

傳統中辣出經典  
 平實中綻放光彩



**Ni Hsin Resources Berhad** (653353-W)  
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Ni Hsin Resources Berhad (653353-W)



Annual Report 2009

ANNUAL REPORT 2009



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# Corporate Information

## BOARD OF DIRECTORS

**Hsiao Chih Jen**  
*Chairman/Managing Director*

**Hsiao Chih Chien**  
*Executive Director*

**Hsiao Chih Che**  
*Executive Director*

**Hsiao Tung Min**  
*Executive Director*  
*(appointed on 17 August 2009)*

**Ng Shwu Ching**  
*Executive Director*

**Dato' Wong Pui Lam**  
*Independent Non-Executive Director*

**Chong Yew Kiang**  
*Independent Non-Executive Director*

**Anita Chew Cheng Im**  
*Independent Non-Executive Director*

## COMPANY SECRETARIES

**Tai Yit Chan** (MAICSA 7009143)  
**Chan Su San** (MAICSA 6000622)

## REGISTERED OFFICE

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

## BUSINESS ADDRESS

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

## SHARE REGISTRAR

**Tricor Investor Services Sdn Bhd**  
(118401-V)  
*(Formerly known as Tenaga Koperat Sdn Bhd)*  
Level 17, The Gardens North Tower  
Mid Valley City,  
Lingkar Syed Putra  
59200 Kuala Lumpur  
Malaysia  
Tel: 03 – 2264 3883  
Fax: 03 – 2282 1886

## AUDITORS

**KPMG** (AF 0758)  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

## SOLICITORS

**Soo Thien Ming & Nashrah**  
Wisma Selangor Dredging  
10th Floor, South Block  
142-A, Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

## PRINCIPAL BANKERS

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

## United Overseas Bank (Malaysia) Berhad

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

## STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia Securities Berhad**  
Stock Name : NIHSIN  
Stock Code : 7215

# Corporate Structure

as at 31 March 2010



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

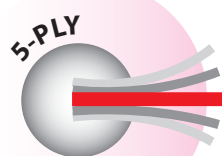
**100%**

**Ever-Grow Advanced Materials Sdn Bhd**

(Company No. 545564-A)  
Incorporated in Malaysia

**Convex Mirror & Clad Metal Division**

Research, development and manufacturing of clad metals and stainless steel convex mirrors



**100%**

**Ni Hsin Corporation Sdn Bhd**

(Company No. 185578-V)  
Incorporated in Malaysia

**Cookware Division**

Design, manufacture and sale of stainless steel kitchenware and cookware



**100%**

**Steel Crafts Europa S.R.L.**

(Company No. BS-513499)  
Incorporated in Italy

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



# Five Years 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 2005 to 31 December 2009:-

	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	38,777	43,619	44,407	56,493	47,313
Earnings before interest, taxation, depreciation and amortisation (“EBITDA”)	15,004 *	11,087	7,381	11,885	9,974
Depreciation	(2,888)	(2,726)	(2,840)	(3,015)	(3,051)
Interest expense	(128)	(300)	(584)	(930)	(324)
Interest income	63	60	22	30	131
Profit Before Taxation (“PBT”)	12,051 *	8,121	3,979	7,970	6,730
Taxation	(2,612)	(1,020)	379	(1,753)	(1,607)
Profit After Taxation (“PAT”)	9,439 *	7,101	4,358	6,217	5,123
Minority Interests (“MI”)	(1,985)*	(1,841)	(1,073)	-	-
PAT after MI	7,454 *	5,260	3,285	6,217	5,123
PBT Margin (%)	31.08 *	18.62	8.96	14.11	14.22
PAT after MI Margin (%)	19.22 *	12.06	7.40	11.00	10.83
No. of ordinary shares in issue ('000)	225,000	221,021	221,021	231,409	230,958
Gross Earnings Per Share (“EPS”) (sen) <sup>1</sup>	4.74 *	2.80	1.31	3.44	2.91
Net EPS (sen) <sup>1</sup>	3.51 *	2.34	1.49	2.69	2.22
Tax-exempt Dividends Per Share (sen) <sup>2</sup>	1.00	-	-	2.00	0.50
Gross Taxable Dividends Per Share (sen) <sup>2</sup>	2.78	2.76	-	-	1.42 **

\* In compliance with Financial Reporting Standard 2 – Share-based Payment, these figures have been restated.

\*\* Inclusive of a final dividend of 0.67 sen per ordinary share less tax at 25% , subject to the approval of the shareholders at the Sixth Annual General Meeting of the Company

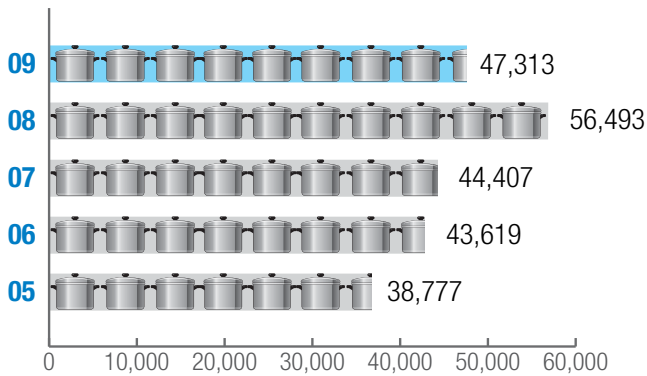
1 The gross and net EPS have been calculated by dividing PBT after MI and PAT and MI respectively for the financial years by the number of ordinary shares assumed in issue.

2 Only dividends after listing on Second Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) are shown.

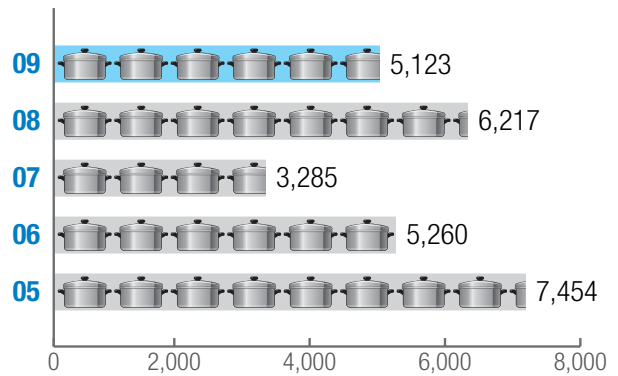
3 There were no extraordinary or exceptional items for the financial years under review.

# Five Years Group Financial Highlights (continued)

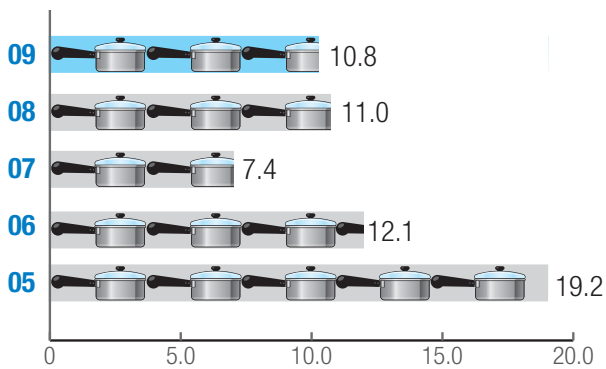
## Revenue (RM'000)



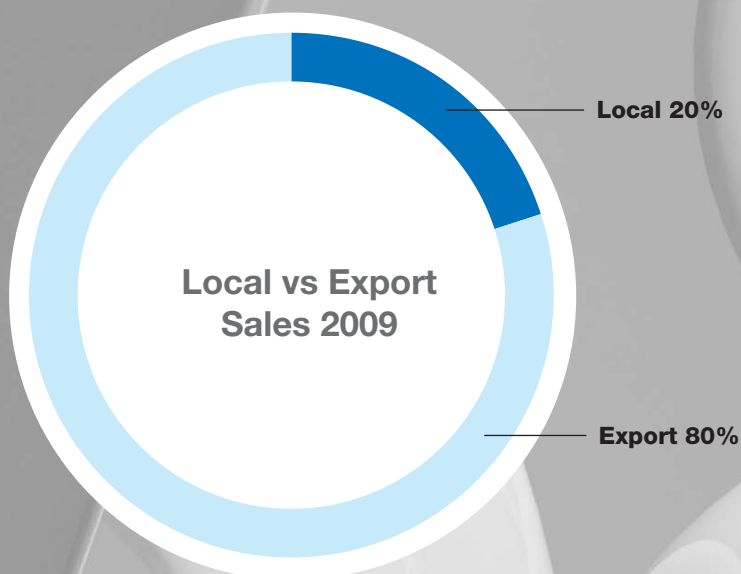
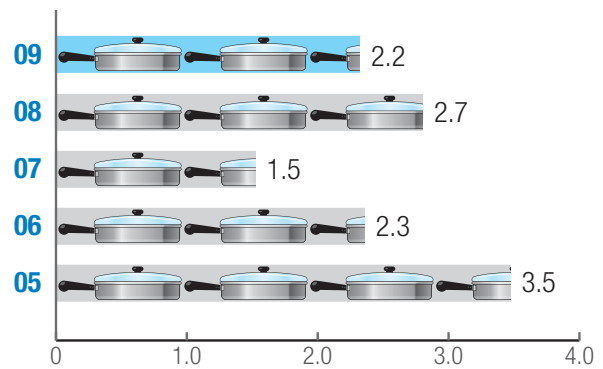
## Profit After Taxation and Minority Interest (RM'000)



## Profit After Taxation and Minority Interest Margin (%)



## Net Earnings Per Share (Sen)



# Chairman's Statement

## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present you the annual report of Ni Hsin Resources Berhad ("NHR") for the financial year ended 31 December 2009 ("FY2009"). It is my pleasure to report that our Group achieved a revenue and profit after taxation of RM47.3 million and RM5.1 million for FY2009.



### OPERATING ENVIRONMENT IN 2009 – A YEAR OF ECONOMIC DOWNTURN

Our Group faced a very difficult business operating environment in 2009 arising from the global financial crisis and economic downturn which started in late 2008. The Malaysian economy was not spared with our Gross Domestic Product growth rates declining by -6.2% and -3.9% in Quarter 1 and Quarter 2 respectively for 2009. Despite a sharp contraction in the first two quarters, the Malaysian economy contracted by 1.7% in 2009 as recovery strengthened in the second half of the year.

Our major export markets such as Japan, Singapore, Hong Kong, Taiwan and South Korea were also affected by the economic turmoil. Governments in our major markets implemented various fiscal economic stimulus packages to address the severe decline in economic growth, resulting in most economies registering a positive growth or a lesser economic decline in the last quarter of the year. Though the business environment is difficult, the Group's focus in enhancing its competitive position through improvement in internal processes in the previous years have largely enabled the Group to weather this period.

# Chairman's Statement (continued)



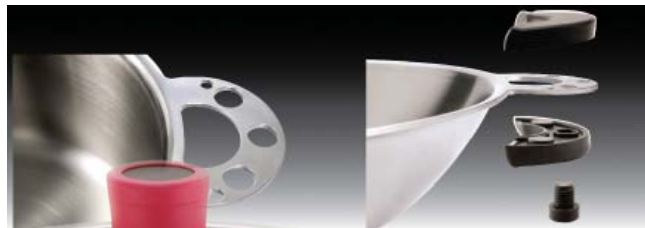
## OPERATIONAL REVIEW

Our Group has 3 business divisions, namely Cookware, Convex Mirror and Clad Metals. Each division's performance is as follows:

### • Cookware Division

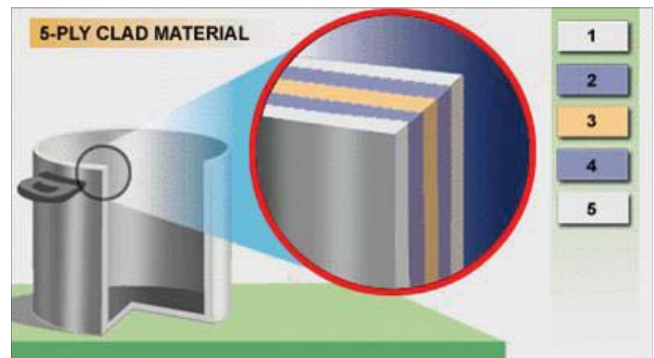
The Cookware Division achieved a revenue of RM37.1 million in FY2009 compared to a revenue of RM45.4 million in FY2008. The Cookware Division remained as the main contributor to our Group's revenue, accounting for 78.4% of our Group's revenue. Japan remained our main market for our premium multiply stainless steel cookware, followed by Taiwan, Malaysia, Hong Kong and China, Singapore and the rest of the world.

The Cookware Division suffered a decline in its revenue mainly due to an unexpected decline in consumer demand for premium cookware in the last quarter of 2009. The last quarter of each year traditionally is the best sales season for the Group due to the holiday sales period whereby consumers purchase cookware as gifts or for own use. Our Group's cookware sales in the last quarter bucked the trend as consumers in our major markets remained cautious of the economic recovery, and hence affected the spending sentiment for premium cookware. Nevertheless, the management expects this trend to reverse once the economic recovery is underway. The Group's efforts to introduce new products such as water filter casings and new models of pressure cookers should be a new catalyst for the Group in the current financial year.



### • Convex Mirror Division

Our Convex Mirror Division achieved a revenue of RM4.7 million in FY2009 compared to RM4.6 million in FY2008, contributing 10% of our Group revenue in the financial year. Japan and South Korea remained our main export markets. The Convex Mirror Division's revenue was maintained due to better marketing efforts in the year.



### • Clad Metals Division

The Clad Metals Division contributed a revenue of RM5.5 million in FY2009, representing 11.6% of our Group's revenue. This Division's revenue declined compared to the previous year due to weaker orders from our customers in Japan and China who were affected also by the economic downturn.

Given the decline in Group revenue, the Group achieved a Profit After Taxation for the financial year of RM5.1 million, compared to RM6.2 million achieved the year before.

Nevertheless, the Group's operating cash flows improved from RM15.3 million in FY2008 to RM16.4 million for FY2009. This was due mainly to the Group's reduction in operating expenses arising from tighter controls and cost containment measures.

The Group also repaid its term loan amounting to RM7.0 million during the financial year, resulting in the Group's net debt to equity ratio to decline from 0.1 times as at 31 December 2008 to a net cash position as at 31 December 2009.



