the Directors before the beginning of each year to help the Directors to plan their schedule ahead. Additional meetings are also held as and when required. Board and Board Committees papers prepared by the Management provide the relevant facts and analysis for the Directors' information. The meeting agenda, the relevant reports and Board papers are furnished to the Directors and Board Committee members at least five (5) business days before the meetings to allow the Directors to have sufficient time to read them for effective discussion and decision making at the meetings.

The breakdown of the Directors' attendance at the Board and Board Committees meetings during the financial year is set out below:-

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

1 Board Responsibilities (continued)

d. Board Meeting (continued)

Name	Board	ARMC	NC	RC
Sofiyan Bin Yahya *Independent Non-Executive Chairman*	4/5	4/5	2/2	1/1
Rizvi Bin Abdul Halim *Executive Director*	5/5	NA	NA	NA
Ng Shwu Ching *Executive Director*	5/5	NA	NA	NA
Datin Ida Suzaini Binti Abdullah *Non-Independent Non-Executive Director*	4/5	NA	NA	NA
Datuk Tan Choon Hwa *Independent Non-Executive Director*	5/5	NA	NA	NA
Leow Chan Khiang *Independent Non-Executive Director*	5/5	5/5	2/2	1/1
Rithauddin Hussein Jamalatiff Bin Jamaluddin *Independent Non-Executive Director*	5/5	5/5	2/2	1/1

The minutes of meetings of Board and Board Committees will be circulated to the Board Committee members and other members of the Board for review and comments within a reasonable timeframe prior to the Chairman's confirmation at the next Board and Board Committees meetings.

e. Board Charter

The Company has established a Board Charter to promote high standards of corporate governance which is designed to provide guidance and clarity to Directors and the management with regards to the role of the Board and its Committees. The Board Charter clearly sets out the key values and principles of the Company and further sets out the duties and responsibilities of the Board, the Chairman, the Executive Directors, the Independent Directors and the Board Committees.

The Board Charter is reviewed annually by the Board to ensure it complies with legislations and best practices, and remains effective and relevant to the Board's objectives.The Board has a formal schedule of matters reserved for the deliberation of the Board.

The Board Charter is available at the Company's website.

f. Code of Conduct

The Company has set out a Code of Conduct for Directors, officers and employees of the Group to promote an environment of integrity and engender ethical behaviour within the Group.

The Code of Conduct is available at the Company's website.

g. Whistle Blowing Policies and Procedures

The Company has established the Whistle Blowing Policies and Procedures ("**WPP**"). It serves as a guide to employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.

The WPP outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing at the Company and its subsidiaries.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2 Board Composition

a. Composition and Diversity

The Board is well balanced, comprising experienced businessmen and qualified professionals of diverse age, ethnicity and gender. The Directors collectively bring with them diverse knowledge, skill, extensive experience and expertise in areas such as strategic planning, business development, finance, corporate affairs, marketing and other relevant industry knowledge.

The Board currently has seven (7) members, comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Executive Directors. This complies with Paragraph 15.02(1) of the MMLR of Bursa Securities which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors. The Board also complied with Practice 4.1 of MCCG on that more than half of the Board comprised of Independent Directors. There is approximately 28% women representation on the Board for financial year 2018.

b. NC Composition

The role of the NC is to assist the Board in ensuring that the Board comprises individuals with the requisite skills, knowledge, professional expertise and character.

The NC comprises exclusively Non-Executive Directors who are independent. Currently, the members are as follows:

Sofiyan Bin Yahya *(Chairman)*
Leow Chan Khiang *(Member)*
Rithauddin Hussein Jamalatiff Bin Jamaluddin *(Member)*

The Board does not consider it is necessary to appoint a Senior Independent Director as all current members of the Board are always available and issues are discussed openly in Board meetings.

c. Tenure of Independent Director

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 (9) years.

d. Appointment to the Board

The NC will identify and recommend candidates to the Board if there is any vacancy arising from resignation, retirement or any other reasons or if there is a need to appoint additional Director with the required criteria based on recommendation from existing Directors, Senior Management or major shareholders.

The NC will review the suitability of candidates based on skills, knowledge, character, integrity, expertise and experience, competency, commitment (including time commitment) and where appropriate, the independence of candidates for appointment as Independent Non-Executive Directors.

The assessment of the Independent Directors is in accordance with the criteria as set out in the Board Charter and MMLR of Bursa Securities.

e. Re-election of Directors

In accordance with the Company's Constitution, an election of Directors shall take place each year at an Annual General Meeting ("**AGM**") and one-third (1/3) of the Directors are subject to retirement by rotation, in any event, each Director shall retire from office once in every three (3) years. The Directors to retire in each year are the Directors who have been longest in office since their last appointment or re-election. The Directors appointed by the Board during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election. The re-election of each Director is voted on separate resolution during the AGM of the Company.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2 Board Composition (continued)

e. Re-election of Directors (continued)

Based on the schedule of rotation, the following Directors are subject to retirement by rotation pursuant to the Company's Constitution at the forthcoming Fifteenth AGM:-

(1) Encik Rizvi Bin Abdul Halim; and
(2) Mr Leow Chan Khiang.

The aforesaid Directors have expressed their intention to seek for re-election at the forthcoming Fifteenth AGM.

f. Annual Evaluation

The assessment criteria of the Board and Board committees include an evaluation of the size and composition of the Board and Board committees, access to information, accountability, processes, Board's and Board committees' performance in relation to discharging its principal responsibilities, communication with Management and standards of conduct by the Directors and committee members.

The internally facilitated evaluation process is led by the NC Chairman who is an Independent Director and supported by the Company Secretaries. The evaluation process is conducted via questionnaires to review the effectiveness of the Board and its committees, and based on self-review and peer assessment. The NC reviews the outcome of the assessment and report to the Board, in particular, areas for improvement and also used it as the basis of recommending relevant Director for re-election at the AGM.

g. Professional Development of Directors

All Directors have successfully completed the Mandatory Accreditation Programme. The NC and Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in market, legislations 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 2018, the Directors had attended various training programmes and seminars, amongst others, the following:-

- SST 2018: Practical & Effective Implementation of Sales and Services Tax
- Sustainability Report – Setting The Agenda For Value Creation
- Introduction to Malaysian Business Reporting System (MBRS)
- Malaysian Corporate Tax
- Annual Report – Navigating Best Practices Compliance
- The New Malaysian Code on Corporate Governance
- Understanding the Tax Landscape in Malaysia
- KPMG Penang Tax Summit 2018

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time and update the Board on the same at Board meetings. The external auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

h. NC's Activities

During the financial year under review, the activities undertaken by the NC include:

(a) Assessed and was satisfied with the effectiveness of the Board as a whole and the Board committees and the contribution of each Director.

(b) Reviewed and was satisfied with the mix of skills, knowledge, expertise and experience, composition and size of the Board in terms of gender, ethnicity and age.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2 Board Composition (continued)

h. NC's Activities (continued)

(c) Assessed the independence of Independent Directors and concluded that the Independent Directors are independent and have complied with the criteria of independence as set out in MMLR of Bursa Securities.

(d) Assessed and was satisfied with the character, experience, integrity, competence and time commitment of Directors and Chief Financial Officer.

(e) Reviewed the term of office and performance of the ARMC and each of its members and concluded that the ARMC and each of its members have carried out their duties and responsibilities.

(f) Evaluated the performance of Ms Ng Shwu Ching, Datuk Tan Choon Hwa, and Encik Sofiyan Bin Yahya and recommended their re-election at the Fourteenth AGM of the Company to the Board.

(g) Reviewed the Directors' training programme for the financial year ended 31 December 2017.

(h) Reviewed and recommended to the Board the Directors and Senior Management Succession Plans.

(i) Reviewed and recommended to the Board the revised TOR of the NC in alignment with the MCCG and MMLR of Bursa Securities.

3 Remuneration

The RC currently comprises the following members:-

Sofiyan Bin Yahya (Chairman)
Leow Chan Khiang (Member)
Rithauddin Hussein Jamalatiff Bin Jamaluddin (Member)

The RC is responsible for recommending the remuneration framework and policy as well as the remuneration package of the Executive Directors to ensure rewards commensurate with their contributions to the profit and growth of the Group. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken.

Ms Ng Shwu Ching, the Executive Director of the Group and Company, is an employee of the Group. During the financial year under review, the Group paid salaries (inclusive contributions to state plans) of RM605,000 and benefits-in-kind of approximately RM24,000 for her services.

Details of the remuneration of Directors (both the Company and the Group) who served during the financial year ended 31 December 2018 are as follows:

<u>The Group</u>

Name	Fees (RM'000)	Meeting Allowance (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)
Rizvi Bin Abdul Halim	110	-	-	-	-
Datin Ida Suzaini Binti Abdullah	36	-	-	-	-
Sofiyan Bin Yahya	60	-	-	-	-
Datuk Tan Choon Hwa	36	-	-	-	-
Leow Chan Khiang	42	-	-	-	-
Rithauddin Hussein Jamalatiff Bin Jamaluddin	36	-	-	-	-

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3 Remuneration (continued)

The Company

Name	Fees (RM'000)	Meeting Allowance (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)
Rizvi Bin Abdul Halim	110	-	-	-	-
Datin Ida Suzaini Binti Abdullah	36	-	-	-	-
Sofiyan Bin Yahya	60	-	-	-	-
Datuk Tan Choon Hwa	36	-	-	-	-
Leow Chan Khiang	42	-	-	-	-
Rithauddin Hussein Jamalatiff Bin Jamaluddin	36	-	-	-	-

There is no separate disclosure on the remuneration of the Senior Management as the Executive Directors are the Senior Management and have been disclosed as above and on page 98 of the Audited Financial Statements.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1 ARMC

The ARMC comprises three (3) Independent Non-Executive Directors. The Chairman of the ARMC is not the Chairman of the Board, ensuring that the impairment of objectivity on the board's review of the ARMC's findings and recommendation remains intact. The ARMC assesses the performance (including independence) and recommends to the Board annually the appointment or re-appointment of the external auditors guided by the factors as prescribed under Paragraph 15.21 of the MMLR of Bursa Securities. The external auditors confirmed that they are and have been independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

Through the ARMC, the Board maintains a transparent relationship with the external auditors in seeking professional advice on the internal control and ensuring compliance with the appropriate accounting standards.

The ARMC's Terms of Reference sets out its rights, duties, responsibilities and criteria on the composition of ARMC, which includes former key audit partner of the Group to observe cooling-off period of at least two (2) years before being able to be appointed as member of ARMC.

The NC reviews the composition of the ARMC annually and recommends to the Board for approval ensuring that only Independent Non-Executive Directors who are financially literate and have the required knowledge, skill and experience are considered for membership of ARMC.

The composition of the ARMC, including its roles and responsibilities, number of meetings and attendance of ARMC, summary of ARMC activities and Internal Auditors' activities during the financial year under review are set out in ARMC Report of the Annual Report 2018.