# Chairman's Statement

(continued)



## COOKWARE INDUSTRY TREND

Consumers are faced with rising cost of living, especially higher electricity and fuel costs. Hence, energy saving consumer goods are increasingly popular. As energy (such as gas and electricity) prices increase, consumers will want to adopt new cooking technologies such as induction cooking. We believe that the high end cookware industry will continue to grow as the health conscious consumers choose induction capable multi-ply cookware for its efficient heat distribution and energy saving features.

Manufacturers also need to protect the environment and reduce materials used in their products. Conservation and recycling would be the key manufacturing goals in developed countries. Our Group is proud to highlight that its manufacturing processes and product designs emphasises the reduction of materials used and to recycle and reuse materials wastage.

## GROUP'S PROSPECTS

The uncertain global and domestic economic outlook will still pose a challenge to the Group for the financial year ending 31 December 2010. Although there are signs of economic improvement due to the fiscal spending programmes implemented by various governments, consumer spending remains cautious. Moving forward, we will continue to operate in a cautious manner with sound practices. Emphasis will be given to better costs control, management efficiency and meeting customer needs. We are confident that our management is adequately prepared and ready to take on these challenges and opportunities that lie ahead.

Our management team will continue to implement strategies to mitigate business risks. Our Group will continue with our efforts to emphasize on key growth initiatives to develop new markets, introduce new products as well as to create strong

brand awareness on our wide range of products across all market segments.

Ongoing research and development remains as one of the core focus of our Group's operations. It is our aim to improve consumer lifestyles by producing innovative products. In our efforts to diversify from our core cookware products, our R&D team has developed stainless steel water filter casings for the water filter market. Our water filter casing is manufactured as a single piece without welding and is formed using flow and shear forming technologies. This new type of casing is lighter, uses less materials and structurally stronger than current models that are welded together. We have also developed a complete set of stainless steel water filter machine whereby the entire water filter machine's exterior body is stainless steel and utilises our water filter casings. This system has several stages of water filtration to ensure the quality of filtered water. Current water filter machines in the market utilise a lot of plastics in the body and filter casings. Stainless steel water filter machines will definitely be healthier, safer to use and more durable compared to plastic water filter machines. We have commenced selling our water filter machines in the local market in end FY2009 and would be promoting our product to our Buffalo brand distributors.

We have also launched new pressure cookers for the Japanese market which received good response. Pressure cookers require stringent manufacturing processes and demanding technical designs. Due to the high pressure contained in the pressure cooker, the pressure cooker must be manufactured in accordance with the highest standards with safety features built in. To the best knowledge and belief of the management, the Group is the only manufacturer of stainless steel pressure cookers in Malaysia for the Japanese market. The Group will continue to focus in designing new models for the Japanese market, especially a mid-price model to cater for the mass market in Japan.

# Chairman's Statement (continued)

## CORPORATE DEVELOPMENT

On 2 March 2010, NHR subscribed for 10,000 new ordinary shares of EURO1.00 each representing the entire issued and paid-up share capital of Steel Crafts Europa S.R.L. for a total cash consideration of EURO10,000.00 (equivalent to approximately RM46,000.00) ("Subscription"). Subsequent to the Subscription, Steel Crafts Europa S.R.L. shall become a wholly-owned subsidiary of NHR.

Steel Crafts Europa S.R.L. is incorporated to spearhead our Group's efforts to market our products in the European Union ("EU"). The EU market is one of the new markets that we intend to diversify into and we intend to market our clad metals and convex mirrors initially before exporting our cookware there.

## DIVIDENDS

We are pleased to propose a final dividend of 0.67 sen less 25% income tax per share for the financial year ended 31 December 2009. This proposed final dividend will bring the total gross dividend distribution per share in respect of the financial year ended 31 December 2009 to 1.92 sen comprising:

Dividend details per share	Interim/Final	Payment date
0.50 sen tax exempt	Interim	30 October 2009
0.75 sen less 25% income tax	Interim	20 January 2010
0.67 sen less 25% income tax	Proposed Final	30 June 2010*

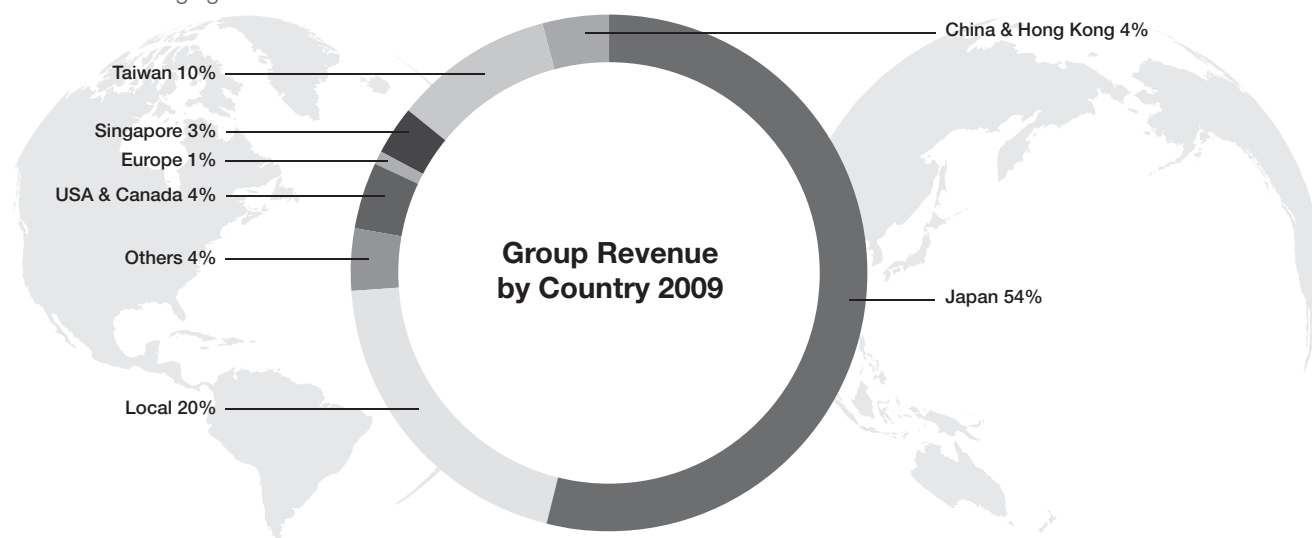
\* Note: Subject to the approval of the shareholders at the Sixth Annual General Meeting of the Company to be held on 19 May 2010.

## ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I wish to extend my appreciation to the Management and Staff of our Group for their contribution, dedication and commitment. To all shareholders, I am sincerely grateful for your confidence in our 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 as we move forward together again in the coming year. Lastly, I would also like to thank my fellow Board members for their assistance, advice and guidance.

## HSIAO CHIH JEN

Chairman/Managing Director





## Board of Directors' Profile

### **Hsiao Chih Jen**

*Chairman/Managing Director*

Hsiao Chih Jen, a Taiwanese and permanent resident of Malaysia, aged 60, was appointed as our Chairman/Managing Director on 19 March 2005.

He began his career as an apprentice in 1964 with Sun New Stainless Steel Industry Ltd ("Sun New") in Taiwan, a company jointly owned by his family members and was principally involved in the manufacturing of cookware. He was later promoted to Factory Manager where he gained experience in cookware manufacturing operations. With his in-depth knowledge of manufacturing operations and product development, he was subsequently promoted to Marketing Director where he was responsible for securing local and overseas customers, and business development.

In 1990, he was responsible for relocating the entire manufacturing operations from Taiwan to Malaysia. He was promoted to Managing Director of Ni Hsin Corporation Sdn Bhd ("NHC") upon its commencement of operations in 1991. With his leadership qualities, he successfully nurtured our Group to its present level of operations with market presence in the USA, Europe, Japan, Hong Kong, Taiwan, South Korea and South East Asia.

He is currently responsible for the overall business strategies and international business development of our Group.

His brothers Hsiao Chih Chien and Hsiao Chih Che are Directors and major shareholders of NHR. His father Hsiao Tsai Sheng and his mother Hsiao Liu Lee are major shareholders of NHR. His son, Hsiao Tung Min, was appointed as Director of NHR on 17 August 2009.

He has attended all five Board meetings held in the financial year. He is deemed interested in the recurring related party transactions entered into by our Group. Details of the transactions are disclosed in Note 25 of the financial statements on pages 65 to 66 of this Annual Report. He has no convictions for any offences within the past ten (10) years.

### **Hsiao Chih Chien**

*Executive Director*

Hsiao Chih Chien, a Taiwanese and permanent resident of Malaysia, aged 56, was appointed as our Executive Director on 19 March 2005. He graduated from Hua Xia Institute of Technology in Taiwan with a Bachelor Degree in Building Construction in 1974.

He started his career in Sun New in 1976 and gained experience in the entire manufacturing operations of the business. He was later promoted to Factory Manager of Sun New where he was responsible for the entire daily factory operations. Upon the relocation of the manufacturing business from Taiwan to Malaysia, he assumed the position of General Manager of NHC.

He is currently responsible for the overall day-to-day operations and R&D activities of our Group. He has successfully led our R&D team to develop new products such as stainless steel convex mirrors, clad metals which are advanced composite materials, and non-stick coating cookware, and to design new production lines and methodologies to enhance production efficiency. With his technical knowledge, he has also successfully led our Group's product development for the Original Equipment Manufacturer ("OEM")/Original Design Manufacturer ("ODM") market. As our OEM/ODM customers are stringent in product quality and innovativeness, he is actively involved in product engineering and addressing technical challenges faced in the OEM/ODM market.

His brothers Hsiao Chih Jen and Hsiao Chih Che are Directors and major shareholders of NHR and his nephew Hsiao Tung Min, is a Director of NHR. His father Hsiao Tsai Sheng and his mother Hsiao Liu Lee are major shareholders of NHR.

Hsiao Chih Chien is the Chairman of the Employees' Share Option Scheme ("ESOS") Committee of our Company. He has attended all five Board meetings held in the financial year. He is deemed interested in the recurring related party transactions entered into by our Group. Details of the transactions are disclosed in Note 25 of the financial statements on pages 65 to 66 of this Annual Report. He has no convictions for any offences within the past ten (10) years.

## Board of Directors' Profile (continued)



### **Hsiao Chih Che**

*Executive Director*

Hsiao Chih Che, a Taiwanese, aged 52, was appointed as our Executive Director on 19 March 2005. He graduated from Zhili Business College, Taiwan in 1979 with a Diploma in International Business.

He joined Sun New after his graduation in 1982 as Marketing Manager, where he was responsible for promoting our Company's products. Amongst his responsibilities were to explore new markets, establish sales leads, customer relationship management and formulation of marketing strategies. He joined NHC in 1990 as General Manager of Marketing where he was responsible for developing markets for cookware under the "Buffalo" brand.

He currently oversees the business development and marketing operations of our Group.

His brothers Hsiao Chih Jen and Hsiao Chih Chien are Directors and major shareholders of NHR and his nephew Hsiao Tung Min, is a Director of NHR. His father Hsiao Tsai Sheng and his mother Hsiao Liu Lee are major shareholders of NHR.

He has attended three out of five Board meetings held in the financial year. He is deemed interested in the recurring related party transactions entered into by our Group. Details of the transactions are disclosed in Note 25 of the financial statements on pages 65 to 66 of this Annual Report. He has no convictions for any offences within the past ten (10) years.

### **Hsiao Tung Min**

*Executive Director*

Hsiao Tung Min, a Taiwanese and permanent resident of Malaysia, aged 36, was appointed as our Executive Director on 17 August 2009. He holds a Master of Business Administration from University of Southern California, United States of America.

He started his career in NHC in 1997 as R&D Executive. While carrying his duties in the R&D division, he gained valuable knowledge on production operations and new manufacturing technologies. He was promoted to General Manager of EGAM when EGAM was set up in 2001. EGAM has achieved steady growth under his leadership since its establishment. He was further promoted to Technical Director of NHC and EGAM in 2009.

He is currently responsible for strategic product and manufacturing technology development, and leading the technical team for the continuous improvement of our Group's products and manufacturing processes.

His father, Hsiao Chih Jen, is Chairman/Managing Director and major shareholder of NHR. He is the nephew of Hsiao Chih Chien and Hsiao Chih Che, both who are Directors and major shareholders of NHR.

He has attended the two Board meetings held in the financial year since his appointment as Director of our Company on 17 August 2009. He is deemed interested in the recurring related party transactions entered into by our Group. Details of the transactions are disclosed in Note 25 of the financial statements on pages 65 to 66 of this Annual Report. He has no convictions for any offences within the past ten (10) years.

### **Ng Shwu Ching**

*Executive Director*

Ng Shwu Ching, a Malaysian, aged 42, 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.

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

She is currently responsible for the finance, accounting, secretarial, administrative, production and human resource functions of our Group.

Ng Shwu Ching is a member of the ESOS Committee of our Company. She has attended all five Board meetings held in the financial year. She does not have any family relationship with any director and/or major shareholder of our Group, nor does she have any conflict of interest with our Group. She has no convictions for any offences within the past ten (10) years.





## Board of Directors' Profile (continued)



### **Dato' Wong Pui Lam**

Independent Non-Executive Director

Dato' Wong Pui Lam, a Malaysian, aged 68, was appointed as our Independent Non-Executive Director on 19 March 2005. Dato' Wong graduated with a degree in Bachelor of Social Science (Honours) from Universiti Sains Malaysia and Bachelor of Laws (Honours) from University of Wolverhampton, United Kingdom. He is also awarded the Certificate of Legal Practice by The Lembaga Kelayakan Profesion Undang-Undang, Malaysia.

He is a member of the Chartered Institute of Arbitrators United Kingdom and Malaysia Branch. Dato' Wong is a former Senior Police Officer of the Royal Malaysia Police, having retired as the Deputy Chief Police Officer Kuala Lumpur in December 1996.

He is currently an Advocate and Solicitor of the High Court of Malaya. He is a practising lawyer and a partner of a legal firm in Klang Valley. He also holds directorships in Kop Mantap Berhad and another private limited company.

Dato' Wong Pui Lam is the Chairman of the Nomination and Remuneration Committees of our Company. He is also a member of the Audit Committee. He has attended all five Board meetings held in the financial year. He does not have any family relationship with any director and/or major shareholder of our Group, nor does he have any conflict of interest with our Group. He has no convictions for any offences within the past ten (10) years.

### **Chong Yew Kiang**

Independent Non-Executive Director

Chong Yew Kiang, a Malaysian, aged 61, was appointed as our Independent Non-Executive Director on 19 March 2005. He is a member of Malaysian Institute of Accountants, Canadian Institute of Chartered Accountants and Financial Planning Association of Malaysia. He holds a Master's Degree in Science (Business Administration) from University of British Columbia, Vancouver, Canada and Bachelor of Economics (2nd Class Upper) from University of Malaya.

He began his career as an officer at Bank Negara in 1971. He was a lecturer in Accountancy of University of Malaya and was the Head of Department before he left for the private sector. He then worked as the Corporate Planning Manager of Grand United Holdings Berhad.

Currently, he is a Dealer's Representative with Kenanga Investment Bank Berhad, an investment bank. He also holds directorship in a private limited company.

Chong Yew Kiang is the Chairman of the Audit Committee of our Company. He is also a member of the Nomination and Remuneration Committees. He has attended all five Board meetings held in the financial year. He does not have any family relationship with any director and/or major shareholder of our Group, nor does he have any conflict of interest with our Group. He has no convictions for any offences within the past ten (10) years.

### **Anita Chew Cheng Im**

Independent Non-Executive Director

Anita Chew Cheng Im, a Malaysian, aged 43, was appointed as our Independent Non-Executive Director on 29 October 2007. She graduated with a degree in Bachelor of Economics majoring in Accounting from Monash University, Australia.

She started her career at KPMG, Melbourne as an Audit Assistant. In 1992, she joined the corporate finance department of Bumiputra Merchant Bank Berhad and subsequently worked at Alliance Investment Bank Berhad and HwangDBS Investment Bank Berhad as Director of Corporate Finance. During her 15 year tenure in the various investment banks, she was involved in all related areas of corporate finance advising clients on initial public offerings, corporate restructuring, mergers and acquisitions and others.

She is also an Independent Non-Executive Director of Notion VTec Berhad and MK Land Holdings Berhad, both companies listed on the Main Market of Bursa Securities. She also holds directorships in several private limited companies.

Anita Chew Cheng Im is a member of the Audit, Nomination and Remuneration Committees of our Company. She attended all five Board meetings held in the financial year. She does not have any family relationship with any director and/or major shareholder of our Group, nor does she have any conflict of interest with our Group. She has no convictions for any offences within the past ten (10) years.

# Statement on Corporate Governance

The Board of Directors (“the Board”) of NHR is committed to the principles and the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance (“the Code”), in order to meet the highest standard of corporate governance as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and financial performance; and safeguard the interest of other stakeholders.

The Board is pleased to provide the following statement, which outlines the principles and best practices that were implemented throughout the financial year. Unless otherwise stated, the Group has complied with the best practices of the Code throughout the financial year ended 31 December 2009.

## 1. BOARD OF DIRECTORS

### a. Composition of the Board

The Group is led by an effective and experienced Board with members from different backgrounds possessing a wide range of expertise. Together they bring a broad range of skills, experience and knowledge which gives added strength to the leadership in managing and directing the Group’s operations.

The Board recognises its key role in charting the strategic direction, development and control of the Group and has taken the necessary steps to adopt the specific responsibilities that are listed in the Code, which facilitates the discharge of the Board’s stewardship responsibilities.

### b. Board Balance

The Board currently has eight (8) members, comprising three (3) Independent Non-Executive Directors, four (4) Executive Directors and one (1) Chairman/Managing Director. This complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“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. In the event of any vacancy in the Board resulting in non-compliance with the requirements on Independent Directors, the vacancy must be filled within 3 months of that event. The profiles of the Directors are presented on pages 10 to 12 of the Annual Report.

The roles of the Chairman and Managing Director are currently not separated. The Managing Director is primarily responsible for the orderly conduct and the working of the Board, day-to-day running of the business and implementation of Board policies and decisions. There is sufficient balance of Executive and Independent Non-Executive Directors on the Board such that decisions made are fully discussed and examined taking into account the long term interest of shareholders, employees, customers and the many communities in which the Group conducts its business.

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

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



# Statement on Corporate Governance (continued)

## 1. BOARD OF DIRECTORS (continued)

### c. Board Meetings and Supply of Information

During the financial year ended 31 December 2009, the Board held a total of five (5) meetings and the details of Directors' attendances are as follows:-

<b>Name</b>	<b>Position</b>	<b>Attendance</b>
Hsiao Chih Jen	Chairman/Managing Director	5/5
Hsiao Chih Chien	Executive Director	5/5
Hsiao Chih Che	Executive Director	3/5
Hsiao Tung Min <sup>1</sup>	Executive Director	2/2
Ng Shwu Ching	Executive Director	5/5
Dato' Wong Pui Lam	Independent Non-Executive Director	5/5
Chong Yew Kiang	Independent Non-Executive Director	5/5
Anita Chew Cheng Im	Independent Non-Executive Director	5/5

Note:-

1 Hsiao Tung Min was appointed as Executive Director of the Company with effect from 17 August 2009. Two meetings were held since his appointment during the financial year ended 31 December 2009.

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

The Board has unrestricted access to timely and accurate information, necessary in the furtherance of their duties, which is not only quantitative but also other information deemed necessary such as information on customer satisfaction, products and services qualities, market share, market reaction and environmental performance. Directors may obtain independent professional advice at the Company's expense, where necessary in furtherance of their duties.

The Board has access to the advice and services of both Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails. The removal of the Company Secretaries, if any, would be decided by the Board.

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Directors' reference and briefed the Board members on these updates at Board meetings. The Company Secretaries also notified the Directors on the closed period for trading in the Company's shares, in accordance with Chapter 14 on Dealings in Securities of Bursa Securities Main Market Listing Requirements. The external auditors briefed the Board members on any new Financial Reporting Standards that would affect the Group's financial statements during the year.

### d. Re-election of Directors

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

# Statement on Corporate Governance (continued)

## 1. BOARD OF DIRECTORS (continued)

### e. Directors' Training

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

During the financial year ended 31 December 2009, the relevant training programmes, seminars, forums and discussions relating to business, corporate governance, law, accounting, finance, taxation, economy, safety and quality audit attended by the Directors were on the following topics:-

- Corporate Governance and Duties and Responsibilities of Directors
- Directors Key obligations under the Listing Requirements
- Economics and Capital Markets I: Forces Shaping Global Capital Markets
- Corporate Strategic Analytics I: Essentials of Corporate Proposal Analysis
- Financial Essentials for Non-Financial Professionals
- Facing the Global Financial Crisis - Guide for review of Financial Reports
- The Challenges of Implementing FRS 139
- FRS139 Financial Instruments – The Issuer's Perspective
- FRS139 Financial Instruments – The Investors' Perspective
- Hedge Accounting
- Risk Quantification Methodologies (IFRS 7 Perspective)
- Introduction to Corporate Taxation & Self Assessment System (Group Relief & Single-Tier System)
- Tax Planning
- Team Building & Motivation
- Understanding ISO 9001:2008
- Emergency and Evacuation
- Majlis Perdana Perkhidmatan Awam Ke-9
- Moral Principles and Guidelines on Corporate Law

One of the Directors had also attended some of the talks on Corporate Governance issues organised by Bursa Securities during the Corporate Governance week in June 2009.

### f. Directors' Remuneration

The Group has adopted the best practice as recommended by the Code in determining the remuneration of the Board so as to ensure that the Group attracts and retains its Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Directors' fees and salaries take into consideration the responsibilities, experience, contribution and performance of each Executive Director. Non-Executive Directors are provided with Directors' fees, which are recommended by the Board for approval by shareholders of the Company at AGM.

Details of the aggregate remuneration of the Directors for the financial year ended 31 December 2009, categorised into appropriate components are as follows:-

Remuneration	Executive Directors RM	Non-Executive Directors RM
Salaries	1,231,000	-
Fees & Allowances	-	95,400
Benefits-in-kind	36,550	-
EPF	28,224	-
<b>Total</b>	<b>1,295,774</b>	<b>95,400</b>



# Statement on Corporate Governance (continued)

## f. Directors' Remuneration (continued)

The number of Directors whose remuneration falls within the following bands for financial year ended 31 December 2009 is as follows:-

Range of Remuneration	Number of Directors Executive Directors	Number of Directors Non-Executive Directors
Below RM50,000	-	3
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	1	-
RM250,001 – RM300,000	1	-
RM400,001 – RM450,000	2	-

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

## 2. THE BOARD COMMITTEES

The Board has established four standing committees, each operating within defined terms of reference in accordance with the Main Market Listing Requirements and best practices prescribed by the Malaysia Code on Corporate Governance (Revised 2007) to assist the Board in discharging its responsibilities. The committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Employees' Shares Options Scheme ("ESOS") Committee. The functions and terms of references of the Board Committees as well as authority delegated by the Board to these Committees have been approved by the Board and are reviewed from time to time to ensure they are relevant and up-to-date. The Board Committees examine specific issues and report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board.

### a. Audit Committee

The Audit Committee reviews issues of accounting policy and presentation of external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external and internal auditors. The Audit Committee works closely with both the internal and external auditors who, in turn, have access to the Chairman of Audit Committee.

The Audit Committee's Report for the year is set out on pages 20 to 23 of the Annual Report.

### b. Nomination Committee

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

Name	Position
Dato' Wong Pui Lam	Chairman ( <i>Independent Non-Executive Director</i> )
Chong Yew Kiang	Member ( <i>Independent Non-Executive Director</i> )
Anita Chew Cheng Im	Member ( <i>Independent Non-Executive Director</i> )

The duties and responsibilities of the Nomination Committee include the following:-

- recommend to the Board, candidates for all directorships. In making the recommendations the Committee should also consider candidates proposed by the Managing Director, and within the bounds of practicability, by any other senior executive, director or shareholder;
- recommend to the Board, directors to fill the seats on the board committees;
- review annually the required mix of skills and experience of the Board, including core competencies which non-executive directors should bring to the Board; and
- assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director.

# Statement on Corporate Governance (continued)

## 2. THE BOARD COMMITTEES (continued)

### b. Nomination Committee (continued)

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

Meeting of the Nomination Committee shall be held at least once a year. During the financial year ended 31 December 2009, the Nomination Committee met once which was attended by all the members. During the financial year, the Nomination Committee had reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the Nomination Committee was satisfied with the existing Board composition and was of the view that all the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. During the financial year, the Nomination Committee had also reviewed the proposed appointment of Hsiao Tung Min and recommended his appointment to the Board as an Executive Director of the Company, which was approved by the Board.

### c. Remuneration Committee

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

<b>Name</b>	<b>Position</b>
Dato' Wong Pui Lam	Chairman ( <i>Independent Non-Executive Director</i> )
Chong Yew Kiang	Member ( <i>Independent Non-Executive Director</i> )
Anita Chew Cheng Im	Member ( <i>Independent Non-Executive Director</i> )

The Remuneration Committee is authorised by the Board to seek appropriate professional advice within and outside the Group as and when it considers as necessary.

The Remuneration Committee shall review and recommend to the Board the remuneration of the Executive Directors. The remuneration packages of Non-Executive Directors shall be determined by the Board of Directors as a whole. The director concerned shall abstain from any discussion on his/her individual remuneration.

Meeting of the Remuneration Committee shall be held at least once a year. During the financial year ended 31 December 2009, the Remuneration Committee met once, which was attended by all the members. During the financial year, the Remuneration Committee had reviewed and recommended to the Board, the remuneration package for the Managing Director and Executive Directors of the Company, including the proposed remuneration package for the newly appointed Director, Hsiao Tung Min. The remuneration/fees of the Non-Executive Directors shall be determined by the Board as a whole where each individual Director abstains from discussion on their own remuneration/fees. The directors' fees will be subject to the shareholders' approval at the Company's forthcoming AGM.

### d. ESOS Committee

The ESOS Committee, which was established since 12 June 2005 by the Board, consists mainly of the following Executive Directors:-

<b>Name</b>	<b>Position</b>
Hsiao Chih Chien	Chairman ( <i>Executive Director</i> )
Hsiao Chih Jen	Member ( <i>Chairman/Managing Director</i> )
Ng Shwu Ching	Member ( <i>Executive Director</i> )

The ESOS Committee was established with delegated authority by the Board to administer the ESOS of the Group in accordance with the By-Laws thereof and to exercise any discretion under the By-Laws with regard to the eligibility of employees to participate in the ESOS, option offers and option allocations (after taking into consideration the performance, seniority and number of years of service as well as the employees' actual or potential contribution to the Group) and also to take all necessary actions to give effect to the ESOS By-Laws and to ensure effective administration of the Scheme.



# Statement on Corporate Governance (continued)

## 3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

Notice of the AGM and Annual Report are sent out to shareholders at least 21 days before the date of the AGM.

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

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

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

The Company's website, [www.ni-hsin.com](http://www.ni-hsin.com) is another tool of communication that provide easy access to the latest corporate information of the Group. To enhance access and to effectively address any issues and concerns, the Group has also set up a dedicated email address ([ir@ni-hsin.com](mailto:ir@ni-hsin.com)), to which its stakeholders can direct their queries.

## 4. ACCOUNTABILITY AND AUDIT

### a. Financial reporting

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

### b. Internal Control

The Board has an overall responsibility in maintaining a sound internal control system that provides reasonable assurance of effective and efficient operations and compliance with internal procedures and guidelines. The Statement on Internal Control is set out on pages 24 to 25 of this Annual Report.

### c. Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the external auditors in seeking professional advice and ensuring compliance with the provisions of the Companies Act, 1965 (the "Act") and applicable Accounting Standards approved by the Malaysian Accounting Standards Board ("MASB") in Malaysia. The Audit Committee is committed to meet with the external auditors twice a year to discuss their audit plan, audit findings and the financial statements.

## 5. ADDITIONAL COMPLIANCE INFORMATION

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

### a. Utilisation of Proceeds

There were no proceeds raised from any Corporate Proposal during the financial year ended 31 December 2009.

### b. Share Buy-Back

The shareholders of the Company at the Fifth AGM held on 20 May 2009, granted authority to the Company to repurchase its own shares provided that the aggregate number of shares purchased do not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at the point of purchase.