Corporate Governance Overview Statement
(continued)

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

2 Risk Management and Internal Control Framework

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group. The Group has an internal audit function which is outsourced to IBDC (Malaysia) Sdn Bhd and reports directly to the ARMC. Details of the internal audit function together with the staffs of the Group's internal control are set out in the Statement on Risk Management and Internal Control and ARMC Report of the Annual Report 2018. The Board affirms its overall responsibility with established and clear functional responsibilities and accountabilities which are carried out and monitored by the Risk Management Working Committee ("RMWC"). RMWC reports directly to the ARMC. The adequacy and effectiveness of the internal controls and risk management framework were reviewed by the ARMC. The Board is satisfied with the performance of the RMWC and ARMC in discharging their responsibilities in accordance with their terms of reference.

The Board obtained assurance from the Executive Director (who is in charge of Financial and Corporate Affairs) and the Managing Director of the major subsidiaries of the Company that the internal control and risk management framework are adequate and effective in all material aspects. The details of the Risk Management and Internal Control Framework are described in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1 Communication with Stakeholders

The Board has formalised a Corporate Disclosure Guide to ensure that communication with stakeholders is executed in a timely, concise and transparent manner through announcements via Bursa LINK, on Ni Hsin's website and the media.

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.

Members of Senior Management are directly involved in investor relations through investor briefings with financial analysts, institutional shareholders and fund managers.

2 Conduct of General Meetings

The Company's AGM is the principal forum for dialogue with its 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. At the Fourteenth AGM, all Directors including the Chairman of all the respective Board Committees were present in person to engage directly with and be accountable to the shareholders for their stewardship of the Company. The Directors and external auditors were in attendance to respond to the shareholders' queries.

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.

Notice of the Fourteenth AGM and Annual Report are sent out to shareholders more than 28 days before the date of the AGM. The voting at the Fourteenth AGM was conducted by way of poll and an independent scrutineer was appointed to validate the votes cast.

FOCUS AREA ON CORPORATE GOVERNANCE

Corporate governance was clearly imperative for the Group in the year 2018 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

In light of the improvements in the corporate governance regulations, the Board has reviewed and updated its existing policies and procedures to ensure they are kept contemporaneous whilst equally kept relevant to the Company's needs. The Board will look into the enhancements or developments of corporate governance policies and procedures, as the case may be.

This Statement was approved by the Board on 26 March 2019.

Additional Compliance Information

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1.1 UTILISATION OF PROCEEDS

A total of approximately RM12.143 million was raised from the exercise of the Company's warrants during the financial year. The proceeds were utilised for working capital purposes of the Group.

1.2 AUDIT FEE 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'000)	**Group (RM'000)**
Audit services	30	146
Non-audit services	26	58
Total	**56**	**204**

The non-audit services comprised the following assignments:-

a) Review of the Statement on Risk Management and Internal Control
b) Tax compliance services
c) Review of overseas subsidiaries management accounts for the financial year ended 31 December 2018
d) Review of MFRS 16

1.3 MATERIAL CONTRACTS

There were no material contracts or loans entered into by the Group involving interests of Directors, Chief Executives and major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

1.4 EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS was terminated on 25 January 2018. There were no options granted during the financial year.

1.5 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.

Audit and Risk Management Committee Report

1. MEMBERS

The members of Audit and Risk Management Committee ("**ARMC**") are Non-Executive Directors with all of them being Independent Directors.

During the financial year ended 31 December 2018, the ARMC held a total of five (5) meetings. The members of the ARMC together with their attendance are set out below:-

Name	Position	Attendance
Leow Chan Khiang	Chairman (Independent Non-Executive Director)	5/5
Rithauddin Hussein Jamalatiff Bin Jamaluddin	Member (Independent Non-Executive Director)	5/5
Sofiyan Bin Yahya	Member (Independent Non-Executive Director)	4/5

Mr Leow Chan Khiang who is the Chairman of the ARMC, is a Fellow Member of the Association of Chartered Certified Accounts and a Chartered Accountant with the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirements of Paragraph 15.09(1) of the MMLR of Bursa Securities.

All members of the ARMC are financially literate and are able to analyse and interpret financial statement to effectively discharge their duties and responsibilities as member of ARMC.

The Terms of Reference of the ARMC has been drawn up and approved by the Board and is available online in the Investor Relations section of the Company's website at www.ni-hsin.com.

2. SUMMARY OF WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

During the financial year ended 31 December 2018 and in line with the Terms of Reference, the ARMC had carried out the following works in discharging its functions and duties:-

2.1 Financial Reporting

a) reviewed the unaudited quarterly reports and the annual audited financial statements of the Group and the Company including the announcements pertaining thereto prior to submission to the Board for consideration and approval; and

b) monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission Malaysia, Malaysian Accounting Standards Board and other legal and regulatory bodies.

2.2 Related Party Transactions and Conflict of Interest

a) reviewed the related party transactions or conflict of interest situation, whenever it arises, on a quarterly basis to ascertain that the review procedures established to monitor the related party transactions or conflict of interest situation have been complied with.

2.3 External Audit

a) 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;

b) reviewed the audit recommendations and representations made and corrective actions taken by Management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis;

c) monitored the implementation of mitigating measures by Management on outstanding issues to ensure all key risks and control weaknesses are properly addressed;

d) 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;

Audit and Risk Management Committee Report
(continued)

2. SUMMARY OF WORK OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

2.3 External Audit (continued)

e) met with the external auditors (without the presence of the Management staff or any Executive Directors) for the financial year ended 31 December 2018 on the following dates:
- 22 February 2018 to discuss audit findings for the financial year ended 31 December 2017; and
- 29 November 2018 to discuss Audit Plan and Strategy for the financial year ending 31 December 2018.

2.4 Internal Audit

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

b) met with the internal auditors to review the internal audit reports and findings on the adequacy and effectiveness of the internal control and risk management framework as well as other compliance and governance processes;

c) met with the internal auditors (without the presence of the Management staff or any Executive Directors) for the financial year ended 31 December 2018 on the following dates:
- 22 February 2018 to discuss the Internal Audit Strategy and Planning Memorandum;
- 24 May 2018 to discuss the internal audit findings;
- 27 August 2018 to discuss the internal audit findings;
- 29 November 2018 to discuss the internal audit findings; and

d) 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.

2.5 Others

a) reviewed the ARMC Report, Statement on Risk Management and Internal Control, Corporate Governance Overview Statement, Corporate Governance Report and Corporate Sustainability Statement before submission to the Board for consideration and approval for inclusion in the Company's Annual Report for the financial year ended 31 December 2017; and

b) reviewed Circular to Shareholders in respect of (i) Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and (ii) Proposed Renewal of Authority for the Company to Purchase Its Own Ordinary Shares before submission to the Board for consideration and approval.

3. TRAINING

During the financial year ended 31 December 2018, the ARMC Chairman and the members attended the following training programmes, seminars, forums and discussions to enhance their knowledge to enable them to discharge their duties more effectively:-

- The New Malaysian Code on Corporate Governance
- Understanding the Tax Landscape in Malaysia
- KPMG Penang Tax Summit 2018

Audit and Risk Management Committee Report
(continued)

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, namely IBDC (Malaysia) Sdn Bhd ("**IBDC**") whose primary responsibility is to independently assess and report to the Board, through the ARMC, the systems of internal control of the Group. The internal audit functions are set out in the Statement on Risk Management and Internal Control on pages 28 to 31 of the Annual Report.

Details of the audit personnel from IBDC that carried out the internal audit work for the financial year 2018 are as follows:-

Name	Qualification & Accreditation
Yeoh Chin Hoe *Director-In-Charge*	• IIAM Chartered Audit Committee Director (No. 0039) • Fellow of Association of Chartered Certified Accountant (ACCA) • Member of Malaysia Institute of Accountants (MIA) • Member of Malaysia Institute of Certified Public Accountants (MICPA) • Master Degree in Business Administration (General Management)
Bhavanpreet Kaur *Senior Consultant*	• IIAM Associate Member (No. 210178) • Bachelor of Accounting (Hons.)
Tan Han Min *Associate Consultant*	• Bachelor of Commerce (Hons.) • ACCA Finalist

During the financial year, the Internal Auditors carried out internal audit reviews based on an annual audit plan approved by the ARMC 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 ARMC, 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 ARMC meetings. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. The Internal Auditors conducted follow-up audits on key engagement to ensure that the corrective actions were implemented appropriately. During the Board meetings, the Chairman of the ARMC briefed the Board on audit matters and the minutes of the ARMC 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 RM52,000 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 2018 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.

For the reporting period the Board has received assurance from the Managing Director of major subsidiaries and the Executive Director (who is in charge of Financial and Corporate Affairs) who are members of the Risk Management Working Committee ("RMWC") 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. Following the review of 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, it was decided that the functions of the RMWC shall come under the purview of the Audit and Risk Management Committee ("ARMC"). 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 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 RMWC which comprises of Executive Directors and Corporate Head. The RMWC is currently chaired by Mr Khoo Chee Kong (Managing Director of major subsidiaries). 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 of 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 ARMC. The ARMC 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, namely IBDC (Malaysia) Sdn Bhd ("IBDC") to provide an independent assurance the Board requires on the effectiveness and efficiency of the Group's system of internal control.

Details of the audit personnel from IBDC that carried out the internal audit work for the financial year ended 2018 are as follows:-

Name	Qualification & Accreditation
Yeoh Chin Hoe *Director-In-Charge*	• IIAM Chartered Audit Committee Director (No. 0039) • Fellow of Association of Chartered Certified Accountant (ACCA) • Member of Malaysia Institute of Accountants (MIA) • Member of Malaysia Institute of Certified Public Accountants (MICPA) • Master Degree in Business Administration (General Management)
Bhavanpreet Kaur *Senior Consultant*	• IIAM Associate Member (No. 210178) • Bachelor of Accounting (Hons.)
Tan Han Min *Associate Consultant*	• Bachelor of Commerce (Hons.) • ACCA Finalist

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 ARMC. On a quarterly basis, the internal auditors present to the ARMC 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 2018 was approximately RM52,000, 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 2018.

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 the guidelines and 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;

Statement on Risk Management and Internal Control (continued)

THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- 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 ARMC 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 9001:2015 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.

The key aspects of the risk management process are:

- The RMWC coordinates and oversees risk management activities across the Group;
- The RMWC 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 RMWC 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 RMWC 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 RMWC 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 RMWC; and
- 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.

Statement on Risk Management and Internal Control (continued)

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 Audit and Assurance Practice Guide ("AAPG") 3, 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 2018, 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.

APPG 3 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, we acknowledge that business operations create sustainability related risks to the economy, environment and society ("EES"). We therefore, recognise our responsibility to respond to these risks and embed sustainable considerations in our business management. Our sustainability efforts are overseen by our Board of Directors who are charged with driving our sustainability agenda.

This Statement covers Ni Hsin Resources Berhad ("NHR" or "the Company") and two of its subsidiaries, namely Ni Hsin Corporation Sdn Bhd ("NHC") and Ever-Grow Advanced Materials Sdn Bhd ("EGAM") located in Malaysia, collectively referred to as the "Group". Our business activities comprise of manufacturing and sale of multi-ply stainless steel cookware, multi-ply stainless steel clad metal and stainless steel convex mirror.

This Statement is prepared on a best effort basis and as we progress on our sustainability journey we would look into improving our reporting for the coming years.

OUR COMMITMENT TO SUSTAINABILITY

Sustainability has been core to the way we do business and an essential element of how we operate. We embrace a holistic approach to sustainability, which is focused on continuous improvement and meaningful positive economic, social and environmental impact through active engagement with both internal and external stakeholders. To ensure the effectiveness of our sustainability efforts a materiality assessment was carried out to identify the sustainability matters that are of priority to our organisation. The material sustainability matters identified are:

- Customer Satisfaction
- Corporate Governance and Ethical Behaviour
- Occupational Health and Safety
- Environmental Management

Customer Satisfaction

Our Mission Statement: It is our commitment to provide exquisite stainless steel products that fulfills our customers' needs.

At NI HSIN we strive to provide reliable, innovative and user-friendly products. We also place high emphasis on ensuring effective communication with our customers and regularly conduct surveys to gather feedback from our customers in respect of our services, delivery, product quality, technical support and cost management.

We have an established system of Scorecard Review to monitor customers' feedback and opinions for NHC. The results are reported at management meetings where issues are deliberated and improvement plans, where necessary, are drawn up and subsequently implemented.

The table below shows the results of the survey for the financial year 2017 ("FY2017") and financial year 2018 ("FY2018").

	2017	2018	Variance
Customer satisfaction	76.67%	68.33%	(8.34%)
Product performance	70.71%	68.10%	(2.61%)
Staff performance	83.67%	81.00%	(2.67%)

The results showed that there was a slight drop in all areas of the survey in FY2018 as compared to FY2017. This was attributable to severe competition from our rivals and the limited range of products that we offered to our customers. We view this to be a temporary setback as we are confident that the customers will eventually appreciate the quality of our products and return to buy from us. We also take heed of the feedback and will strive to develop new range of products to meet our customers' requirements.

Corporate Governance & Ethical Behaviour

We strongly believe that good corporate governance and ethical practices are essential to building and maintaining a sustainable business, earning the trust and confidence of our customers, suppliers, business partners, employees and shareholders.

Corporate Sustainability Statement (continued)

Our business practices are governed by:

- Code of Conduct, which is applicable to directors, officers and employees of NI HSIN in their dealings with each other and all stakeholders of the Group; and
- Whistle Blowing Policies and Procedures.

Code of Conduct

The Company's Code of Conduct ("Code") sets out the standards which the directors, officers and employees (together "Personnel") of NHR and its subsidiaries are expected to comply in relation to the affairs of NHR's businesses when dealing with each other, shareholders and the broader community.

The Code is intended to focus on the Board and management on areas of ethical risk, provide guidance to personnel to help them to recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.

The Code also sets out the prohibited activities or misconduct involving gifts, gratuities, bribes and corruption, insider trading and money laundering.

Whistle Blowing Policies and Procedures

The Company's Whistle Blowing Policies and Procedures ("WPP") promotes an environment of integrity and ethical behaviour within the Group.

The WPP provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner.

Our policies, which can be viewed on our website at www.ni-hsin.com, are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

No cases of breaches in ethics and integrity practices were reported during the FY2018.

Occupational Health and Safety ("OHS")

Our ideal state is zero work-related illnesses and injuries and improved health and well-being for all employees. We uphold strong health, safety and security standards within NI HSIN's areas of operations, whether it is within NI HSIN's premises or offsite to reduce opportunities for health or safety hazards and prevent workplace fatalities.

To accomplish this, NI HSIN will:

- operate facilities safely and ensure that processes are safe and healthy for our employees. We will accomplish this by following uniform corporate safety standards. Safe operations have been a long-standing part of NI HSIN culture, reflecting the belief that our employees are our most important asset;
- construct our facilities so as not to compromise on the safety and health features designed into them;
- monitor progress toward our objective of preventing injuries, illnesses, and incidents. We will continually assess and improve our safety and health technologies and programs;
- have every employee understand and be responsible for incorporating safe behaviour in daily business activities. Every employee is trained to work in a safe and healthy manner;
- have operating standards, practices, systems, and resources in place to implement this policy.

NI HSIN's emergency preparedness and response program helps protect the health and safety of NI HSIN employees and the environment. NI HSIN develops documented Workplace Emergencies and Evacuations and Immediate Action after Accident for responding to fires, natural disasters and other potential incidents.

Corporate Sustainability Statement (continued)

OHS Incidents Table

Severity	Year 2017	Year 2018
Fatal	-	-
Major	1	3
Minor	5	2
Total Cases	**6**	**5**

Health, Safety and Security Events Table

Events / Activities	Year 2017	Year 2018	Participation
World OSH Day Campaign	27 April 2017	27 April 2018	All Employees
Emergency Evacuation Program	-	27 April 2018	All Employees
Safety & Health Meeting	Quarterly	Quarterly	SHC Committees
Safety Talk	Every Week	Every Week	All Employees
Noise Exposure & Audiometric Test	21 October 2017	3 November 2018	Production & Supporting Workers
SHC Workplace Inspection & Safety Tour	Quarterly	Quarterly	All Employees
Fire Extinguisher Renewal	January & July	January & July	EET & HR&GA
Smoke Fogging	Bimonthly	Quarterly	-
Training:			
Workplace Safety & Health Inspection & Audit Reinforcement	22 April 2017	-	SHC Committees
Fire Fighting Practical Training	26 September 2017	-	SHC Committees
Forklift / pallet Truck Safety & Operation Reinforcement	5 June 2017	22 March & 1 October 2018	SHC Committees
Noise Exposure & Audiometric Test Result Briefing	27 & 28 December 2017	8 & 9 January 2019	Selected Worker (Work in Noise Area)
Occupational Safety & Health at Workplace	22 April 2017	-	SHC Committees
First Aid & CPR Reinforcement	26 August 2017	-	SHC Committees

Environmental Management

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.

Corporate Sustainability Statement (continued)

Energy Efficiency

With the serious global warming phenomenon, environmental protection has become an important aspect of daily life. In response to this, NI HSIN has created a product to aide in the fight against global warming. With its thickness varied design, energy consumption can be reduced; with its even heat distribution water usage can be reduce whilst still allowing for perfect cooking conditions. Last but not least, with a product made to last, it reduces manufacturing requirement thus reducing carbon emissions and unnecessary wastage.

Recycling of Raw Material

Stainless steel materials are recycled because they are valued and because most of them share the inherent quality of recycle ability. Stainless steel scrap that is collected for recycling is material that does not have to be managed as a waste. It is a valuable resource that is converted into value-added commodities. Recycled metal substitutes or displaces the necessity to mine new metal. In NI HSIN, we recycled all of our stainless steel. This is because stainless steel is made up of many raw materials, including iron, nickel, chromium, and molybdenum, which are in high demand. We utilise this additional income to compensate our employees via performance bonuses and other benefits.

ISO Certification

The Group had received the ISO 9001:2015 certification in FY2017. This shows the commitment of the Group to ensuring high standards of business and corporate governance by embracing transparency, integrity, accountability and discipline in all activities of the Group.

Moving Forward

The Group will place more emphasis on improving its sustainability framework and assessment of the EES impacts in line with the guidelines of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements on sustainability reporting.

Directors' Responsibility Statement

The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 2016 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 2018 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 2018, 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.

This Statement is made in accordance with a resolution of the Board of Directors dated 26 March 2019.

FINANCIAL STATEMENTS

Directors' report
for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	2,167	1,884
Non-controlling interests	(2)	-
	2,165	1,884

Reserves and provisions

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

Dividends

No dividend was paid during the financial year and the Directors do not recommend any final dividend for the financial year ended 31 December 2018.

On 12 February 2019, the Board of Directors declared an interim single tier dividend via a share dividend distribution of up to 24,390,168 units of treasury shares on the basis of 1 treasury share for every 12 ordinary shares held in respect of the financial year ending 31 December 2019.

On 22 March 2019, a total of 24,389,364 treasury shares amounting to RM6,824,000 were distributed as share dividend and credited into the entitled shareholders' securities accounts maintained with Bursa Malaysia Depository Sdn Bhd.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Ng Shwu Ching
Datin Ida Suzaini Binti Abdullah
Rizvi Bin Abdul Halim
Datuk Tan Choon Hwa
Leow Chan Khiang
Rithauddin Hussein Jamalatiff Bin Jamaluddin
Sofiyan Bin Yahya

Directors of the Subsidiaries

Pursuant to Section 253 of the Companies Act 2016, the Director of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year and during the period from the end of the financial year to the date of the Report is Khoo Chee Kong.

Directors' report
for the year ended 31 December 2018 (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:

	Number of ordinary shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Interests in the holding company:				
Datuk Tan Choon Hwa				
- own	-	1,888,000	-	1,888,000
Datin Ida Suzaini Binti Abdullah				
- own	-	285,000	-	285,000
Sofiyan Bin Yahya				
- own	2,600,000	-	-	2,600,000

None of the other Directors holding office at 31 December 2018 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 remuneration 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.

Issue of shares and debentures

During the financial year, the Company issued 60,714,000 new ordinary shares for cash arising from the exercise of warrants at an exercise price of RM0.20 per ordinary share amounting to RM12,142,800.

There were no other changes in the 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 293,243,610 (2017: 236,851,410) ordinary shares. Treasury shares have no rights to voting, dividends and participation in other distribution.

On 22 March 2019, a total of 24,389,364 treasury shares amounting to RM6,824,000 were distributed as share dividend to shareholders on the basis of 1 treasury share for every 12 ordinary shares held on 26 February 2019.

The details of shares repurchased during the financial year is disclosed in Note 12 to the financial statements.

Directors' report
for the year ended 31 December 2018 (continued)

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

At the Extraordinary General Meeting held on 18 May 2016, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("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. The tenure of the ESOS was for a period of 5 years from first grant made.

In January 2018, the ESOS was terminated after the Company has obtained the written consent of all the grantees under the ESOS who have yet to exercise their options in prior year and shareholders' approval at the Extraordinary General Meeting to terminate the ESOS plan.

Warrants issued in February 2015 have expired on 9 February 2018. The details of warrants exercised during the financial year and prior to expiry is disclosed in Note 12 to the financial statements.

Subsequent to the financial year end, in February 2019, the Company has obtained shareholders' approval at the Extraordinary General Meeting on the proposed bonus issue of up to 160,757,455 free detachable warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of the Company.

The main feature of warrants to be issued is disclosed in Note 28 to the financial statements.

Indemnity and insurance costs

During the financial year, there was no insurance effected for Directors, officers and auditor of the Company (2017: Nil).

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.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, 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.

Directors' report
for the year ended 31 December 2018 (continued)

Other statutory information (continued)

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 the impairment loss on investment in subsidiary and amount due from subsidiaries and gain on disposal of other investments, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 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 events

The details of such events are disclosed in Note 28 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

....

Rizvi Bin Abdul Halim
Director

....