# Statement on Corporate Governance (continued)

## 5. ADDITIONAL COMPLIANCE INFORMATION (continued)

### b. Share Buy-Back (continued)

During the financial year ended 31 December 2009, the Company repurchased a total of 451,400 ordinary shares of RM0.20 each as follows:-

Month	No. of shares purchased and retained as treasury shares	Lowest price paid per share RM	Highest price paid per share RM	Average price paid per share RM	Total consideration paid* RM
January 2009	451,400	0.240	0.275	0.264	119,362

Note:-

\* Inclusive of transaction cost

The total 5,642,400 shares repurchased by the Company were retained as treasury shares during the financial year ended 31 December 2009 and none of the shares bought back were resold or cancelled during the financial year.

### c. Options, Warrants or Convertible Securities

The Company did not have any warrants or convertible securities in issue. For the financial year ended 31 December 2009, the options held over ordinary shares under the Company's ESOS were not exercised.

### d. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme for the financial year ended 31 December 2009.

### e. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by relevant regulatory bodies during the financial year ended 31 December 2009.

### f. Non-audit Fees

During the financial year ended 31 December 2009, the non-audit fees paid to the external auditors and a company affiliated to the external auditors' firm were approximately RM42,000.

### g. Profit Estimate, Forecast, Projection, and Variation in Results

There was no material variance between the results for the financial year ended 31 December 2009 and the unaudited results previously announced by the Company.

There was no profit estimate, forecast or projection that has been previously announced by the Company during the financial year ended 31 December 2009.

### h. Profit Guarantee

During the financial year ended 31 December 2009, there was no profit guarantee issued by the Group and Company.

### i. Material Contracts or Loans

There were no material contracts or loans entered into by the Group involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2009 or entered into since the end of the previous financial year.

### j. Revaluation Policy on Landed Properties

The Group adopted a policy of revaluation on landed properties every five years or at shorter intervals wherever the market value of the revalued assets has changed materially from their carrying value.

In compliance with FRS 116 on Property, Plant and Equipment, a revaluation exercise was carried out on 14 April 2009 by Henry Butcher Malaysia Sdn Bhd using the comparison method to reflect its fair value.

Arising from this exercise, a revaluation surplus of RM1,638,000 net of tax was credited to equity. This has resulted in an increase in the net assets per share of the Group by 1.0 sen.

### k. Recurrent Related Party Transactions

At the Fifth AGM held on 20 May 2009, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

All recurrent related party transactions entered into by the Group during the financial year ended 31 December 2009 are disclosed in Note 25 of the financial statements on pages 65 to 66 of this Annual Report.

### l. Share Options offered to Non-Executive Directors

There was no option offered to and exercised by non-executive directors pursuant to the Company's ESOS in the financial year ended 31 December 2009.



# Audit Committee Report

## 1. MEMBERS

The Audit Committee was established on 21 March 2005 and its term of reference is consistent with the Main Market Listing Requirements of Bursa Securities and the Code. During the financial year ended 31 December 2009, the Committee held a total of five (5) meetings. The members of the Committee together with their attendance are set out below:-

<b>Name</b>	<b>Position</b>	<b>Attendance</b>
Chong Yew Kiang	Chairman (Independent Non-Executive Director)	5/5
Dato' Wong Pui Lam	Member (Independent Non-Executive Director)	5/5
Anita Chew Cheng Im	Member (Independent Non-Executive Director)	5/5

## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE

### COMPOSITION

The Audit Committee shall be appointed by the Directors from amongst their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:-

- a) comprise no fewer than 3 members;
- b) all members of the Audit Committee should be non-executive directors with a majority being independent directors;
- c) all members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-
  - (i) must be a member of Malaysian Institute of Accountants ("MIA"); or
  - (ii) if he is not a member of the MIA, he must have at least three (3) years working experience and;
    - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (iii) he must be a person who fulfils such other requirements as may be prescribed by or approved by the Exchange and/or such other relevant authorities from time to time.
- d) no alternate director is appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of items (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with the terms of reference.

### FUNCTIONS

The functions of the Audit Committee are as follows:-

- a) to review the following and report the same to the Board of Directors:-
  - (i) with the external auditors, the audit plan, evaluation of the system of internal control and audit report;
  - (ii) the assistance given by the Group's employees to the external auditors; and
  - (iii) any related party transactions and conflict of interest situation that may arise with the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and the letter of resignation from the external auditors, if applicable;

# Audit Committee Report (continued)

## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE (continued)

### FUNCTIONS (continued)

- c) to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) to review the quarterly and year-end financial statements of the Group, focusing particularly on:-
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements.
- e) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);
- f) to review the external auditors' management letter and management's response;
- g) to do the following in relation to the internal audit function:-
  - Review 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;
  - Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointments or termination of members of the internal audit function;
  - Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or change in internal audit function service provider (for outsourced internal audit function) and provide the resigning staff member/service provider an opportunity to submit his/their reasons for resigning.
- h) to consider the major findings of internal investigations and management's response;
- i) to consider any related party transactions that may arise within the Company and Group;
- j) to ensure the internal audit function established is independent of the activities it audits and to identify a head of internal audit who reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;
- k) to verify the allocation of options in accordance with the By-Laws of ESOS;
- l) To consider any other areas as defined by the Board.

### RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with Senior Management, such as the Chairman/ Managing Director, finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.



# Audit Committee Report (continued)

## 2. TERMS OF REFERENCE OF AUDIT COMMITTEE (continued)

### MEETINGS

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without the executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Managing Director or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular Audit Committee meeting, specific to the relevant meeting.

## 3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2009 in line with the terms of reference, the Committee carried out the following activities in discharge of its functions and duties:-

- a) reviewed the unaudited quarterly reports of the Group prior to submission to the Board for consideration and approval;
- b) reported and recommended to the Board to approve the unaudited quarterly reports of the Group;
- c) reviewed the related party transactions on a quarterly basis and also the internal audit reports to ascertain that the review procedures established to monitor the related party transactions have been complied with;
- d) met with the external auditors during the year to review the external auditors' independence, scope of work and the audit plan, their audit fees, the results of their examination in external audit reports and management's responses, as well as weaknesses in internal control;
- e) met with the external auditors to review the updates on the introduction of Financial Reporting Standards and how they will impact the Group as well as new developments on regulatory requirements;
- f) met with the internal auditors to review and approve the Group's internal audit plan and scope of work and to review their audit fees;
- g) met with the internal auditors to review the internal audit reports and findings on the effectiveness of the system of internal control, adequacy of risk management and other compliance and governance processes;
- h) met with the external auditors and internal auditors twice during the financial year (without the presence of the Management staff or any Executive Directors);
- i) reviewed the terms of reference of the Audit Committee and recommend any amendments, where necessary to the Board for approval;
- j) monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission, MASB and other legal and regulatory bodies;
- k) reviewed the Annual Report before submission to the Board for approval; and
- l) reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.



# Audit Committee Report (continued)

## 4. TRAINING

During the financial year ended 31 December 2009, the Audit Committee members attended the following relevant training programmes, seminars, forums and discussions relating to business, corporate governance, law, accounting, finance, taxation, economy, safety and quality audit to enhance their knowledge to enable them to discharge their duties more effectively:-

- Corporate Governance and Duties and Responsibilities of Directors
- Directors Key Obligations under the Listing Requirements
- Economics and Capital Markets I: Forces Shaping Global Capital Markets
- Corporate Strategic Analytics I: Essentials of Corporate Proposal Analysis
- Financial Essentials for Non-Financial Professionals
- Facing the Global Financial Crisis - Guide for review of Financial Reports
- Tax Planning
- The Challenges of Implementing FRS 139
- Majlis Perdana Perkhidmatan Awam Ke-9
- Moral Principles and Guidelines on Corporate Law

One of the Audit Committee members had also attended some of the talks on Corporate Governance issues organised by Bursa Securities during the Corporate Governance week in June 2009.

## 5. 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 services firm whose primary responsibility is to independently assess and report to the Board, through the Audit Committee, the systems of internal control of the Group. The internal audit functions are as set out in the Statement on Internal Control on pages 24 to 25 of the Annual Report.

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

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

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

The cost incurred in outsourcing of the internal audit function to an independent professional firm during the financial year amounted to approximately RM43,000 which included expenses.

## 6. ESOS

The Audit Committee has verified that the options granted were made in accordance with the By-Laws of the ESOS.



# Statement on Internal Control

## **INTRODUCTION**

The Board of Directors is committed to maintaining a sound system of internal control in the Group to safeguard shareholders' investment and Group's assets. In pursuant to paragraph 15.27(b) of the Bursa Securities Listing Requirements, the Board is pleased to provide the following Statement of Internal Control which outlines the nature and scope of internal control of the Group during the financial year.

## **RESPONSIBILITY**

The Board acknowledges the importance of maintaining a sound system of internal control to safeguard the shareholders' investment and the Group's assets. Accordingly, the Board affirms its responsibility for the Group's system of 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 internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

## **RISK MANAGEMENT**

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment. The Board reviews and monitors the significant risks affecting the achievement of the Group's business objectives through its assessment of the internal control system and management information system. Any material risks identified will be discussed and appropriate actions or controls will be implemented. This is to ensure risk is properly monitored and managed to an acceptable level.

During the financial year, a review of the Group's risk profiles was carried out by the Internal Auditors. The review includes assessing any new potential risk areas, evaluation of likelihood and impact of potential risk arising, risks mapping, and updating the Group's risk register. In addition to rendering assistance in evaluating and reporting on the Group's business risks, the Internal Auditors also assist the management by recommending certain risk management mechanisms to enhance the existing risk management practices of the Group.

## **INTERNAL AUDIT FUNCTION**

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

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

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles from the comprehensive risk assessment of the specific business units of the Group. Scheduled internal audits are carried out by the internal auditors based on the annual internal audit plan presented to and approved by the Audit Committee. On a quarterly basis, the internal auditors present to the Audit Committee the internal audit reports which summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations.

# Statement on Internal Control (continued)

## THE SYSTEM OF 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, misstatement or unauthorised use.

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;
- An annual budgeting process has been established, whereby all key operating subsidiaries of the Group are required to prepare budgets and business plans for the coming year;
- Operational review meetings are held and attended by the Executive Directors and the department heads to assess the performance of the Group's operations;
- Monthly financial reporting by the subsidiaries to the holding company. Actual performance compared with budget is reviewed monthly with major variances being followed up and management action taken where necessary;
- Each department measures its performance against its business objectives and monitors the identified risks associated with the achievability of its objectives;
- The public releases of quarterly financial reports are made after the review by the Audit Committee and the approval of the Board;
- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities;
- A formal employee appraisal to evaluate and measure employee's performance and their competency is performed at least once a year;
- A centralised accounting and disbursement function ensures compliance with the procedures and approval authority;
- A co-ordinated procurement function for major purchases and maintenance expenditures that ensures adherence to approval procedures as well as to leverage on economies of scale;
- Regular production meetings, which involve the senior production management and related units to promptly address any production problems faced;
- ISO 9001:2008 Quality Management System has been implemented for a subsidiary, NHC. 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.

## MONITORING AND REVIEW OF THE SYSTEM OF INTERNAL CONTROL

The existing system of internal control had operated effectively in the year under review and up to the date of issuance of the financial statements and there were no reported material losses caused by weaknesses in the Group's system of internal control. The Board is committed towards operating a sound system of internal control and will strive for continuous improvement where necessary, to further enhance the Group's system of internal control. The Board has reviewed the internal control system in accordance with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Group for the financial year ended 31 December 2009 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.



# Corporate Social Responsibility Statement

**AT NI HSIN GROUP, WE RECOGNISE OUR CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITMENTS BASED ON ETHICAL VALUES AND RESPECT FOR THE ENVIRONMENT, COMMUNITY, EMPLOYEES, SHAREHOLDERS AND OTHER STAKEHOLDERS. AS A RESPONSIBLE AND CARING CORPORATION, IT IS OUR RESPONSIBILITY TO STRIVE FOR THE BETTERMENT OF OUR SOCIETY AND ENVIRONMENT WHILST PURSUING OUR BUSINESS GOALS AND ADDING VALUE TO OUR SHAREHOLDERS.**

Our CSR initiatives are defined as follows:

- Business Ethics and Responsibility
- Protect Our Environment – Reuse and Recycle
- Promote Healthy Lifestyles
- Employee Welfare;
- Engaging and Supporting Our Society

The CSR initiatives undertaken by our Group during the financial year are summarised below:

## **Business Ethics and Responsibility**

Our Group acknowledges that CSR is an important aspect of our business. We continue to undertake responsible practices that impact the society and environment in a positive manner and to inculcate a culture of responsibility in all aspects of our business. Balancing profits and principles has always been a core tenet of our Group's operations. We need to balance profits and principles through CSR and ensure that the products we develop are of international safety standards, are friendly to the environment and provide safe working environments for our employees. We also develop ethical and responsible business policies and practices that are applied without exception across our operations.

We are committed to ensure that the interests of all our important stakeholders – our shareholders, suppliers and customers are being taken care. Our Group emphasise on good corporate governance practices to meet shareholder expectations. For our suppliers, we practise transparent and fair procurement policies. As for our customers, all the facilities within our Group are accredited with ISO 9001:2008 Quality Management System. We are committed to supply quality products and meeting customers' satisfactions through continual improvement in technology, process and services.

## **Protect Our Environment – Reuse and Recycle**

It is our responsibility to apply our capabilities towards creating a better and safer world. Our Group is committed to achieve excellence in manufacturing and manage our operations in an environmentally sustainable way. Our Group undertakes to:

- Recycle raw material wastages for re-use.
- Ensure compliance to all relevant environmental legal and other requirements and raise the environmental awareness among employees.
- Prevent air, water, land and noise pollution in the workplace and surrounding.
- Integrate the environmental and quality management system together to strive for continual improvement.

We also continue our R&D initiatives to seek alternative ways to further enhance environmental protection through more efficient use of materials, minimising the production of waste and to reuse and recycle materials wherever feasible. Our product development emphasises on caring for the environment by minimising material wastage in our designs and using high technology multi-ply stainless steel clad metals, so that our customers benefit from reduced energy costs whilst cooking.

We utilise manufacturing technologies such as shear and flow forming and develop new cookware designs which minimise material wastage, which leads to less usage of the world's natural resources.

We have also implemented a recycling policy in our administrative offices whereby all consumable items that can be re-used or recycled are collected and sent to a social welfare organisation which collects these items for recycling or charity purposes. Reusing and recycling of office stationery and paper, switching off the lights and air conditioners when they are not in use are among some of the other conservation measures taken by our Group.