Ng Shwu Ching
Director

Selangor Darul Ehsan

Date: 26 March 2019

Statements of financial position
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	46,251	46,843	-	197
Investment property	4	1,252	1,279	1,252	1,279
Goodwill	5	5,105	5,105	-	-
Investments in subsidiaries	6	-	-	56,539	59,455
Deferred tax assets	7	-	9	-	-
Total non-current assets		52,608	53,236	57,791	60,931
Inventories	8	20,608	20,191	-	-
Other investments	9	11,967	3,570	11,967	3,570
Current tax assets		636	182	123	77
Trade and other receivables	10	4,679	3,953	62	310
Cash and cash equivalents	11	12,888	9,439	10,032	2,605
Total current assets		50,778	37,335	22,184	6,562
Total assets		103,386	90,571	79,975	67,493
Equity					
Share capital	12	66,123	53,980	66,123	53,980
Reserves	12	26,614	26,231	13,781	12,819
Equity attributable to owners of the Company		92,737	80,211	79,904	66,799
Non-controlling interest		-	(93)	-	-
Total equity		92,737	80,118	79,904	66,799
Liabilities					
Loans and borrowings	13	269	-	-	-
Deferred tax liabilities	7	3,835	3,639	-	-
Total non-current liabilities		4,104	3,639	-	-
Trade and other payables	14	5,059	6,814	71	694
Loans and borrowings	13	1,486	-	-	-
Total current liabilities		6,545	6,814	71	694
Total liabilities		10,649	10,453	71	694
Total equity and liabilities		103,386	90,571	79,975	67,493

The notes on pages 49 to 99 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	15	33,195	39,612	388	740
Cost of sales		(25,420)	(27,806)	-	-
Gross profit		7,775	11,806	388	740
Other income		6,889	2,552	6,078	1,823
Distribution expenses		(945)	(982)	-	-
Administrative expenses		(11,971)	(10,749)	(4,648)	(874)
Results from operating activities		1,748	2,627	1,818	1,689
Finance costs	16	(60)	(54)	-	(52)
Finance income		81	20	74	16
Profit before tax		1,769	2,593	1,892	1,653
Tax expense	17	396	(526)	(8)	(28)
Profit for the year	18	2,165	2,067	1,884	1,625
Other comprehensive income/ (expense), net of tax:	19				
Revaluation of property – revision of tax rate		(763)	-	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(4)	14	-	-
Available-for-sale financial assets – reclassified to profit or loss		-	(122)	-	-
Other comprehensive expense for the year, net of tax		(767)	(108)	-	-
Total comprehensive income for the year		1,398	1,959	1,884	1,625
Profit/(Loss) attributable to:					
Owners of the Company		2,167	2,085	1,884	1,625
Non-controlling interests		(2)	(18)	-	-
Profit for the year		2,165	2,067	1,884	1,625
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		1,400	1,977	1,884	1,625
Non-controlling interests		(2)	(18)	-	-
Total comprehensive income for the year		1,398	1,959	1,884	1,625
Earnings per ordinary share (sen)					
Basic	20	0.74	0.95		
Diluted	20	0.74	0.85		

The notes on pages 49 to 99 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	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 2017		47,671	(6,228)	1,820	202	80	17,149	5,034	9,206	(415)	74,519	(75)	74,444
Adjustments for effects of Companies Act 2016		1,820	-	(1,820)	-	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations		-	-	-	-	14	-	-	-	-	14	-	14
Available-for-sale financial assets – reclassified to profit or loss		-	-	-	(122)	-	-	-	-	-	(122)	-	(122)
Total other comprehensive (expense)/income for the year		-	-	-	(122)	14	-	-	-	-	(108)	-	(108)
Profit/(loss) for the year		-	-	-	-	-	-	-	-	2,085	2,085	(18)	2,067
Total comprehensive (expense)/ income for the year		-	-	-	(122)	14	-	-	-	2,085	1,977	(18)	1,959
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(774)	-	-	-	-	-	-	-	(774)	-	(774)
Warrant exercised		4,489	-	-	-	-	-	-	-	-	4,489	-	4,489
Total transactions with owners of the Company		4,489	(774)	-	-	-	-	-	-	-	3,715	-	3,715
At 31 December 2017		53,980	(7,002)	-	80	94	17,149	5,034	9,206	1,670	80,211	(93)	80,118
		Note 12.1	Note 12.2		Note 12.3	Note 12.4	Note 12.5	Note 12.6	Note 12.7				

Consolidated statement of changes in equity
for the year ended 31 December 2018 (continued)

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	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 2018		53,980	(7,002)	-	80	94	17,149	5,034	9,206	1,670	80,211	(93)	80,118
Foreign currency translation differences for foreign operations		-	-	-	-	(4)	-	-	-	-	(4)	-	(4)
Reclassification of financial assets from fair value through other comprehensive income to fair value through profit or loss		-	-	-	(80)	-	-	-	-	80	-	-	-
Revaluation of property – change of tax rate		-	-	-	-	-	(763)	-	-	-	(763)	-	(763)
Total other comprehensive expense for the year		-	-	-	(80)	(4)	(763)	-	-	80	(767)	-	(767)
Profit/(loss) for the year		-	-	-	-	-	-	-	-	2,167	2,167	(2)	2,165
Total comprehensive (expense)/ income for the year		-	-	-	(80)	(4)	(763)	-	-	2,247	1,400	(2)	1,398
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(922)	-	-	-	-	-	-	-	(922)	-	(922)
Cancellation of ESOS		-	-	-	-	-	-	(5,034)	-	5,034	-	-	-
Changes in ownership interests in a subsidiary		-	-	-	-	-	-	-	-	(95)	(95)	95	-
Warrant exercised		12,143	-	-	-	-	-	-	-	-	12,143	-	12,143
Total transactions with owners of the Company		12,143	(922)	-	-	-	-	(5,034)	-	4,939	11,126	95	11,221
At 31 December 2018		66,123	(7,924)	-	-	90	16,386	-	9,206	8,856	92,737	-	92,737
		Note 12.1	Note 12.2		Note 12.3	Note 12.4	Note 12.5	Note 12.6	Note 12.7				

Statement of changes in equity
for the year ended 31 December 2018

	/---------------- *Attributable to owners of the Company*					----------------/
	/-------------------- *Non–distributable*			--------------------/	*Distributable*	
Company	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2017	47,671	(6,228)	1,820	5,034	13,162	61,459
Adjustments for effects of Companies Act 2016	1,820	-	(1,820)	-	-	-
Profit and comprehensive income for the year	-	-	-	-	1,625	1,625
Contributions by and distributions to owners of the Company						
Own shares acquired	-	(774)	-	-	-	(774)
Warrant exercised	4,489	-	-	-	-	4,489
Total transactions with owners of the Company	4,489	(774)	-	-	-	3,715
At 31 December 2017/1 January 2018	53,980	(7,002)	-	5,034	14,787	66,799
Profit and comprehensive income for the year	-	-	-	-	1,884	1,884
Contributions by and distributions to owners of the Company						
Own shares acquired	-	(922)	-	-	-	(922)
Cancellation of ESOS	-	-	-	(5,034)	5,034	-
Warrant exercised	12,143	-	-	-	-	12,143
Total transactions with owners of the Company	12,143	(922)	-	(5,034)	5,034	11,221
At 31 December 2018	66,123	(7,924)	-	-	21,705	79,904
	Note 12.1	Note 12.2		Note 12.6		

The notes on pages 49 to 99 are an integral part of these financial statements.

Statements of cash flows
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		1,769	2,593	1,892	1,653
Adjustments for:					
Depreciation of property, plant and equipment	3	2,354	2,528	39	38
Depreciation of investment property	4	27	27	27	27
Dividend income		(148)	-	(148)	(500)
Finance costs	16	60	54	-	52
Finance income		(81)	(20)	(74)	(15)
Gain on disposal of other investment	18	(1,185)	(263)	(1,185)	(263)
Gain on disposal of available-for-sales financial assets	18	-	(86)	-	-
Impairment loss on investment in subsidiary	6	-	-	2,916	-
Loss/(Gain) on unrealised foreign exchange	18	(13)	44	-	-
Loss/(Gain) on disposal of property, plant and equipment	18	29	(8)	89	-
Net gain in fair value of other investments measured at fair value	18	(4,854)	(1,560)	(4,854)	(1,560)
Property, plant and equipment written off	18	40	61	-	-
Provision for doubtful debts in subsidiaries	10	-	-	137	242
Operating (loss)/profit before changes in working capital		(2,002)	3,370	(1,161)	(326)
Change in inventories		(417)	(1,552)	-	-
Change in trade and other receivables		(740)	1,483	111	(471)
Change in trade and other payables		(1,750)	522	(623)	604
Cash (used in)/generated from operations		(4,909)	3,823	(1,673)	(193)
Interest paid	16	(60)	(54)	-	(52)
Interest received		81	20	74	15
Income tax paid		(616)	(577)	(54)	(68)
Income tax refund		-	528	-	-
Net cash (used in)/generated from operating activities		(5,504)	3,740	(1,653)	(298)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,440)	(440)	-	-
Dividend received		148	-	148	500
Proceeds from disposal of property, plant and equipment		229	283	69	-
Proceeds from disposal of available-for-sale financial asset		-	156	-	-
Proceeds from disposal of other investments		9,986	9,398	9,986	9,398
Acquisition of other investments		(12,344)	(11,145)	(12,344)	(11,145)
Net cash used in investing activities		(3,421)	(1,748)	(2,141)	(1,247)

Statements of cash flows
for the year ended 31 December 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities					
Proceeds from bankers' acceptances		1,265	-	-	-
Payment of finance lease liabilities		(130)	(87)	-	-
Repurchase of treasury shares		(922)	(774)	(922)	(774)
Proceeds from exercise of warrants		12,143	4,489	12,143	4,489
Net cash generated from financing activities		12,356	3,628	11,221	3,715
Net increase in cash and cash equivalents		3,431	5,620	7,427	2,170
Effect of exchange rate fluctuations on cash held		18	(127)	-	-
Cash and cash equivalents at 1 January		9,439	3,946	2,605	435
Cash and cash equivalents at 31 December		12,888	9,439	10,032	2,605

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,060,000 (2017: RM440,000), of which RM620,000 (2017: Nil) were acquired by means of finance leases.

The notes on pages 49 to 99 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 2018 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 2018 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 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 26 March 2019.

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 2016 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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle) #*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle) #*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement #*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle) #*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures #*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material #*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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 plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those marked "#" which are not applicable to the Group.

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for those marked "#" which are not applicable to the Group.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

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

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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has assessed the estimated impact that the initial application of MFRS 16 will have on its consolidated financial statements for year ended 31 December 2018 and the beginning of the earliest period presented as at 1 January 2019 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Group	As reported at 31 December 2018 RM'000	Estimated adjustments due to adoption of MFRS 16 RM'000	Estimated adjusted opening balance at 1 January 2019 RM'000
Right-of-use assets	-	204	204
Lease liabilities	-	(204)	(204)

The initial application of MFRS 16 is not expected to have any significant impacts to the financial statements of the Company.

(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 the following notes:

- Note 5- Goodwill
- Note 6- Investments in subsidiaries
- Note 8- Inventories

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;

ii) revenue recognition; and

iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The adoption of these accounting standard has no material impact to the financial statements.

(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.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) 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 a financial asset depending on the level of influence retained.

(v) 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.

(vi) 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.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve ("FCTR") in equity.

(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.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. 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.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Previous financial year

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

Financial liabilities

Current financial year

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

(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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was 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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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)

(c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

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.