## **Promote Healthy Lifestyles**

Our products are designed to provide our customers with a healthy eating lifestyle. Our multi-ply stainless steel cookware is highly efficient in heat distribution, enables induction cooking and uses less energy whilst cooking. Our philosophy centres in designing and manufacturing energy saving products and promoting healthy lifestyles.

## **Our Employee Welfare**

Employees are recognised for their dedicated long service through a long service award scheme. Recognising the importance of strong family bonding a family day event is held every alternate year during which employees and family members come together for a time of fun and togetherness. Company trips are also organised if family day events are not held in that year. In addition, sports activities were held to encourage employees to enjoy a healthy lifestyle.

Human capital is a primary driver for success. We emphasise on developing our people into creative thinking and innovative individuals and team players. We are committed to create a knowledge-based workforce to compete effectively in global markets. Training paths are charted for ongoing enhancement of skills. We carried out various training and development programmes for our employees. On-the-job training is conducted for all new employees. In addition, we engage external professional trainers to conduct specific process training and skills enhancement training to our employees to ensure that our employees are well equipped with the necessary skills for their jobs. Recognising that employees are important assets, the Company shall continue to care for the welfare of all employees and shall constantly upgrade employee skill sets to meet changing requirements.

Creating a safe working environment and ensuring safe practices in all aspects is the paramount duty of our Group. As part of our commitment to provide a safe workplace, we have initiated health and safety programmes such as fire drills, safety system checks on equipments, first aid training, plant evacuation exercise as well as health talks.

The Group's Occupational Safety and Health Policy is actively and effectively implemented to ensure occupational safety and health of all employees are not compromised. The Group's safety programmes go beyond the minimum statutory requirements. Constant education, training and safety workshops ensure a high level of awareness of safety requirements at all levels.

## **Engaging and Supporting Our Society**

The Group is committed to being a responsible corporate citizen. Our Group makes donations to charitable organisations from time to time. We also assist in providing industrial training for students. We have also installed our stainless steel convex mirrors in various junctions around our industrial park for the safety and benefit of the public.

# Directors' Responsibility Statement

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

The Board is responsible for ensuring that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards 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 2009 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 2009, the Group and the Company have adopted suitable accounting policies in accordance with the MASB Approved Accounting Standards in Malaysia and applied them consistently and reasonably.

The Statement is made in accordance with a resolution of the Board of Directors dated 18 March 2010.





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# Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

## Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Results

	Group RM'000	Company RM'000
Profit for the year	5,123	9,612

## 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

Since the end of the previous financial year, the Company paid:

- i) a final tax-exempt ordinary dividend of 0.50 sen per ordinary share totalling RM1,155,000 in respect of the year ended 31 December 2008 on 30 June 2009;
- ii) a first interim tax-exempt ordinary dividend of 0.50 sen per ordinary share totalling RM1,155,000 in respect of the year ended 31 December 2009 on 30 October 2009; and
- iii) a second interim ordinary dividend of 0.75 sen per ordinary share less tax at 25% totalling RM1,299,000 (0.56 sen net per ordinary share) in respect of the year ended 31 December 2009 on 20 January 2010.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2009 is 0.67 sen per ordinary share less tax at 25% totalling RM1,161,000.

## Directors of the Company

Directors who served since the date of the last report are:

Hsiao Chih Jen  
Hsiao Chih Chien  
Hsiao Chih Che  
Ng Shwu Ching  
Dato' Wong Pui Lam  
Chong Yew Kiang  
Anita Chew Cheng Im  
Hsiao Tung Min (appointed on 17 August 2009)



# Directors' report

## for the year ended 31 December 2009 (continued)

### Directors' interests

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 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 of RM0.20 each			
	At 1.1.2009/ Date of appointment	Bought	Sold/ Ceased	At 31.12.2009
<b>Direct interests in the Company</b>				
Hsiao Chih Jen	31,020,171	3,201,200	(11,120,000)	23,101,371
Hsiao Chih Chien	30,747,171	2,734,200	(8,880,000)	24,601,371
Hsiao Chih Che	27,932,166	-	(831,000)	27,101,166
Hsiao Tung Min	331,000	2,000,000	-	2,331,000
Ng Shwu Ching	720,000	-	-	720,000
Dato' Wong Pui Lam	100,000	-	-	100,000
Chong Yew Kiang	100,000	-	-	100,000
<b>Deemed interests in the Company</b>				
Hsiao Chih Jen	931,000	2,000,000	(331,000)	2,600,000
Hsiao Chih Chien	-	2,500,000	-	2,500,000
Hsiao Tung Min	150,000	-	-	150,000

	Number of options over ordinary shares of RM0.20 each			
	At 1.1.2009/ Date of appointment	Granted	Exercised	At 31.12.2009
<b>Direct interests in the Company</b>				
Hsiao Chih Jen	1,200,000	-	-	1,200,000
Hsiao Chih Chien	1,200,000	-	-	1,200,000
Hsiao Chih Che	1,200,000	-	-	1,200,000
Hsiao Tung Min	422,000	-	-	422,000
Ng Shwu Ching	1,096,000	-	-	1,096,000
Dato' Wong Pui Lam	80,000	-	-	80,000
Chong Yew Kiang	80,000	-	-	80,000

	Number of options over ordinary shares of RM0.20 each			
	At 1.1.2009/ Date of appointment	Granted	Exercised/ Ceased	At 31.12.2009
<b>Deemed interests in the Company</b>				
Hsiao Chih Jen	844,000	-	(422,000)	422,000

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

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# Directors' report for the year ended 31 December 2009 (continued)

## 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 a benefit included in the aggregate amount of emoluments received or due and receivable by certain Directors as shown in the financial statements of the Company) 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 corporation in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in corporations which traded with certain companies in the Group in the ordinary course of business and rental receivable from a company in which certain Directors have substantial financial interests.

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

## Issue of shares and debentures

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

There were no debentures issued during the financial year.

## Treasury shares

During the financial year, the Company purchased 451,400 (2008 – 1,212,200) of its issued shares from the open market. The average price paid for the shares purchased was RM0.26 (2008 - RM0.23) per ordinary share. The said transactions were financed by internal funds. 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 230,957,610 (2008 - 231,409,010) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the options granted pursuant to the Employees' Share Option Scheme.

## Employees' Share Option Scheme ("ESOS" or "the Scheme")

At an Extraordinary General Meeting held on 14 June 2005, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued and paid-up share capital of the Company to eligible Directors and employees of the Group at any point in time during the tenure of the ESOS.

The options to take up unissued ordinary shares of RM0.20 each and the option price are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM0.20 each			
		At 1.1.2009	Granted	Lapsed	At 31.12.2009
15 June 2005	0.33	14,167,000	-	(193,000)	13,974,000

Details of options granted to the Directors are disclosed in the section on Directors' interests in this report.



# Directors' report

## for the year ended 31 December 2009 (continued)

### Options granted over unissued shares (continued)

The salient features of the scheme are as follows:

- i) The ESOS shall be in force for a period of five (5) years from 15 June 2005, being the effective date for implementation of the Scheme.
- ii) Eligible persons are employees and/or Directors of the Group. The eligibility for participation in the ESOS shall be at the discretion of the Options Committee appointed by the Board of Directors.
- iii) The option price shall be determined based on a discount of not more than 10% from the five (5) days weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days preceding the dates of the offer or the par value of the shares, whichever is the higher.
- iv) The option is personal to the grantee and is non-assignable.
- v) No option shall be granted for less than one hundred (100) ordinary shares and shall be in multiples of one hundred (100) ordinary shares.
- vi) The option granted may be exercised in full or in lesser number of ordinary shares provided that the exercise of the option shall not be less than one hundred (100) ordinary shares and the number shall be in multiple of one hundred (100) ordinary shares.
- vii) The new shares to be allotted and issued upon any exercise of the options will upon such allotment and issuance, rank pari passu in all respect with the then existing shares except that the new shares allotted under the scheme shall not rank for any dividends, rights, allotments and/or other distributions declared prior to the date of allotment of the new shares.
- viii) The new shares to be issued and allotted to a grantee who is a non-executive Director cannot be sold, transferred or assigned within one (1) year from the date of offer.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

### Other statutory information

Before the balance sheets and income 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) all current assets have been stated at the lower of cost and net realisable value.

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 Group and in the Company financial statements 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 2009 (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, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 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.

## **Remuneration Committee**

The Remuneration Committee carries out annual review of the remuneration package for the Managing Director and Executive Directors whereupon recommendations are made to the Board of Directors for approval.

The members of the Remuneration Committee comprising of all the Independent Non-Executive Directors of the Company are:

Dato' Wong Pui Lam  
Chong Yew Kiang  
Anita Chew Cheng Im

## **Events subsequent to balance sheet date**

On 2 March 2010, the Company subscribed for 10,000 new ordinary shares of EURO1.00 each representing the entire issued and paid-up share capital of Steel Crafts Europa S.R.L. for a total cash consideration of EURO10,000.00 (equivalent to approximately RM46,000.00) ("Subscription"). Subsequent to the Subscription, Steel Crafts Europa S.R.L. shall become a wholly-owned subsidiary of the Company.

## **Auditors**

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

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

.....  
**Hsiao Chih Jen**

.....  
**Ng Shwu Ching**

Date: 18 March 2010



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

In the opinion of the Directors, the financial statements set out on pages 36 to 66 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors:

.....  
**Hsiao Chih Jen**

.....  
**Ng Shwu Ching**

Date: 18 March 2010

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

I, **Ng Shwu Ching**, the Director primarily responsible for the financial management of Ni Hsin Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 66 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 18 March 2010.

.....  
**Ng Shwu Ching**

Before me:      W438  
                    P.Thurirajoo  
                    AMM. PJK.

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

## Report on the Financial Statements

We have audited the financial statements of Ni Hsin Resources Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 66.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

Petaling Jaya,

Date: 18 March 2010

### **Chin Shoon Chong**

Approval Number: 2823/04/11(J)  
Chartered Accountant



# Balance sheets

## at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Assets</b>					
Property, plant and equipment	3	34,514	34,156	-	-
Investments in subsidiaries	4	-	-	56,539	56,539
Goodwill	5	5,105	5,105	-	-
<b>Total non-current assets</b>		<b>39,619</b>	<b>39,261</b>	<b>56,539</b>	<b>56,539</b>
Inventories	6	16,111	22,333	-	-
Receivables, deposits and prepayments	7	3,798	6,588	1,230	1,765
Tax recoverable		416	1,125	222	102
Cash and cash equivalents	8	8,869	5,300	577	911
<b>Total current assets</b>		<b>29,194</b>	<b>35,346</b>	<b>2,029</b>	<b>2,778</b>
<b>Total assets</b>		<b>68,813</b>	<b>74,607</b>	<b>58,568</b>	<b>59,317</b>
<b>Equity</b>					
Share capital		47,320	47,320	47,320	47,320
Reserves		11,664	8,623	8,973	3,089
<b>Total equity</b>	9	<b>58,984</b>	<b>55,943</b>	<b>56,293</b>	<b>50,409</b>
<b>Liabilities</b>					
Borrowings	10	-	146	-	-
Deferred tax liabilities	11	2,650	2,479	-	-
<b>Total non-current liabilities</b>		<b>2,650</b>	<b>2,625</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Payables and accruals	12	5,032	5,017	2,275	1,908
Borrowings	10	2,140	10,799	-	7,000
Taxation		7	223	-	-
<b>Total current liabilities</b>		<b>7,179</b>	<b>16,039</b>	<b>2,275</b>	<b>8,908</b>
<b>Total liabilities</b>		<b>9,829</b>	<b>18,664</b>	<b>2,275</b>	<b>8,908</b>
<b>Total equity and liabilities</b>		<b>68,813</b>	<b>74,607</b>	<b>58,568</b>	<b>59,317</b>

The notes on pages 41 to 66 are an integral part of these financial statements.

# Income statements

## for the year 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Revenue</b>	13	47,313	56,493	12,488	7,050
Cost of sales		(34,066)	(41,667)	-	-
<b>Gross profit</b>		13,247	14,826	12,488	7,050
Distribution costs		(738)	(796)	-	-
Administrative expenses		(6,434)	(6,771)	(385)	(277)
Other income		848	1,611	-	-
<b>Operating profit</b>	14	6,923	8,870	12,103	6,773
Finance costs	16	(324)	(930)	(217)	(528)
Interest income		131	30	71	16
<b>Profit before tax</b>		6,730	7,970	11,957	6,261
Tax expense	18	(1,607)	(1,753)	(2,345)	(790)
<b>Profit for the year</b>		5,123	6,217	9,612	5,471
Earnings per ordinary share (sen)					
Basic	19	2.22	2.71		
Diluted	19	N/A	N/A		

The notes on pages 41 to 66 are an integral part of these financial statements.



# Consolidated statement of changes in equity for the year ended 31 December 2009

Group	Non-distributable				Distributable			Total RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Property revaluation reserve RM'000	Retained earnings RM'000		
<b>At 1 January 2008</b>	45,000	(1,283)	1,311	264	3,133	2,201	50,626	
Profit for the year	-	-	-	-	-	6,217	6,217	
Share based payment	-	-	-	33	-	-	33	
Private placement	2,320	-	580	-	-	-	2,900	
Share issue expenses	-	-	(71)	-	-	-	(71)	
Treasury shares acquired	-	(273)	-	-	-	-	(273)	
Transfer from/(to)	-	-	-	-	153	(153)	-	
Dividends	-	-	-	-	-	(3,489)	(3,489)	
<b>At 31 December 2008</b>	47,320	(1,556)	1,820	297	3,286	4,776	55,943	
<b>At 1 January 2009</b>	47,320	(1,556)	1,820	297	3,286	4,776	55,943	
Profit for the year	-	-	-	-	-	5,123	5,123	
Share based payment	-	-	-	9	-	-	9	
Surplus on revaluation of property, plant and equipment	-	-	-	-	1,638	-	1,638	
Treasury shares acquired	-	(120)	-	-	-	-	(120)	
Dividends	-	-	-	-	-	(3,609)	(3,609)	
<b>At 31 December 2009</b>	47,320	(1,676)	1,820	306	4,924	6,290	58,984	
Note	Note 9.1	Note 9.2		Note 9.3	Note 9.4			
Company	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	
At 1 January 2008	45,000	(1,283)	1,311	3	3	840	45,871	
Profit for the year	-	-	-	-	-	5,471	5,471	
Private placement	2,320	-	580	-	-	-	2,900	
Share issue expenses	-	-	(71)	-	-	-	(71)	
Treasury shares acquired	-	(273)	-	-	-	-	(273)	
Dividends	-	-	-	-	-	(3,489)	(3,489)	
<b>At 31 December 2008/1 January 2009</b>	47,320	(1,556)	1,820	3	3	2,822	50,409	
Profit for the year	-	-	-	-	-	9,612	9,612	
Share based payment	-	-	-	1	1	-	1	
Treasury shares acquired	-	(120)	-	-	-	-	(120)	
Dividends	-	-	-	-	-	(3,609)	(3,609)	
<b>At 31 December 2009</b>	47,320	(1,676)	1,820	4	4	8,825	56,293	
Note	Note 9.1	Note 9.2		Note 9.3	Note 9.3			

The notes on pages 41 to 66 are an integral part of these financial statements.