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 recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(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	33 years
• Hostels	50 years
• Building	50 years
• Plant and machinery	14 years
• Moulds	14 years
• Factory equipment	10 years
• Office equipment, furniture, fixtures and fittings	5 - 10 years
• Motor vehicles	5 years
• Renovation	10 years

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.

(f) Intangible assets

Goodwill

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

Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

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, the transfer is stated at the carrying amount of the item immediately prior to transfer.

(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) Contract asset/liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments*.

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) 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.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables on an individual basis.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

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

(l) 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.

(m) 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iii) Share-based payment transactions (continued)

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.

(n) 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.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(p) 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(d), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(r) 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.

(s) 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.

(t) 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.

(u) 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/Revalued										
At 1 January 2017	26,700	11,300	102	36,076	8,705	1,661	3,293	2,479	781	91,097
Additions	-	-	-	2	137	28	44	229	-	440
Disposals	-	-	-	(13)	-	-	(4)	(693)	-	(710)
Written off	-	-	-	(25)	-	-	(302)	-	(102)	(429)
At 31 December 2017/ 1 January 2018	26,700	11,300	102	36,040	8,842	1,689	3,031	2,015	679	90,398
Additions	-	-	-	8	149	46	44	1,813	-	2,060
Disposals	-	-	-	(32)	-	(1)	(9)	(811)	-	(853)
Written off	-	-	-	(3)	(11)	(16)	(187)	-	-	(217)
At 31 December 2018	26,700	11,300	102	36,013	8,980	1,718	2,879	3,017	679	91,388
Accumulated depreciation										
At 1 January 2017	-	31	49	29,779	6,478	1,249	2,365	1,167	712	41,830
Depreciation for the year	-	413	2	1,235	320	80	240	234	4	2,528
Disposals	-	-	-	(13)	-	-	(2)	(420)	-	(435)
Written off	-	-	-	(25)	-	-	(279)	-	(64)	(368)
At 31 December 2017/ 1 January 2018	-	444	51	30,976	6,798	1,329	2,324	981	652	43,555
Depreciation for the year	-	412	2	1,006	325	73	177	354	5	2,354
Disposals	-	-	-	(32)	-	(1)	(9)	(553)	-	(595)
Written off	-	-	-	(3)	(11)	(16)	(147)	-	-	(177)
At 31 December 2018	-	856	53	31,947	7,112	1,385	2,345	782	657	45,137
Carrying amounts										
At 1 January 2017	26,700	11,269	53	6,297	2,227	412	928	1,312	69	49,267
At 31 December 2017/ 1 January 2018	26,700	10,856	51	5,064	2,044	360	707	1,034	27	46,843
At 31 December 2018	26,700	10,444	49	4,066	1,868	333	534	2,235	22	46,251

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Company	Motor vehicle RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018	296
Disposal	(296)
At 31 December 2018	-
Accumulated depreciation	
At 1 January 2017	61
Depreciation for the year	38
At 31 December 2017/1 January 2018	99
Depreciation for the year	39
Disposals	(138)
At 31 December 2018	-
Carrying amounts	
At 1 January 2017	235
At 31 December 2017/1 January 2018	197
At 31 December 2018	-

3.1 Property, plant and equipment under the revaluation model

Freehold land and factory buildings were revalued in the financial year ended 31 December 2016 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 (2017: RM11,445,000) and RM7,256,000 (2017: RM7,542,000) 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 RM579,000 (2017: RM199,000).

4. Investment property

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January/31 December	1,333	1,333	1,333	1,333
Accumulated depreciation				
At 1 January	(54)	(27)	(54)	(27)
Depreciation for the year	(27)	(27)	(27)	(27)
At 31 December	(81)	(54)	(81)	(54)
Carrying amounts	1,252	1,279	1,252	1,279

Notes to the financial statements
(continued)

4. Investment property (continued)

Included in the above are:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
Building	1,252	1,279	1,252	1,279

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Direct operating expenses:				
- non-income generating investment property	12	13	12	13

4.1 Fair value information

Fair value of investment properties are categorised as follows:

	2018	**2017**
	Level 3	**Level 3**
	RM'000	**RM'000**
Group and Company		
Building	2,472	1,899

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 (2018: RM857 – RM1,000) (2017: RM658 – RM879)	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

Notes to the financial statements
(continued)

5. Goodwill

	Group	
	2018	2017
	RM'000	RM'000
Cost	5,105	5,105
Carrying amounts	5,105	5,105

5.1 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:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan. Cash flows for period after the 5th year were extrapolated using a constant growth rate of 5% (2017:5%), which represent management's assessment on the growth rate for clad metals and convex mirror industry using both external sources and internal sources (historical data). Management believes that this cash flows forecast period was justified as there is no future event or condition that may cause the unit to cease to continue as a going concern.
- Revenue growth rate in the 5-year business plans is ranging from 9% to 12% per annum (2017: 6% to 8% per annum)
- Gross profit margin in the 5-year business plans is ranging from 19% to 23% (2017: 21%)
- A pre-tax discount rate of 8.0% (2017: 8.5%)

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).

The above estimates are particularly sensitive in future planned revenue. A decrease of 3% in the future planned revenue would result in an impairment loss of RM611,000.

6. Investments in subsidiaries

		Company	
		2018	2017
	Note	RM'000	RM'000
Unquoted shares, at cost		56,654	56,654
Less: Impairment loss	6.2	(115)	(70)
		56,539	56,584
Amount due from a subsidiary	6.1	2,871	2,871
Less: Impairment loss	6.2	(2,871)	-
		-	2,871
		56,539	59,455

Notes to the financial statements
(continued)

6. Investments in subsidiaries (continued)

6.1 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.

6.2 Impairment loss on investment in subsidiaries and amount due from a subsidiary

The increase in impairment loss during the year amounting to RM2,916,000 (2017:RM Nil) was mainly attributable to the investment and amount due from an overseas subsidiary as the management is of the view that the business is affected by geopolitical factors in Europe which is beyond the management's control.

The recoverable amount of the investment in subsidiary was RM Nil which was based on the fair value less cost to disposal by estimating the fair value of the underlying assets and liabilities of the subsidiary. Following an impairment of cost of investment in subsidiary, the recoverable amount is equal to the carrying amount.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %
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
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.*	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
Ni Hsin Marketing Sdn. Bhd. (formerly known as MyAngkasa Ni Hsin Sdn. Bhd.) ("NHM")@	General merchandiser, distribution and marketing of cookware, kitchenware, water filters, convex mirrors, and related products and accessories	Malaysia	100	70
Pentoli Sdn. Bhd. ("PSB")@	Distribution and marketing of cookware, convex mirrors, kitchenware, water filters and related products and accessories	Malaysia	100	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 2018.

Audited by KPMG

@ Not audited by KPMG

Notes to the financial statements (continued)

6. Investments in subsidiaries (continued)

6.3 Non-controlling interests in subsidiary

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

	Ni Hsin Marketing	
	2018 RM'000	**2017 RM'000**
NCI percentage of ownership interest and voting interest	0%	30%
Carrying amount of NCI	-	(93)
Profit allocated to NCI	(2)	(18)
Summarised financial information before intragroup elimination		
As at 31 December		
Non-current assets	1	2
Current assets	-	3
Current liabilities	(324)	(315)
Net assets	(323)	(310)
Year ended 31 December		
Revenue	-	-
Loss for the year	(12)	(61)
Cash flows used in operating activities	(12)	(72)
Cash flows generated from financing activities	11	60
Net decrease in cash and cash equivalents	(1)	(12)

7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	-	-	(4,527)	(3,918)	(4,527)	(3,918)
Provisions	43	43	-	-	43	43
Unabsorbed capital allowances carried forward	180	-	-	-	180	-
Tax losses carried forward	331	75	-	-	331	75
Others	138	170	-	-	138	170
Tax assets/(liabilities)	692	288	(4,527)	(3,918)	(3,835)	(3,630)
Set off of tax	(692)	(279)	692	279	-	-
Net tax assets/(liabilities)	-	9	(3,835)	(3,639)	(3,835)	(3,630)

Notes to the financial statements
(continued)

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

Unrecognised deferred tax assets/(liabilities)

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

	Group 2018 RM'000	Group 2017 RM'000
Tax losses carried forwards	262	257
Other deductible temporary differences	2	1
	264	258

Unrecognised tax losses of RM262,000 (2017:RM216,000) which relates to a subsidiary that was suffering losses, were not recognised as management considered it is not probable that future taxable profits will be available to utilise it.

With effective from year of assessment 2019, unutilised tax losses can only be carried forward for seven (7) consecutive years and any balance unutilised thereafter will be disregarded.

Movement in temporary differences during the year

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 17) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 17) RM'000	Recognised in other comprehensive income (Note 19) RM'000	At 31.12.2018 RM'000
Group						
Property, plant and equipment	(3,571)	(347)	(3,918)	154	(763)	(4,527)
Provisions	42	1	43	-	-	43
Unabsorbed reinvestment allowances carried forward	65	(65)	-	-	-	-
Unabsorbed capital allowances carried forward	-	-	-	180	-	180
Tax losses carried forward	59	16	75	256	-	331
Other items	(370)	540	170	(32)	-	138
	(3,775)	145	(3,630)	558	(763)	(3,835)

Notes to the financial statements
(continued)

8. Inventories

	Group 2018 RM'000	Group 2017 RM'000
Raw materials and component parts	12,803	12,245
Indirect materials	859	970
Work-in-progress	743	924
Manufactured inventories	6,203	6,052
	20,608	20,191
Recognised in profit or loss:		
Inventories recognised as cost of sales	25,420	27,806

9. Other investments

	Group and Company Quoted shares 2018 RM'000	Group and Company Quoted shares 2017 RM'000
Current		
Financial assets at fair value through profit or loss - Held for trading	11,967	3,570

10. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade receivables		2,525	1,955	-	-
Non-trade					
Subsidiary		-	-	627	490
Less : provision for doubtful debt		-	-	(627)	(490)
	10.2	-	-	-	-
Other receivables	10.1	1,184	1,022	10	4
Deposits		202	456	52	301
Prepayments		768	520	-	5
		2,154	1,998	62	310
		4,679	3,953	62	310

Group

10.1 Included in other receivables are club memberships in the Klang Valley. The memberships are valued at their fair value of RM128,000 (2017: RM128,000).

Company

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

Notes to the financial statements
(continued)

11. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	9,200	2,694	9,180	175
Cash and bank balances	3,688	6,745	852	2,430
	12,888	9,439	10,032	2,605

12. Share capital and reserves

12.1 Share capital

	Group and Company			
	Amount 2018 RM'000	Number of shares 2018 '000	Amount 2017 RM'000	Number of shares 2017 '000
Ordinary shares, issued and fully paid:				
At 1 January	53,980	260,801	47,671	238,354
Exercise of warrant	12,143	60,714	4,489	22,447
Adjustments for effects of Companies Act 2016	-	-	1,820	-
At 31 December	66,123	321,515	53,980	260,801

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12.2 Treasury shares

Treasury shares comprises cost of acquisition of the Company's own shares. For the financial year ended 31 December 2018, the Company repurchased 4,321,800 units (2017: 3,076,300) of its issued share capital from the open market costing RM921,741 (2017: RM774,635). The average price paid for the shares repurchased was RM0.21 (2017: RM0.25) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2018, the total number of treasury shares is 28,271,300 (2017: 23,949,500). 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 293,243,610 (2017: 236,851,410) ordinary shares. Treasury shares have no rights to voting, dividends and participation in other distribution.

12.3 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 10.1). During the year, this reserve is reclassified to Retained earnings.

12.4 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.

Notes to the financial statements (continued)

12. Share capital and reserves (continued)

12.5 Revaluation reserve

Revaluation reserve relates to the revaluation of property in property, plant and equipment.

12.6 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 capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings. During the year, the ESOS has been cancelled as stated in Note 21 to financial statements. Hence, the amount in share option reserve have been transferred to Retained earnings.

12.7 Other reserve

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

12.8 Warrants

During the financial year and up to date of expiry, 9 February 2018, the warrant exercised by registered warrant holders to new ordinary shares at exercise price of RM0.20 per ordinary share as follows:

Month of exercise	Exercise price (RM)	No. of warrant exercised
January	0.20	55,326,000
February	0.20	5,388,000

The number of warrants unexercised as at 31 December 2017 was 91,277,903.

13. Loans and borrowings

	Group 2018 RM'000	Group 2017 RM'000
Non-current		
Finance lease liabilities	269	-
Current		
Bankers' acceptances (unsecured)	1,265	-
Finance lease liabilities	221	-
	1,486	-
	1,755	-

Notes to the financial statements
(continued)

13. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Less than one year	240	19	221	-	-	-
Between one and three years	277	8	269	-	-	-
	517	27	490	-	-	-

Included in the Group's finance lease liabilities are lease of motor vehicles costing RM620,000 under the finance lease expiring within three years.

13.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 31 December 2017/ 1 January 2018 RM'000	Acquisition of new leases RM'000	Net changes from financing cash flows 2018 RM'000	Interest expense 2017 RM'000	Interest paid RM'000	At 31 December 2018 RM'000
Bankers' acceptances	-	-	1,265	34	(34)	1,265
Finance lease liabilities	-	620	(130)	17	(17)	490
Total liabilities from financing activities	-	620	1,135	51	(51)	1,755

14. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade payables		671	1,715	-	-
Contract liabilities	14.1	1,637	-	-	-
		2,308	1,715	-	-
Non-trade					
Other payables		1,528	4,297	71	694
Accrued expenses		1,223	802	-	-
		2,751	5,099	71	694
		5,059	6,814	71	694

Notes to the financial statements
(continued)

14. Trade and other payables (continued)

14.1 Contract liabilities

The contract liability was related to advance consideration received from customers, which revenue is recognised at a point in time when goods are delivered and accepted by the customers.

15. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sales of goods	33,047	39,612	-	-
Dividend income	148	-	148	500
Management fees	-	-	240	240
	33,195	39,612	388	740

15.1 Nature of goods and services

The Group main products are cookware, clad metals and convex mirrors and the following information reflects the typical transactions of the Group:

Nature of goods or services	Cookware, clad metal and convex mirrors
Timing of recognition or method used to recognised revenue	Revenue is recognised when the goods are delivered and accepted by the customers.
Significant payment terms	Partial or full advance payment upon confirmation of order from customers or issuance of Bill of Lading.
Variable element in consideration	Not applicable.
Obligation for returns or refunds	The Group allows returns only on manufacturing defect for exchange with new goods (i.e. no cash refunds are offered).
Warranty	Not applicable.

16. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank overdrafts	9	14	-	-
Bankers' acceptances	34	38	-	-
Finance lease liability	17	2	-	-
Intercompany advances	-	-	-	52
	60	54	-	52

Notes to the financial statements
(continued)

17. Tax expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current tax expense				
- current	152	605	11	31
- under/(over) provision in prior years	10	66	(3)	(3)
Total current tax recognised in profit or loss	162	671	8	28
Deferred tax expense				
- origination and reversal of temporary differences	(679)	(221)	-	-
- under provision in prior years	121	76	-	-
Total deferred tax recognised in profit or loss	(558)	(145)	-	-
Total income tax expense	(396)	526	8	28
Recognised in other comprehensive income				
Revaluation surplus of property at tax rate of 10% (2017: 5%)	(763)	-	-	-
Reconciliation of effective tax expense				
Profit for the year	2,165	2,067	1,884	1,625
Tax expense	(396)	526	8	28
Profit excluding tax	1,769	2,593	1,892	1,653
Reconciliation of effective tax expense				
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	425	622	454	397
Non-deductible expenses	593	254	1,042	191
Non-taxable income	(1,449)	-	(1,449)	-
Tax exempt income	(36)	(437)	(36)	(557)
Tax incentives	(61)	(60)	-	-
	(528)	379	11	31
Current year losses for which no deferred tax asset was recognised	1	4	-	-
Under/(Over) provision in prior years	131	143	(3)	(3)
Tax expense	(396)	526	8	28
Recognised in other comprehensive income				
Revaluation surplus of property at tax rate of 10% (2017: 5%)	(763)	-	-	-

Notes to the financial statements (continued)

18. Profit for the year

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration				
- Audit fees				
KPMG	146	148	30	30
- Non-audit fees				
KPMG	58	68	26	26
Depreciation of property, plant and equipment	2,354	2,528	39	38
Depreciation of investment property	27	27	27	27
Impairment loss on cost of investment	-	-	45	-
Impairment loss on amount due from subsidiaries	-	-	3,008	242
Net loss on foreign exchange				
- unrealised	-	44	-	-
Loss on disposal of property, plant and equipment	29	-	89	-
Property, plant and equipment written off	40	61	-	-
Personnel expenses (including key management personnel)				
- Contributions to state plans	765	732	-	-
- Wages, salaries and others	11,331	10,594	320	215
Rental expense	164	159	-	-
Profit for the year is arrived at after crediting:				
Gain on disposal of property, plant and equipment	-	8	-	-
Gain on disposal of other investments	1,185	263	1,185	263
Gain on disposal of available-for-sale financial assets	-	86	-	-
Net gain in fair value of other investments measured at fair value	4,854	1,560	4,854	1,560
Dividend income				
- from investment	-	-	148	-
- from subsidiaries	-	-	-	500
Net gain on foreign exchange				
- unrealised	13	-	-	-
Net gain on foreign exchange				
- realised	493	391	-	-
Rental income from land and buildings	228	228	-	-

Notes to the financial statements
(continued)

19. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2018			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property - revision of tax rate	-	(763)	(763)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(4)	-	(4)
2017			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	14	-	14
Available-for-sale financial assets - reclassified to profit or loss	(122)	-	(122)

20. Earnings/(Loss) per ordinary share

Group

Basic earnings/(loss) per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit (2017: profit) attributable to ordinary shareholders of RM2,167,000 (2017: RM2,085,000) and the number of weighted average ordinary shares outstanding during the year of 291,147,618 (2017: 220,242,705) after accounting for share buy-backs and effect of exercise of warrants.

Diluted earnings/(loss) per ordinary share

As at 31 December 2018, the diluted earnings per share of the Group is equal to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

The calculation of diluted earnings per ordinary share at 31 December 2017 was based on profit attributable to ordinary shareholders of RM2,085,000 and the number of weighted average diluted ordinary shares outstanding of 246,405,294 after accounting for share buy-backs and adjustment for the effects of all dilutive potential ordinary shares of 26,162,589 shares arising from the share warrants on issue.

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 2017.

The average market value of the Company's shares for purpose of calculating the dilutive effect of share warrants for the financial year ended 31 December 2017 was based on quoted market prices for the period during which the warrants were outstanding.

Notes to the financial statements
(continued)

21. Employee benefits

On 13 June 2016, the Company granted share options to qualified Directors and employees to purchase 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
Outstanding at 1 January 2018	32,500
Cancelled during the year	(32,500)
Outstanding at 31 December 2018	-

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 options outstanding as at 31 December 2017 have an exercise price of RM0.29 and expiry on 12 June 2021.

In January 2018, the ESOS was terminated after the Company has obtained the written consent of all the grantees under the ESOS who have yet to exercise their options in prior year and shareholders' approval at the Extraordinary General Meeting to terminate the ESOS plan.

22. 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.

Notes to the financial statements (continued)

22. Operating segments (continued)

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total liabilities is used to measure the operating liabilities that are attributable to or can be allocated to each segment.

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
2018						
Business segments						
Revenue	17,452	10,142	5,453	148	-	33,195
Inter-segment revenue	750	1,199	5,253	-	(7,202)	-
Total revenue	18,202	11,341	10,706	148	(7,202)	33,195
2017						
Business segments						
Revenue	19,374	12,096	8,142	-	-	39,612
Inter-segment revenue	4	1,609	6,837	-	(8,450)	-
Total revenue	19,378	13,705	14,979	-	(8,450)	39,612

Major customers

The following is major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue 2018 RM'000	Revenue 2017 RM'000	Segment
Customer A	3,559	4,379	Convex mirrors

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2018						
Results						
Segment results	(2,700)	1,546	(1,751)	127	3,097	319
Unallocated corporate income						1,429
Interest expense						(60)
Interest income						81
Profit before tax						1,769
Tax expense						396
Profit for the year						2,165

Notes to the financial statements (continued)

22. Operating segments (continued)

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
Assets						
Segment assets	54,578	6,258	17,738	13,281	(1,994)	89,861
Unallocated corporate assets						13,525
Total assets						103,386
Liabilities						
Segment liabilities	4,574	1,158	2,978	144	(2,040)	6,814
Unallocated corporate liabilities						3,835
Total liabilities						10,649
Other information						
Capital expenditure	752	51	1,257	-	-	2,060
Depreciation	1,389	297	629	39	-	2,354
Others	(59)	24	14	90	-	69

	Revenue RM'000
2018	
Results	
Geographical segments	
Japan and Korea	15,550
Malaysia and Singapore	5,243
China, Taiwan and Hong Kong	4,110
Thailand and Indonesia	1,019
Europe	4,063
USA and Canada	2,134
Australia	386
Others	690
	33,195

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2017						
Results						
Segment results	(151)	2,266	(489)	(16)	68	1,678
Unallocated corporate income						949
Interest expense						(54)
Interest income						20
Profit before tax						2,593
Tax expense						(526)
Profit for the year						2,067

Notes to the financial statements
(continued)

22. Operating segments (continued)

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2017						
Assets						
Segment assets	60,600	7,022	15,018	-	(1,699)	80,941
Unallocated corporate assets						9,630
Total assets						90,571
Liabilities						
Segment liabilities	4,724	1,660	1,944	53	(1,567)	6,814
Unallocated corporate liabilities						3,639
Total liabilities						10,453
Other information						
Capital expenditure	185	99	156	-	-	440
Depreciation	1,587	129	812	-	-	2,528
Others	6	24	23	-	-	53

	Revenue RM'000
Geographical segments	
Japan and Korea	15,875
Malaysia and Singapore	5,899
China, Taiwan and Hong Kong	5,903
Thailand and Indonesia	2,216
Europe	6,296
USA and Canada	2,046
Australia	402
Others	975
	39,612

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.