# Cash flow statements

## for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		6,730	7,970	11,957	6,261
Adjustments for:					
Allowance for doubtful debts		-	173	-	-
Depreciation		3,051	3,015	-	-
Loss/(Gain) on disposal of property, plant and equipment		36	(17)	-	-
Interest expense		324	930	217	528
Interest income		(131)	(30)	(71)	(16)
Net loss on foreign exchange - unrealised		8	11	-	-
Property, plant and equipment written off		9	3	-	-
Share-based payments		9	33	1	-
		<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes		10,036	12,088	12,104	6,773
Changes in working capital:					
Inventories		6,222	4,581	-	-
Receivables, deposits and prepayments		2,794	1,119	1,135	(442)
Payables and accruals		(1,284)	(340)	(1,532)	(201)
		<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from operations		17,768	17,448	11,707	6,130
Income taxes paid		(1,846)	(1,262)	(2,465)	(881)
Income taxes refunded		680	-	-	-
Interest expense		(324)	(930)	(217)	(528)
Interest income		131	30	71	16
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>16,409</b>	<b>15,286</b>	<b>9,096</b>	<b>4,737</b>
<hr/>					
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(i)	(1,635)	(1,736)	-	-
Proceeds from disposal of property, plant and equipment		41	199	-	-
Investment in subsidiary		-	1,055	-	1,055
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,594)</b>	<b>(482)</b>	<b>-</b>	<b>1,055</b>
<hr/>					



# Cash flow statements

## for the year ended 31 December 2009 (continued)

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Cash flows from financing activities</b>					
Net repayment of bankers acceptance		(1,532)	(3,067)	-	-
Dividends paid		(2,310)	(4,562)	(2,310)	(3,489)
Proceeds from issuance of shares		-	2,900	-	2,900
Repayment of hire purchase liabilities		(344)	(197)	-	-
Repayment of term loan		(7,000)	(4,000)	(7,000)	(4,000)
Share issue expenses		-	(71)	-	(71)
Purchase of treasury shares		(120)	(273)	(120)	(273)
<b>Net cash used in financing activities</b>		<b>(11,306)</b>	<b>(9,270)</b>	<b>(9,430)</b>	<b>(4,933)</b>
<b>Net change in cash and cash equivalents</b>		<b>3,509</b>	<b>5,534</b>	<b>(334)</b>	<b>859</b>
Effect of exchange rate fluctuations on cash held		(11)	(11)	-	-
<b>Cash and cash equivalents at 1 January</b>		<b>5,300</b>	<b>(223)</b>	<b>911</b>	<b>52</b>
Cash and cash equivalents at 31 December	(ii)	8,798	5,300	577	911

### (i) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM1,635,000 (2008 - RM2,206,000), of which Nil (2008 - RM470,000) was acquired by means of hire purchase.

### (ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	6,843	1,904	522	504
Cash and bank balances	2,026	3,396	55	407
Bank overdrafts	(71)	-	-	-
	<b>8,798</b>	<b>5,300</b>	<b>577</b>	<b>911</b>

The notes on pages 41 to 66 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 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, Off Jalan Balakong,  
43300 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 as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The financial statements were approved by the Board of Directors on 18 March 2010.

## **1. Basis of preparation**

### **(a) Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) which are not yet effective for the Group:

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009***

- FRS 8, *Operating Segments*

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010***

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 132, *Financial Instruments: Presentation and* FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligation Arising on Liquidation*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*



# Notes to the financial statements (continued)

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010**

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

The Group plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for IC Interpretation 12, IC Interpretation 15 and IC Interpretation 17 which are not applicable to the the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

#### **(i) FRS 8, Operating Segments**

FRS 8 replaces FRS 114<sub>2004</sub>, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 21). Under FRS 8, the Group will present segment information in respect of its operating segments by products, namely cookware, convex mirrors and clad metals.

#### **(ii) Improvements to FRSs (2009)**

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes.

#### **(iii) IC Interpretation 10, Interim Financial Reporting and Impairment**

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

- (a) goodwill;
- (b) an investment in an equity instrument; or
- (c) a financial asset carried at cost.

# Notes to the financial statements (continued)

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

#### (iii) IC Interpretation 10, Interim Financial Reporting and Impairment (continued)

In accordance with the transitional provisions, the Group will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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 estimate is revised and in any future periods affected.

There is no significant area of estimation uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

## 2. Significant accounting policies

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

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### (ii) 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. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (iii) *Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

### (b) Property, plant and equipment

#### (i) *Recognition and measurement*

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

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 charged to the income statements.

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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### (ii) *Subsequent costs*

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (b) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part 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. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods remained unchanged and depreciation is at the following principal annual rates:

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

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### (c) Leased assets

Leases in terms of which the Group 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.

### (d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate proportion of fixed and variable 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.

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.



# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (e) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (f) 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 value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

### (g) Impairment of assets

The carrying amounts of assets except for financial assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. 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 groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of 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 each reporting date 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. 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 the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

### (h) Foreign currency transactions

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions 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 the income statements.

# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (h) Foreign currency transactions (continued)

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM, excluding operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of operations in hyperinflationary economies are translated to RM at the exchange rate at the balance sheet date. Prior to translating the financial statements of operations in hyperinflationary economies, its financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

#### (iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

### (i) Share capital

#### Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

### (j) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 (tax 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date 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 are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.



# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (k) 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 provision 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.

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (ii) Share-based payment transactions

The share option allows Group's employees to acquire shares of the Company. The grant date fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options is measured using a Black-Scholes 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.

### (l) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (m) Revenue

#### (i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (n) Interest income and borrowing costs

Interest income is recognised in the income statements as it accrues using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

### (o) Earnings per ordinary share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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. Diluted EPS is determined by the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### (p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### (q) Intangible assets

#### (i) Goodwill

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

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

#### (ii) Amortisation

Goodwill with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

### (r) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

### (s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is 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.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.



# 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, fittings and fixtures RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Cost/Valuation</b>											
At 1 January 2008	6,670	9,410	102	33,952	6,657	1,253	2,506	1,590	1,136	328	63,604
Additions	-	-	-	1,272	162	85	89	598	-	-	2,206
Disposals	-	-	-	(168)	-	(1)	(114)	(355)	-	-	(638)
Written off	-	-	-	-	-	(11)	(9)	-	-	-	(20)
Transfer	-	-	-	328	-	-	-	-	-	(328)	-
<b>At 31 December 2008/1 January 2009</b>	<b>6,670</b>	<b>9,410</b>	<b>102</b>	<b>35,384</b>	<b>6,819</b>	<b>1,326</b>	<b>2,472</b>	<b>1,833</b>	<b>1,136</b>	<b>-</b>	<b>65,152</b>
Additions	-	-	-	1,236	112	25	89	173	-	-	1,635
Disposals	-	-	-	(991)	-	-	(5)	-	-	-	(996)
Written off	-	-	-	(84)	-	(18)	(177)	-	(506)	-	(785)
Revaluation	930	(10)	-	-	-	-	-	-	-	-	920
<b>At 31 December 2009</b>	<b>7,600</b>	<b>9,400</b>	<b>102</b>	<b>35,545</b>	<b>6,931</b>	<b>1,333</b>	<b>2,379</b>	<b>2,006</b>	<b>630</b>	<b>-</b>	<b>65,926</b>
<b>Accumulated depreciation</b>											
At 1 January 2008	-	635	31	19,199	4,109	914	1,560	1,115	891	-	28,454
Charge for the year	-	217	2	1,731	337	87	248	322	71	-	3,015
Disposals	-	-	-	(37)	-	-	(108)	(311)	-	-	(456)
Written off	-	-	-	-	-	(8)	(9)	-	-	-	(17)
<b>At 31 December 2008/1 January 2009</b>	<b>-</b>	<b>852</b>	<b>33</b>	<b>20,893</b>	<b>4,446</b>	<b>993</b>	<b>1,691</b>	<b>1,126</b>	<b>962</b>	<b>-</b>	<b>30,996</b>
Charge for the year	-	255	2	1,855	339	83	201	260	56	-	3,051
Disposals	-	-	-	(916)	-	-	(3)	-	-	-	(919)
Written off	-	-	-	(84)	-	(13)	(176)	-	(503)	-	(776)
Revaluation	-	(940)	-	-	-	-	-	-	-	-	(940)
<b>At 31 December 2009</b>	<b>-</b>	<b>167</b>	<b>35</b>	<b>21,748</b>	<b>4,785</b>	<b>1,063</b>	<b>1,713</b>	<b>1,386</b>	<b>515</b>	<b>-</b>	<b>31,412</b>
<b>Carrying amounts</b>											
At 1 January 2008	6,670	8,775	71	14,753	2,548	339	946	475	245	328	35,150
At 31 December 2008/1 January 2009	6,670	8,558	69	14,491	2,373	333	781	707	174	-	34,156
At 31 December 2009	7,600	9,233	67	13,797	2,146	270	666	620	115	-	34,514

# Notes to the financial statements (continued)

## 3. Property, plant and equipment (continued)

### *Property, plant and equipment under the revaluation model*

Freehold land and factory buildings were revalued on 14 April 2009 by independent professional qualified valuers using an open market value method.

Had the freehold land and factory buildings been carried under the cost model, their carrying amounts would have been RM3,612,000 (2008 - RM3,612,000) and RM7,955,000 (2008 - RM8,182,000) respectively.

### *Leased assets*

The Group leases motor vehicles under hire purchase arrangement. The hire purchase provides the Group with the option to transfer the ownership of the asset to the Group at the end of the lease term. At 31 December 2009 the carrying amount of the leased assets was Nil (2008 - RM586,000).

## 4. Investments in subsidiaries

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	56,539	56,539

The principal activities of the subsidiaries, their place of incorporation and the interest of Ni Hsin Resources Berhad, are as follows:

Name of subsidiary	Principal activities	Country of Incorporation	Effective ownership interest	
			2009 %	2008 %
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

## 5. Intangible assets

	Group	
	2009 RM'000	2008 RM'000
<b>Goodwill</b>		
<b>Cost</b>		
At 1 January	5,105	6,160
Adjustment pursuant to profit warranty agreement #	-	(1,055)
At 31 December	5,105	5,105
Impairment loss	-	-
<b>Carrying amounts</b>		
At 31 December	5,105	5,105

# In previous year, pursuant to the Share Sale and Purchase Agreement entered into between the Company and the vendor, a former shareholder of EGAM on 20 August 2007, the vendor has guaranteed to the Company in the event of any shortfall in the warranted profit of EGAM for the financial year ended 31 December 2008, the vendor shall indemnify the Company upon demand for the vendor's portion. Consequently, the Company has adjusted the shortfall in warranted profit against the goodwill arising from EGAM.



# Notes to the financial statements (continued)

## 6. Inventories

At Cost	Group	
	2009 RM'000	2008 RM'000
Raw materials and component parts	6,638	10,455
Indirect materials	885	894
Work-in-progress	1,238	1,872
Manufactured inventories	7,350	9,112
	<u>16,111</u>	<u>22,333</u>

## 7. Receivables, deposits and prepayments

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Current Trade</b>					
Trade receivables	7.1	3,055	4,113	-	-
Less: Allowance for doubtful debts	7.2	-	(173)	-	-
		<u>3,055</u>	<u>3,940</u>	<u>-</u>	<u>-</u>
<b>Non-trade</b>					
Subsidiary		-	-	30	710
Receivables		135	1,623	-	1,055
Deposits		188	168	-	-
Prepayments		420	857	-	-
Dividends receivable		-	-	1,200	-
		<u>743</u>	<u>2,648</u>	<u>1,230</u>	<u>1,765</u>
		<u>3,798</u>	<u>6,588</u>	<u>1,230</u>	<u>1,765</u>

### Group

7.1 Included in trade receivables is amount due from corporations in which certain Directors have substantial financial interests amounting to RM1,832,000 (2008 - RM1,573,000) and are subject to normal trade terms.

7.2 Trade receivables amounting to RM173,000 (2008 - Nil) had been written off against allowance for doubtful debts.

### Company

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

## 8. Cash and cash equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits with licensed banks	6,843	1,904	522	504
Cash and bank balances	2,026	3,396	55	407
	<u>8,869</u>	<u>5,300</u>	<u>577</u>	<u>911</u>

# Notes to the financial statements (continued)

## 9. Share capital and reserves

### 9.1 Share capital

	Group and Company		Group and Company	
	Amount	Number	Amount	Number
	2009	of shares	2008	of shares
	RM'000	'000	RM'000	'000
Authorised:				
At 1 January/31 December				
Ordinary shares of RM0.20 each	100,000	500,000	100,000	500,000
Issued and fully paid:				
At 1 January/31 December				
Ordinary shares of RM0.20 each	47,320	236,600	45,000	225,000
Private Placement issue	-	-	2,320	11,600
	47,320	236,600	47,320	236,600

### 9.2 Treasury shares

During the financial year, the Company purchased 451,400 (2008 - 1,212,200) of its issued shares from the open market. The average price paid for the shares purchased was RM0.26 (2008 - RM0.23) per ordinary share. The repurchase transactions were financed by internal funds. 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 230,957,610 (2008 - 231,409,010) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

### 9.3 Share option reserve

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

### 9.4 Property revaluation reserve

Property revaluation reserve arises from the revaluation of property, plant and equipment in 2004 and 2009.