Notes to the financial statements
(continued)

23. Financial instruments

23.1 Categories of financial instruments

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

(a) Amortised cost ("AC") and
(b) Fair value through profit or loss ("FVTPL")

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2018			
Financial assets			
Group			
Receivables and deposits	3,911	3,783	128
Other investments	11,967	-	11,967
Cash and cash equivalents	12,887	12,887	-
	28,765	16,670	12,095
Company			
Receivables and deposits	62	62	-
Other investments	11,967	-	11,967
Cash and cash equivalents	10,032	10,032	-
	22,061	10,094	11,967
Financial liabilities			
Group			
Loan and borrowings	(1,755)	(1,755)	-
Trade and other payables	(5,059)	(5,059)	-
	(6,814)	(6,814)	-
Company			
Trade and other payables	(71)	(71)	-

The table below provides an analysis of financial instruments as at 31 December 2017 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)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
2017				
Financial assets				
Group				
Receivables and deposits	3,433	3,305	-	128
Other investments	3,570	-	3,570	-
Cash and cash equivalents	9,439	9,439	-	-
	16,442	12,744	3,570	128
Company				
Receivables and deposits	305	305	-	-
Other investments	3,570	-	3,570	-
Cash and cash equivalents	2,605	2,605	-	-
	6,480	2,910	3,570	-
Financial liabilities				
Group				
Trade and other payables	(6,814)	(6,814)	-	-
Company				
Trade and other payables	(694)	(694)	-	-

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	341	-	-	-
Loans and receivables	-	203	74	16
Financial liabilities measured at amortised cost	186	112	-	(52)
Financial assets at fair value through profit or loss	6,039	1,560	6,039	1,560
	6,566	1,875	6,113	1,524

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer. 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. There are no significant changes as compared to prior periods.

Trade 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

As at the end of the reporting period, the maximum exposure to credit risk for the Group is arising from trade receivables that are represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that trade 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 aging 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.

Concentration of credit risk

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Domestic	576	372
Others	1,949	1,583
	2,525	1,955

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable value. Generally, trade receivables will pay within 60 days.

The management measures loss allowance on an individual basis.

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2018.

Group	Gross carrying amount RM'000	Individual impairment RM'000	Net RM'000
2018			
Not past due	2,143	-	2,143
Past due 1 - 30 days	322	-	322
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due over 90 days	60	-	60
	2,525	-	2,525

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross carrying amount RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	1,613	-	1,613
Past due 1 - 30 days	342	-	342
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due over 90 days	-	-	-
	1,955	-	1,955

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

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks have low credit risks.

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.4 Credit risk (continued)

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

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 (2017: RM26,140,000).

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM1,755,000 (2017: RM Nil) 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 ability of the subsidiaries to repay the loan and advances on an individual basis.

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 not secured by any collateral or supported by any other credit enhancements.

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of Impairment losses

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk for subsidiaries' advances as at 31 December 2018.

Company	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2018			
Credit impaired	3,498	(3,498)	-

The movements in the allowance for impairment in respect of subsidiaries' advances during the year is as follows:

Company	2018 Lifetime ECL RM'000
Balance at 1 January per MFRS139 and MFRS9	490
Increase in allowance loss	3,008
Balance at 31 December	3,498

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.4 Credit risk (continued)

Inter-company loans and advances (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The movements in the allowance for impairment losses of subsidiaries advances during the financial year was:

Company	2017 RM'000
At 1 January	248
Impairment loss recognised	242
At 31 December	490

23.5 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)

23. Financial instruments (continued)

23.5 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						
2018						
Non-derivative financial liabilities						
Bankers' acceptances	1,265	4.95%-4.99%	1,265	1,265	-	-
Finance lease liabilities	490	2.35%-2.36%	490	221	269	-
Trade and other payables	5,059	-	5,059	5,059	-	-
2017						
Non-derivative financial liabilities						
Trade and other payables	6,814	-	6,814	6,814	-	-
Company						
2018						
Non-derivative financial liabilities						
Payables and accruals	71	-	71	71	-	-
Financial guarantee	-	-	26,140	26,140	-	-
2017						
Non-derivative financial liabilities						
Payables and accruals	694	-	694	694	-	-
Financial guarantee	-	-	26,140	26,140	-	-

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.6 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.

23.6.1 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") and Euro ("EUR").

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**	**JPY RM'000**
Group			
2018			
Trade and other receivables	1,914	227	245
Trade payables	(25)	(25)	-
Net exposure	1,889	202	245
2017			
Trade and other receivables	1,023	224	165
Trade payables	(219)	(66)	-
Net exposure	804	158	165

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% (2017: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and 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 transactions.

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

	Equity and profit or loss	
	2018	**2017**
	RM'000	**RM'000**
Group		
USD	(144)	(61)
JPY	(19)	(13)
EUR	(15)	(12)

A 10% (2017: 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.

23.6.2 Interest rate risk

The Group's fixed deposits and its fixed rate borrowings are exposed to a risk of change in their fair value 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	9,200	2,694	9,180	175
Financial liabilities	1,755	-	-	-

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)

23. Financial instruments (continued)

23.7 Fair value information

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

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2018										
Financial assets										
Investments in club memberships	-	128	-	128	-	-	-	-	128	128
Other investments	11,967	-	-	11,967	-	-	-	-	11,967	11,967
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(481)	(481)	(481)	(490)
2017										
Financial assets										
Investments in club memberships	-	128	-	128	-	-	-	-	128	128
Other investments	3,570	-	-	3,570	-	-	-	-	3,570	3,570

Notes to the financial statements
(continued)

23. Financial instruments (continued)

23.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
2018				
Financial assets				
Other investments	11,967	-	-	11,967
2017				
Financial assets				
Other investments	3,570	-	-	3,570

Level 2 fair value

Investments in club memberships

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liabilities.

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

Financial instruments carried not at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

24. 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.

Notes to the financial statements
(continued)

25. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Less than one year	110	-
Between one and three years	110	-
	220	-

26. Capital and other commitments

The Group leases a office space under operating lease. The lease period is typically 3 years, with an option to renew the lease after that date.

	Group 2018 RM'000	Group 2017 RM'000
Property, plant and equipment contracted but not provided for	16	49

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Company				
Dividend income from subsidiaries	-	(500)	-	-
Management fees from subsidiaries	(240)	(240)	-	-
Administration fee paid on behalf of subsidiary	137	171	-	-
Group				
Related parties:				
Standardworld Holding Ltd.				
Marketing fee	-*	701	-*	(116)
Sun New Stainless Steel Industry Ltd.				
Sales	-*	(2,569)	-*	112
Purchases	-*	89	-*	-
Everpro Sdn. Bhd.				
Sales	-*	(3,294)	-*	560
Rental income receivable	-*	(228)	-*	-
I.D.M. Creative Development Co. Ltd.				
Sales	-*	(634)	-*	2
Purchases	-*	419	-*	-
Buffalo GSB Sdn. Bhd.				
Sales	-*	(2)	-*	-
Buffalo Cookware Australia Pty. Ltd.				
Sales	-*	(358)	-*	51

* These parties cease to be related parties to the Group during the year.

The key management personnel compensations are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors:				
- Fees	550	365	320	215
- Remuneration	953	1,053	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	24	32	-	-
	1,527	1,450	320	215

Notes to the financial statements (continued)

28. Subsequent events

(i) In January 2019, Pentoli S.R.L., a wholly-owned dormant subsidiary of Steels Crafts Europa S.R.L. was dissolved in accordance with the Italian law.

(ii) On 12 February 2019, the Board of Directors declared an interim single tier dividend via a share dividend distribution of up to 24,390,168 units of treasury shares on the basis of 1 treasury share for every 12 ordinary shares held in respect of the financial year ending 31 December 2019.

On 22 March 2019, a total 24,389,364 treasury shares amounting to RM6,824,000 were distributed as share dividend and credited into the entitled shareholders' securities accounts mantained with Bursa Malaysia Depository Sdn Bhd.

(iii) In February 2019, the Company obtained shareholders' approval at the Extraordinary General Meeting for the proposed bonus issue of up to 160,757,455 free detachable warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of the Company.

The main salient of the Warrant includes the followings:

(a) Each Warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price at any time during the exercise period, subject to any adjustments in accordance with the provisions of the Deed Poll;

(b) The tenure of Warrant is for a period of three (3) years and may be exercised at any time on or after issue date. Warrant not exercised during the exercise period shall thereafter lapse and cease to be valid for any purpose; and

(c) The new ordinary shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary share of the Company, save and except that the new ordinary shares will not be entitled to any rights, allotments, dividends and/or other distribution where the entitlement date precedes the relevant date of allotment and issuance of the new ordinary shares arising from the exercise of the Warrants.

(d) The exercise price of the warrants shall be determined and announced by the Board of Directors at a later date after taking into consideration, amongst others, the following:

(i) the Warrant will be issued at no cost to the entitled shareholders;
(ii) trading and liquidity of the Company's shares; and
(iii) the five (5)- day volume weighted average market price of the Company share and the prevailing market conditions.

(iv) In March 2019, the Company incorporated a wholly-owned subsidiary, Ni Hsin Marketing (HK) Limited. Its intended to carry out the business of distribution of the Group's products and trading of general merchandise in Hong Kong, China and the rest of East Asia.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 42 to 99 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

....
Rizvi Bin Abdul Halim
Director

....
Ng Shwu Ching
Director

Kuala Lumpur
Date: 26 March 2019

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

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 99 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 abovenamed Ng Shwu Ching, NRIC: 670803-10-6136, at Kuala Lumpur on 26 March 2019.

....
Ng Shwu Ching

Before me:

Commissioner for Oaths
Kuala Lumpur

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

Report on the Audit 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 2018 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 99.

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 2018, 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 2016 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.

The key audit matter of the Group

Goodwill of investment in subsidiaries	
Refer to Note 2 (a)(i) and Note 2 (f) - Significant accounting policy: Subsidiaries and Goodwill and Note 5 Goodwill	
The key audit matter	**How the matter was addressed in our audit**
The Group has RM5.1million of goodwill and is solely attributable to the subsidiary which is involved in clad metals and stainless steel convex mirrors business cash-generating unit ("CGU") as at 31 December 2018. This CGU is tested for impairment annually. Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of CGU. Any shortfall of the recoverable amounts against the carrying amounts would be recognised as impairment losses. The recoverable amounts are determined based on management estimates and assumptions on inputs as disclosed in Note 5 to the financial statements. This is a key audit matter because of the significant judgement required from us to evaluate the assumptions and estimates used in determining the recoverable amount of CGU.	We performed the following audit procedures, among others, around the impairment of goodwill: • We reviewed the basis and assumptions used by the management in the preparation of 5 years cash flow projections. • We challenged the assumptions used in deriving the value-in-use models based on our knowledge of the CGU's operations, and compared them against historical forecast and performance. • We used sensitivity analysis to determine those factors that were most sensitive within the valuation model. • We considered the adequacy of the Group's disclosure about the sensitivity of the outcome of the impairment assessment to changes in key assumptions.