### 9.5 Section 108 tax credit and tax exempt income

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six year transitional period on 31 December 2013, whichever is earlier.



# Notes to the financial statements (continued)

## 10. Borrowings

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-current:</b>				
Hire purchase liabilities	-	146	-	-
<b>Current:</b>				
Bank overdrafts - unsecured	71	-	-	-
Bankers' acceptances – unsecured	2,069	3,601	-	-
Hire purchase liabilities	-	198	-	-
Term loan - unsecured	-	7,000	-	7,000
	2,140	10,799	-	7,000
	2,140	10,945	-	7,000

### **Bank overdrafts**

The Group's bank overdrafts are supported by negative pledge over the Group's present assets and corporate guarantee from the Company and are subject to interest at 6.55% (2008: Nil) per annum.

### **Bankers' acceptances**

The Group's bankers' acceptances are secured by way of a joint and several guarantee by certain Directors of the Company.

The bankers' acceptances are subject to interest ranging from 3.21% to 3.26% (2008 - 4.41% to 5.18%) per annum.

### **Term loan**

Term loan was subject to interest at 1.5% (2008 – 1.5%) per annum above the bank's cost of funds and was fully repaid during the financial year.

### **Hire purchase liabilities**

Hire purchase liabilities were subject to effective interest rates ranging from 4.33% to 4.94% per annum.

Hire purchase liabilities are payable as follows:

	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease Payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
	Less than one year	-	-	-	210	(12)
Between one and five years	-	-	-	151	(5)	146
	-	-	-	361	(17)	344

# Notes to the financial statements (continued)

## 11. Deferred tax liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment	-	-	2,643	2,717	2,643	2,717
Provisions	(128)	(136)	-	-	(128)	(136)
Others	(4)	(188)	139	86	135	(102)
Net tax (assets) / Liabilities	(132)	(324)	2,782	2,803	2,650	2,479

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

### Movement in temporary differences during the year

	At 1.1.2008 RM'000	Recognised in income statement (Note 18) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 18) RM'000	Recognised in revaluation reserve RM'000	At 31.12.2009 RM'000
Property, plant and equipment	2,865	(148)	2,717	(74)	-	2,643
Provisions	(81)	(55)	(136)	8	-	(128)
Other items	(214)	112	(102)	14	223	135
	2,570	(91)	2,479	(52)	223	2,650

## 12. Payables and accruals

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Current Trade</b>				
Trade payables	1,626	1,545	-	-
<b>Non-trade</b>				
Subsidiary	-	-	920	1,745
Other payables	606	2,147	56	163
Accrued expenses	1,501	1,325	-	-
Dividends payable	1,299	-	1,299	-
	3,406	3,472	2,275	1,908
	5,032	5,017	2,275	1,908



# Notes to the financial statements (continued)

## 12. Payables and accruals (continued)

### Group

Included in the previous year's trade payables was an amount due to corporations in which certain Directors have substantial financial interests amounting to RM42,000. This amount was unsecured, interest free and subject to normal trade terms.

### Company

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

## 13. Revenue

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sales of goods	47,313	56,493	-	-
Dividends	-	-	12,128	6,690
Management fees	-	-	360	360
	<u>47,313</u>	<u>56,493</u>	<u>12,488</u>	<u>7,050</u>

## 14. Operating profit

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Operating profit is arrived at after charging:</b>				
Allowance for doubtful debts	-	173	-	-
Auditors' remuneration				
- Statutory audit				
- KPMG	95	95	42	42
- Other services				
- KPMG	41	43	18	16
Depreciation on property, plant and equipment	3,051	3,015	-	-
Net loss on foreign exchange				
- unrealised	8	11	-	-
Loss on disposal of property, plant and equipment	36	-	-	-
Property, plant and equipment written off	9	3	-	-
Personnel expenses				
- Contributions to Employees Provident Fund	392	406	-	-
- Share-based payment	9	33	1	-
- Wages, salaries and others	7,736	7,941	-	-
	<u>7,736</u>	<u>7,941</u>	<u>-</u>	<u>-</u>
<b>and crediting:</b>				
Gain on disposal of property, plant and equipment	-	17	-	-
Net gain on foreign exchange				
- realised	677	1,473	-	-
Gross dividends from subsidiaries	-	-	12,128	6,690
Rental income from land and buildings	162	132	-	-
	<u>162</u>	<u>132</u>	<u>-</u>	<u>-</u>

# Notes to the financial statements (continued)

## 15. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration	1,361	1,227	5	5
Directors' fees	90	92	90	92
Other short term employee benefits (including estimated monetary Value of benefits-in-kind)	37	26	-	-
Share-based payment	3	12	1	-
	<u>1,491</u>	<u>1,357</u>	<u>96</u>	<u>97</u>

## 16. Finance costs

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Hire purchase	13	18	-	-
Term loan	217	528	217	528
Bank overdrafts	9	49	-	-
Bankers' acceptances	85	335	-	-
	<u>324</u>	<u>930</u>	<u>217</u>	<u>528</u>

## 17. Employee benefits

### Share-based payments

On 15 June 2005, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the holding company. In accordance with these programmes, options are exercisable at the market price of the shares at the date of grant.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date / employees entitled <i>Group</i>	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to key management on 15 June 2005	16,875	Management, independent directors and production staff in service on the grant date	5 years
Total share options	16,875		-



# Notes to the financial statements (continued)

## 17. Employee benefits

### Share-based payments (continued)

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

Group	Exercise price 2009	Number of options (‘000) 2009	Exercise price 2008	Number of options (‘000) 2008
Outstanding at 1 January	RM0.33	14,167	RM0.33	14,741
Lapsed share options	RM0.33	(193)	RM0.33	(574)
Outstanding at 31 December	RM0.33	13,974	RM0.33	14,167
Exercisable at 31 December	RM0.33	13,974	RM0.33	9,919
<b>Company</b>				
Outstanding at 1 January	RM0.33	160	RM0.33	160
Lapsed share options	RM0.33	-	RM0.33	-
Outstanding at 31 December	RM0.33	160	RM0.33	160
Exercisable at 31 December	RM0.33	160	RM0.33	112

The options outstanding at 31 December 2009 have an exercise price of RM0.33 and a weighted average contractual life of one year.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs:

	Group and Company 2009	2008
<b>Fair value of share options and assumptions</b>		
Fair value at grant date	RM0.02	RM0.02
Weighted average share price	RM0.33	RM0.33
Exercise price	RM0.33	RM0.33
Expected volatility (weighted average volatility)	21.70%	21.70%
Option life (expected weighted average life)	1 year	2 years
Expected dividends	11.80%	11.80%
Risk-free interest rate (based on Malaysian government bonds)	4.11%	4.11%

### Value of employee services received for issue of share options

	Note	Group		Company	
		2009 RM’000	2008 RM’000	2009 RM’000	2008 RM’000
Balance b/f		297	264	3	3
Share options granted but lapsed for prior years	14	-	(11)	-	-
Share options granted in current year	14	9	44	1	-
Total cumulative expense recognised as share-based payments		306	297	4	3

# Notes to the financial statements (continued)

## 18. Tax expense

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax expense				
- current	1,791	2,034	2,442	834
- prior years	(132)	(190)	(97)	(44)
Total current tax	1,659	1,844	2,345	790
Deferred tax expense				
- current	(174)	(226)	-	-
- prior year	122	135	-	-
Total deferred tax	(52)	(91)	-	-
Total tax expense	1,607	1,753	2,345	790

### Reconciliation of effective tax expense

Profit before taxation	6,730	7,970	11,957	6,261
Income tax using Malaysian tax rate - 25% (2008 - 26%)	1,683	2,072	2,989	1,628
Non-deductible expenses	148	113	43	13
Tax exempt income	-	-	(590)	(907)
Tax incentives	(220)	(385)	-	-
Effect of changes in tax rates*	-	(103)	-	-
Other items	6	111	-	100
Over provision in prior years	(10)	(55)	(97)	(44)
Tax expense	1,607	1,753	2,345	790

\* The corporate tax rate is 25% for year of assessment 2009. Consequently deferred tax assets and liabilities are measured using this rate.

## 19. Earnings per ordinary share

### Group

#### Basic earnings per ordinary share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM5,123,000 (2008 - RM6,217,000) and the weighted average number of ordinary shares outstanding during the year of 230,969,000 (2008 - 229,480,000).

Weighted average number of ordinary shares	2009 '000	2008 '000
Issued ordinary shares at beginning of the year	236,600	225,000
Effect of ordinary shares issued via private placement	-	8,485
Effect of treasury shares held	(5,631)	(4,005)
	230,969	229,480



# Notes to the financial statements (continued)

## 19. Earnings per ordinary share (continued)

### *Diluted earnings per ordinary share*

The calculation of diluted earnings per ordinary share at 31 December 2009 is based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Profit attributable to ordinary shareholders including assumed conversion	5,123	6,217
<i>Weighted average number of ordinary shares</i>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of the year	236,600	225,000
Effect of ordinary shares issued via private placement	-	8,485
Effect of treasury shares held	(5,631)	(4,005)
Effect of dilution - share options granted	N/A	N/A
Weighted average number of ordinary shares (diluted) at 31 December	N/A	N/A

N/A: Non-applicable

The share options have no dilutive effect as the average market value of the Company's shares is lower than the exercise price of the options.

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

## 20. Dividends

Dividends recognised in the current year by the Company are:

	<b>Sen</b> <b>per share</b> <b>(net of tax)</b>	<b>Total</b> <b>amount</b> <b>RM'000</b>	<b>Date of</b> <b>payment</b>
<b>2009</b>			
Final 2008 ordinary (tax-exempt)	0.50	1,155	30 June 2009
First interim 2009 ordinary (tax-exempt)	0.50	1,155	30 October 2009
Second interim 2009 ordinary (taxable)	0.56	1,299	20 January 2010
		<hr/> 3,609 <hr/>	
<b>2008</b>			
Interim 2008 ordinary (tax-exempt)	1.00	2,326	28 July 2008
Second interim 2008 ordinary (tax-exempt)	0.50	1,163	30 December 2008
		<hr/> 3,489 <hr/>	

After the balance sheet date the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the shareholders in the forthcoming annual general meeting.

	<b>Sen</b> <b>per share</b> <b>(net of tax)</b>	<b>Total</b> <b>amount</b> <b>RM'000</b>
Final ordinary (taxable)	0.67	<hr/> 1,161 <hr/>

# Notes to the financial statements (continued)

## 21. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's receivables) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

### **Business segments**

The Group comprises the following main business segments:

Cookware	Design, manufacture and sale of stainless steel kitchenware and cookware.
Convex mirrors	Manufacture and sale of stainless steel convex mirrors.
Clad metals	Research, development and manufacture of clad metals.

### **Geographical segments**

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

<b>2009</b>					
<b>Business segments</b>	<b>Cookware RM'000</b>	<b>Convex mirrors RM'000</b>	<b>Clad metals RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
Revenue	37,077	4,747	5,489	-	47,313
Inter-segment revenue	-	-	10,578	(10,578)	-
<b>Total revenue</b>	<b>37,077</b>	<b>4,747</b>	<b>16,067</b>	<b>(10,578)</b>	<b>47,313</b>
<b>Results</b>					
Segment results	3,008	1,030	3,246	24	7,308
Unallocated corporate expenses					(385)
Interest expense					(324)
Interest income					131
Profit before tax					6,730
Tax expense					(1,607)
<b>Profit for the year</b>					<b>5,123</b>
<b>Assets</b>					
Segment assets	41,205	3,912	14,411	-	59,528
Unallocated corporate assets					9,285
<b>Total assets</b>					<b>68,813</b>



# Notes to the financial statements (continued)

## 21. Segment reporting (continued)

2009	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Eliminations RM'000	Total RM'000
<b>Liabilities</b>					
Segment liabilities	5,028	313	532	-	5,873
Unallocated corporate liabilities					3,956
Total liabilities					9,829
<b>Other information</b>					
Capital expenditure	958	-	677	-	1,635
Depreciation	2,269	164	618	-	3,051
Non-cash expenses other than depreciation	43	-	1	-	44
					<b>Revenue RM'000</b>
<b>Geographical segments</b>					
Japan and Korea					25,611
Malaysia and Singapore					10,671
China, Taiwan and Hong Kong					6,921
USA and Canada					1,855
Others					2,255
					47,313
<b>2008</b>					
	<b>Cookware RM'000</b>	<b>Convex mirrors RM'000</b>	<b>Clad metals RM'000</b>	<b>Eliminations RM'000</b>	<b>Total RM'000</b>
Revenue	45,445	4,643	6,405	-	56,493
Inter-segment revenue	-	2	14,460	(14,462)	-
Total revenue	45,445	4,645	20,865	(14,462)	56,493
<b>Results</b>					
Segment results	4,526	764	3,745	112	9,147
Unallocated corporate expenses					(277)
Interest expense					(930)
Interest income					30
Profit before tax					7,970
Tax expense					(1,753)
Profit for the year					6,217
<b>Assets</b>					
Segment assets	47,974	5,253	14,955	-	68,182
Unallocated corporate assets					6,425
Total assets					74,607

# Notes to the financial statements (continued)

## 21. Segment reporting (continued)

2008	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Eliminations RM'000	Total RM'000
<b>Liabilities</b>					
Segment liabilities	6,482	1,418	6,263	-	14,163
Unallocated corporate liabilities					4,501
Total liabilities					18,664
<b>Other information</b>					
Capital expenditure	2,016	-	190	-	2,206
Depreciation	2,247	162	606	-	3,015
Non-cash expenses other than depreciation	3	-	-	-	3
					<b>Revenue RM'000</b>
<b>Geographical segments</b>					
Japan and Korea					34,355
Malaysia and Singapore					8,854
China, Taiwan and Hong Kong					10,391
USA and Canada					979
Others					1,914
					56,493

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.

## 22. Capital and other commitments

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment Contracted but not provided for	59	11	-	-

## 23. Contingent liabilities (unsecured)

	Company	
	2009 RM'000	2008 RM'000
Corporate guarantee to licensed banks for credit facilities granted to a subsidiary	26,140	24,140
Corporate guarantee to a supplier for credit facilities granted to a subsidiary	800	800



# Notes to the financial statements (continued)

## 24. Financial instruments

Exposure to credit, liquidity, interest rate and foreign exchange risk arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

### Credit risk management policy and concentrations of credit risk

The Group's exposure to credit risk arises through its receivables. Management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At balance sheet date, the Group has no significant exposure to any individual receivable other than the amount due from corporations in which certain Directors have substantial financial interests as stated in Note 25 to the financial statements. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

### Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows.