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

Key Audit Matters (continued)

The key audit matter of the Group

<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 8 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 RM20.6 million of inventories as at 31 December 2018. 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 required in:

- assessing the Group's assessment that inventories are stated at the lower of cost and net realisable values as the transaction price that could be referenced may not be current and 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 2018 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;

• For those inventories without sales subsequent to year end, we evaluated the Group's basis of provisioning for slow-moving inventories as at 31 December 2018 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 2018 by comparing the Group's provision amount to provision computed by us based on our work performed above.</td></tr>
<tr><td colspan="2">Valuation of investment in subsidiaries</td></tr>
<tr><td colspan="2">Refer to Note 2(a)(i) - Significant accounting policy: Subsidiaries and Note 6 Investments in subsidiaries</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The carrying value of subsidiaries amounted to RM56.5million, which accounted for more than 70% of the Company's total assets as at 31 December 2018.

Management determines at the end of each reporting period the existence of an objective evidence through which the Company's investment in subsidiaries may be impaired. If there are indicators of impairment, the deficit between recoverable amount of the subsidiary and its carrying value would be recognised in profit or loss.

This is a key audit matter because of the significant judgement required from us to evaluate management assumptions and estimates used in determining the recoverable amount of the subsidiary especially when value in use is applicable.</td><td>We performed the following audit procedures, among others, around the impairment of subsidiaries:

• We compared the carrying amount of all of the investment in subsidiaries with the respective subsidiaries' net assets value to identify whether the net assets values, being an approximation of their maximum recoverable amount, were in excess of the carrying amount for indication whether the investment cost may be impaired.

• We reviewed the basis and assumptions used by the management in the preparation of 5 years cash flow projections.

• We challenged the assumptions used in deriving the value-in-use models based on our knowledge of the subsidiaries' operations, and compared them against historical forecast and performance.

• We used sensitivity analysis to determine those factors that were most sensitive within the valuation model.</td></tr>
</table>

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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do 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 2016 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- 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 6 to the financial statements.

Other Matter

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

Ow Peng Li
Approval Number: 02666/09/2019 J
Chartered Accountant

Petaling Jaya

26 March 2019

Statement of shareholdings
As at 28 March 2019

Total number of issued shares	321,514,910 ordinary shares (including shares held as treasury shares)
Class of shares	Ordinary Share
Voting rights	One vote per ordinary share

SIZE OF SHAREHOLDINGS AS AT 28 MARCH 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares held	% of issued capital
Less than 100 shares	52	2.04	2,270	0.00
100 to 1,000 shares	364	14.31	109,158	0.03
1,001 to 10,000 shares	705	27.70	2,932,877	0.93
10,001 to 100,000 shares	1,098	43.14	34,349,985	10.84
100,001 to 15,853,567*	325	12.77	249,387,084	78.65
15,853,568 and above **	1	0.04	30,290,000	9.55
Total	2,545	100.00	317,071,374#	100.00

Notes:

\# Excluding a total of 4,443,536 shares bought-back by the Company and retained as treasury shares as at 28 March 2019

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

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

DIRECTORS' SHAREHOLDINGS AS AT 28 MARCH 2019
(As per Register of Directors' Shareholdings)

		Direct Interest		Deemed Interest	
	Name of Directors	No. of shares held	% of issued capital*	No. of shares held	% of issued capital*
1	Sofiyan Bin Yahya	2,816,666	0.89	-	-
2	Rizvi Bin Abdul Halim	-	-	-	-
3	Ng Shwu Ching	-	-	-	-
4	Datin Ida Suzaini Binti Abdullah	308,750	0.10	-	-
5	Datuk Tan Choon Hwa	3,670,332	1.16	-	-
6	Leow Chan Khiang	-	-	-	-
7	Rithauddin Hussein Jamalatiff Bin Jamaluddin	-	-	-	-

Note:

* Excluding a total of 4,443,536 shares bought-back by the Company and retained as treasury shares as at 28 March 2019

Statement of shareholdings
As at 28 March 2019 (continued)

30 LARGEST SHAREHOLDERS AS AT 28 MARCH 2019
(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*	30,290,000	9.55
2	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Aw Sen Loi*	15,678,000	4.94
3	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Kim Hwa*	15,600,000	4.92
4	Wichford Group Limited	15,340,000	4.84
5	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged securities account for Goh Choon Kim*	14,083,333	4.44
6	Hsiao, Chih-Che	13,514,570	4.26
7	Kyeros Partners Sdn Bhd	12,347,500	3.89
8	Palanivel A/L K.V. Sathasivam	9,750,000	3.08
9	Hsiao Chih Jen	9,181,459	2.90
10	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chia Kee Siong*	7,053,041	2.22
11	Hsiao Chih Chien	4,809,667	1.52
12	Tee Tiam Lee	4,139,633	1.31
13	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Zulkifli Bin Ismail*	3,763,833	1.19
14	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Koh Kin Lip*	3,625,375	1.14
15	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Choon Hwa*	3,128,666	0.99
16	Sofiyan Bin Yahya	2,708,333	0.85
17	Enrich Transaction Sdn Bhd	2,611,666	0.82
18	Chor Chee Heung	2,491,666	0.79
19	Chen Chee Seang	2,472,166	0.78
20	Cartaban Nominees (Asing) Sdn Bhd *DBS Vickers (Hong Kong) Limited for Shanghai Commerical Bank Ltd*	2,320,825	0.73
21	Hsiao Tung Wei	2,166,666	0.68
22	Soo Yoke Mun	2,060,000	0.65
23	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Abdul Rahman Bin Ibrahim*	2,000,033	0.63
24	Ang Bon Beng	1,625,000	0.51
25	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Rickoh Corporation Sdn Bhd*	1,625,000	0.51
26	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Ching Neoh*	1,625,000	0.51
27	Ng Chian Tin	1,590,900	0.50
28	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Wei Yuen*	1,570,500	0.50
29	Teoh Hin Heng	1,551,333	0.49
30	M & A Nominee (Asing) Sdn Bhd *Pledged securities account for Meng Bin*	1,540,500	0.49
Total		**192,264,665**	**60.64**

Note:
* Excluding a total of 4,443,536 shares bought-back by the Company and retained as treasury shares as at 28 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 28 MARCH 2019
(As per Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
	Name of Substantial Shareholder	No. of shares held	% of issued capital *	No. of shares held	% of issued capital *
1	Khoo Chee Kong	30,290,000	9.55	-	-

Note:
* Excluding a total of 4,443,536 shares bought-back by the Company and retained as treasury shares as at 28 March 2019

List of properties
As at 31 December 2018

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	28	9,854	6,320	37,142	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	21	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	26	–	62	16	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	26	–	62	16	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	26	–	62	16	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	18	–	268	1,253	2015

Notes:

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 Fifteenth Annual General Meeting of the Company will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Thursday, 27 June 2019 at 9.30 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 2018 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 9)**

2. To approve the payment of Directors' fees and benefits payable to the Directors of the Company and its subsidiaries up to an aggregate amount of RM600,000.00 from 28 June 2019 until the next Annual General Meeting ("AGM") of the Company. **Ordinary Resolution 1**

3. To re-elect the following Directors who are retiring pursuant to Article 90 of the Articles of Association of the Company:-

   i) Encik Rizvi Bin Abdul Halim **Ordinary Resolution 2**
   ii) Mr Leow Chan Khiang **Ordinary Resolution 3**

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business

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

5. **Authority under Section 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares**

   "THAT pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company to such persons, at any time until the conclusion of the next AGM and 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 (excluding treasury 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 issuance." **Ordinary Resolution 5**

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

   "THAT subject to the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to utilise an amount not exceeding the Company's audited retained profits as at 31 December 2018 to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") 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, necessary and expedient in the interest of the Company, provided that:-

   (a) the aggregate number of ordinary shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any point in time of the said purchase(s);

   (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained profits of the Company at the time of purchase; and

   (c) the authority conferred by this resolution will be effective immediately upon the passing of the ordinary resolution and will continue to be in force until:-

      (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

Notice of Annual General Meeting (continued)

6. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares (continued)**

   (ii) the expiration of the period within which the next 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 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).

   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 or in any manner as prescribed by the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force.

   AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary (including executing all such documents as may be required) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the said Directors may deem fit and expedient in the best interests of the Company." **Ordinary Resolution 6**

7. **Proposed Adoption of A New Constitution of the Company ("Proposed Adoption of a New Constitution")**

   "THAT the Company's existing Memorandum and Articles of Association be and are hereby deleted in its entirety and that the new Constitution as set out in Part A of the Circular to Shareholders dated 17 April 2019 be and is hereby adopted as the new Constitution of the Company.

   AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption of a New Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by any authorities to give effect to the Proposed Adoption of a New Constitution." **Special Resolution**

8. To transact any other business for which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Company Secretaries

Selangor Darul Ehsan

Date: 17 April 2019

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

3. 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.

Notice of Annual General Meeting (continued)

4. 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.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, 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.

6. 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 shall be deposited at the Company's Share Registrar's Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.

7. 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 general meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

8. 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 20 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.

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

10. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

   (i) Ordinary Resolution 5 - Authority under Section 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares

   The Company had, during its Fourteenth Annual General Meeting ("AGM") held on 28 June 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 76 of the Act. The Company did not issue any shares pursuant to this mandate obtained.

   The Ordinary Resolution 5 proposed under item 5 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The Ordinary Resolution 5, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury 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 6 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

   The explanatory notes on Ordinary Resolution 6 are set out in the Statement to Shareholders dated 17 April 2019.

Notice of Annual General Meeting
(continued)

(iii) Special Resolution – Proposed Adoption of a New Constitution of the Company

The Special Resolution, if passed, will align the Constitution of the Company with the Act which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Securities and the prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity. Details were set out in the Circular to Shareholders dated 17 April 2019.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

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)

NRIC No./Passport 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) NRIC No. ____________ (new) ____________(old)

of ____________________ (full

address) or failing him/her* ____________________ (name of proxy as per NRIC,

in capital letters) NRIC 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 Fifteenth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Thursday, 27 June 2019 at 9.30 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	To approve the payment of Directors' fees and benefits payable to the Directors of the Company and its subsidiaries up to an aggregate amount of RM600,000.00 from 28 June 2019 until the next Annual General Meeting of the Company.		
Resolution 2	To re-elect Encik Rizvi Bin Abdul Halim who is retiring pursuant to Article 90 of the Articles of Association of the Company.		
Resolution 3	To re-elect Mr Leow Chan Khiang who is retiring pursuant to Article 90 of the Articles of Association of the Company.		
Resolution 4	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 5	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.		
Resolution 6	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.		
Special Resolution	Proposed Adoption of a New Constitution of the Company.		

**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 at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. 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.
4. 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, 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.
6. 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 shall be deposited at the Company's Share Registrar's Office, Bina Management (M) Sdn Bhd at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
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8. 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 20 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 17 April 2019.

Fold this flap for sealing

Then fold here

Affix
stamp

The Share Registrar
Ni Hsin Resources Berhad (Company No. 653353-W)
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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傳統中鍊出經典
平實中綻放光彩

NI HSIN

Ni Hsin Resources Berhad (653353-W)
45, Jalan Taming Dua, Taman Taming Jaya,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.
Tel: (603) 8961 6815   Fax: (603) 8961 3941
Email: info@ni-hsin.com
www.ni-hsin.com