### Interest rate risk

The Group's exposure to interest rate risk arises through deposits, bank overdrafts and bills payable which are monitored on an ongoing basis.

Interest on bank overdrafts and bills payable are subject to market rate changes.

### Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

	Average effective interest rate %	2009		Average effective interest rate %	2008	
		Total RM'000	Within 1 year RM'000		Total RM'000	Within 1 year RM'000
<b>Financial assets</b>						
Deposits with licensed banks	1.74	6,843	6,843	2.85	1,904	1,904
<b>Financial liabilities</b>						
Bankers' acceptances						
- unsecured	3.23	2,069	2,069	4.64	3,601	3,601
Term loan	-	-	-	5.55	7,000	7,000
Bank overdrafts	6.55	71	71	-	-	-
		2,140	2,140		10,601	10,601

### Foreign exchange risk

The Group incurs foreign exchange risk on sales and purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollars, Japanese Yen, Euro and Singapore Dollars.

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.

# Notes to the financial statements (continued)

## 24. Financial instruments (continued)

### Foreign exchange risk (continued)

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

#### Exposure to foreign exchange risk

Group <i>In thousands RM</i>	2009				2008			
	USD	JPY	EUR	SGD	USD	JPY	EUR	SGD
Trade and other receivables	420	1	-	-	1,279	128	-	-
Trade and other payables	(186)	-	(50)	(6)	(1,932)	(1)	(90)	(12)
Exposure in balance sheet	234	1	(50)	(6)	(653)	127	(90)	(12)

### Fair value

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

The Company provides financial guarantees to banks for credit facilities extended to its subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

#### Unrecognised financial instruments

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

	2009		2008	
	Contracted amount RM'000	Fair value RM'000	Contracted amount RM'000	Fair value RM'000
Forward exchange contracts	939	(41)	-	-

## 25. Related parties

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

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



# Notes to the financial statements (continued)

## 25. Related parties (continued)

The significant related party transactions of the Group, other than key management personnel compensation (refer to Note 15), are as follows:

	Transaction value for year ended 31 December		Balance outstanding as at 31 December	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Group</b>				
With a company in which Hsiao Chih Jen, Hsiao Chih Chien and Hsiao Chih Che have substantial financial interests				
Standardworld Holding Ltd. Royalty fees payable	208	-	(208)	-
Sun New Stainless Steel Industry Ltd. Sales	(4,519)	(4,813)	2	167
Purchases	232	225	-	(42)
Purchases of plant and equipment	11	-	-	-
Ni Hsin International Trade (Shanghai) Co. Ltd. Sales	(75)	(362)	-	-
With a company in which Hsiao Chih Jen and Hsiao Chih Chien have substantial financial interests				
Everpro Sdn. Bhd. Sales	(6,080)	(5,763)	1,832	1,406
Rental income receivable	(162)	(132)	-	-
Purchases	-	12	-	-
<b>Company</b>				
Gross dividends receivable	(12,128)	(6,690)	1,200	-
Management fees	(360)	(360)	90	-

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

## 26. Events subsequent to balance sheet date

On 2 March 2010, the Company subscribed for 10,000 new ordinary shares of EURO1.00 each representing the entire issued and paid-up share capital of Steel Crafts Europa S.R.L. for a total cash consideration of EURO10,000.00 (equivalent to approximately RM46,000.00) ("Subscription"). Subsequent to the Subscription, Steel Crafts Europa S.R.L. shall become a wholly-owned subsidiary of the Company.

The principal activity of Steel Crafts Europa S.R.L. is assembly and trading of stainless steel kitchenware and cookware.

# Statement of shareholdings

## As at 31 March 2010

Authorised share capital	RM100,000,000
Paid-up share capital	RM47,320,002 comprising 236,600,010 ordinary shares of RM0.20 each
Class of shares	Ordinary Share of RM0.20 each
Voting rights	One vote per ordinary share

### SIZE OF SHAREHOLDINGS AS AT 31 MARCH 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares held	% of issued capital <sup>*1</sup>
1 - 99	2	0.13	60	0.00
100 - 1,000	338	22.61	187,050	0.08
1,001 - 10,000	491	32.84	3,262,100	1.41
10,001 - 100,000	530	35.45	19,631,400	8.50
100,001 to less than 5% of issued shares	129	8.63	78,870,160	34.15
5% and above of issued shares	5	0.34	129,006,840	55.86
<b>Total</b>	<b>1,495</b>	<b>100.00</b>	<b>230,957,610<sup>*1</sup></b>	<b>100.00</b>

**Note:**

\*1 Excluding a total of 5,642,400 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2010.

### DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2010

Name of Directors	Direct Interest		Deemed Interest	
	No. of shares held	% of issued capital <sup>*1</sup>	No. of shares held	% of issued capital <sup>*1</sup>
1 Hsiao Chih Jen	23,101,371	10.00	4,931,000 <sup>^1</sup>	2.14
2 Hsiao Chih Chien	24,601,371	10.65	2,500,000 <sup>^2</sup>	1.08
3 Hsiao Chih Che	27,101,166	11.73	-	-
4 Hsiao Tung Min	2,331,000	1.01	150,000 <sup>^3</sup>	0.06
5 Ng Shwu Ching	720,000	0.31	-	-
6 Dato' Wong Pui Lam	100,000	0.04	-	-
7 Chong Yew Kiang	100,000	0.04	-	-
8 Anita Chew Cheng Im	-	-	-	-

**Note:**

\*1 Excluding a total of 5,642,400 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2010.

<sup>^1</sup> Deemed interested in shares held by his sons, Hsiao Tung Hsin and Hsiao Tung Min, by virtue of Section 134(12)(c) of the Companies Act, 1965.

<sup>^2</sup> Deemed interested in shares held by his son, Hsiao Tung Wei, by virtue of Section 134(12)(c) of the Companies Act, 1965.

<sup>^3</sup> Deemed interested in shares held by his wife, Hii Sing Hee, by virtue of Section 134(12)(c) of the Companies Act, 1965.



# Statement of shareholdings

## As at 31 March 2010 (continued)

### 30 LARGEST SHAREHOLDERS AS AT 31 MARCH 2010

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

Name of Shareholders		No. of shares held	% of shares held <sup>*1</sup>
1	Hsiao Liu Lee	27,101,466	11.73
2	Hsiao Tsai Sheng	27,101,466	11.73
3	Hsiao Chih Che	27,101,166	11.73
4	Hsiao Chih Chien	24,601,371	10.65
5	Hsiao Chih Jen	23,101,371	10.00
6	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Chia Kee Siong	5,592,000	2.42
7	Chen, Chiu-Tong	5,000,000	2.16
8	Lembaga Tabung Angkatan Tentera	4,237,600	1.83
9	Lin Shu-Mei	4,228,700	1.84
10	HLG Nominee (Tempatan) Sdn Bhd Pledged securities account for Kek Pei Chin (CCTS)	3,249,254	1.41
11	Lee Cheh Fern	3,000,000	1.30
12	Liang, Low-Tan	2,700,000	1.17
13	Hsiao Tung Hsin	2,600,000	1.13
14	Hsiao Tung Wei	2,500,000	1.08
15	Te Tiam Sing @ Tay Kiam Seng	2,464,585	1.07
16	Hsiao Tung Min	2,000,000	0.87
17	Mokhtar Bin Mohd Yusof	1,800,000	0.78
18	Mohd Radzuan Bin Ab Halim	1,500,000	0.65
19	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Wendy Lee Yoke Peng (CEB)	1,302,521	0.56
20	HDM Nominees (Asing) Sdn Bhd Pledged securities account for Tsai Chia Kuei (M09)	1,280,000	0.56
21	Nakano Yoshio	1,280,000	0.56
22	Ogata Giichi	1,091,000	0.47
23	Abdul Aziz Al-Akbar Bin Mohamed Noor	1,000,000	0.43
24	Lim Hoe	1,000,000	0.43
25	Choo Ching Mei	975,000	0.42
26	Tsai Chia Kuei	800,000	0.35
27	Ng Shwu Ching	720,000	0.31
28	Lee Kim Cheng	710,000	0.31
29	Lee Kim Teng	650,500	0.28
30	Wu Chung Ta	640,000	0.28
<b>Total</b>		<b>181,328,000</b>	<b>78.51</b>

**Note:**

\*1 Excluding a total of 5,642,400 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2010.

### SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2010

Name of Directors	Direct Interest		Deemed Interest		
	No. of shares held	% of issued capital <sup>*1</sup>	No. of shares held	% of issued capital <sup>*1</sup>	
1	Hsiao Liu Lee	27,101,466	11.73	-	-
2	Hsiao Tsai Sheng	27,101,466	11.73	-	-
3	Hsiao Chih Jen	23,101,371	10.00	4,931,000 <sup>^1</sup>	2.14
4	Hsiao Chih Chien	24,601,371	10.65	2,500,000 <sup>^2</sup>	1.08
5	Hsiao Chih Che	27,101,166	11.73	-	-

**Note:**

\*1 Excluding a total of 5,642,400 NHR shares bought-back by NHR and retained as treasury shares as at 31 March 2010.

<sup>^1</sup> Deemed interested in the shares held by his sons, Hsiao Tung Min and Hsiao Tung Hsin.

<sup>^2</sup> Deemed interested in the shares held by his son, Hsiao Tung Wei.



# List of properties

## As at 31 December 2009

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) 38402, PT No. 20620 (formerly HS(D) 23490) Mukim of Kajang District of Hulu Langat Selangor Darul Ehsan	Industrial Land with 2 Storey Office Building and 1 Storey Factory Building	Office Building and Factory	Freehold	19	9,854	6,320	16,833	2009 (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 Warehouse	Freehold	12	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	17	-	62	22	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	17	-	62	22	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	17	-	62	22	1990

**Note:**

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

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



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of the Company will be held at Perdana Room 3, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 19 May 2010 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 2009 together with the Directors' and Auditors' Reports thereon.  
**Ordinary Resolution 1**
2. To declare a final dividend of 0.67 sen per share less 25% income tax for the financial year ended 31 December 2009.  
**Ordinary Resolution 2**
3. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2009.  
**Ordinary Resolution 3**
4. To re-elect the following Directors retiring under Article 90.1 of the Articles of Association of the Company:-
  - i) Mr Hsiao Chih Che  
**Ordinary Resolution 4**
  - ii) Ms Ng Shwu Ching  
**Ordinary Resolution 5**
5. To re-elect Mr Hsiao Tung Min, a Director who is retiring pursuant to Article 97 of the Articles of Association of the Company.  
**Ordinary Resolution 6**
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**Ordinary Resolution 7**

### As Special Business

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

7. **Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue."

**Ordinary Resolution 8**
8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

"THAT, subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries ("NHR Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 2.4 of the Circular to Shareholders dated 27 April 2010 ("Circular") with the related parties mentioned therein which are necessary for the NHR Group's day-to-day operations.

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

  - a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
  - b) the disclosure of the aggregate value of the transactions concluded during a financial year will be disclosed in the Annual Report for the said financial year.

# Notice of Annual General Meeting (continued)

## 8. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (continued)**

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

- i) the conclusion of the next Annual General Meeting ("AGM") of NHR at which time it will lapse, unless by a resolution passed at a general meeting, the authority is again renewed;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

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

**Ordinary Resolution 9**

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

"THAT, subject to the Companies Act, 1965 ("the Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company to purchase such amount of ordinary shares of RM0.20 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

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

- i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the Seventh ("7th") AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- ii) the expiration of the period within which the 7th AGM of the Company is required by law to be held; or
- iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

**Ordinary Resolution 10**



# Notice of Annual General Meeting (continued)

## NOTICE OF DIVIDEND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the Sixth Annual General Meeting of the Company, a final dividend of 0.67 sen per share less 25% income tax in respect of the financial year ended 31 December 2009 will be paid to the shareholders of the Company on 30 June 2010. The entitlement date for the said dividend shall be 8 June 2010.

A Depositor shall qualify for entitlement to the Dividend only in respect of :

- (a) Shares transferred to the Depositor's securities account before 4.00 p.m. on 8 June 2010 in respect of transfers.
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

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

Selangor Darul Ehsan  
Date: 27 April 2010

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not, be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. If the appointor 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.
4. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

### 5. EXPLANATORY NOTES ON SPECIAL BUSINESS

- (i) **Ordinary Resolution No. 8 - Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**  
The Company had, during its Fifth Annual General Meeting ("AGM") held on 20 May 2009, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Companies Act, 1965 ("the Act"). The Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 8 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

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

- (ii) **Ordinary Resolution No. 9 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**  
Please refer to the Circular to Shareholders dated 27 April 2010 for further information.
- (iii) **Ordinary Resolution No. 10 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**  
Please refer to the Circular to Shareholders dated 27 April 2010 for further information.



**NI HSIN RESOURCES BERHAD**

(Company No. 653353-W)  
(Incorporated in Malaysia)

CDS account no. of authorised nominee

No. of shares held

I/We, \_\_\_\_\_ (name of shareholder as per NRIC, in capital letters)  
 IC No./ID No./Company No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 being a member of NI HSIN RESOURCES BERHAD, hereby appoint \_\_\_\_\_  
 (name of proxy as per NRIC, in capital letters) IC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old)  
 of \_\_\_\_\_ (full address)  
 or failing him/her \_\_\_\_\_ (name of proxy as per NRIC, in capital letters)  
 IC No. \_\_\_\_\_ (new) \_\_\_\_\_ (old) of \_\_\_\_\_  
 \_\_\_\_\_ (full address) or failing him/her, the Chairman of the  
 Meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Perdana  
 Room 3, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 19 May 2010 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	Receipt of Audited Financial Statements for the financial year ended 31 December 2009 together with the Directors' and Auditors' Report		
Resolution 2	Declaration of a final dividend of 0.67 sen per share less 25% income tax for the financial year ended 31 December 2009		
Resolution 3	Approval of Directors' fees for the financial year ended 31 December 2009		
Resolution 4	Re-election of Mr Hsiao Chih Che		
Resolution 5	Re-election of Ms Ng Shwu Ching		
Resolution 6	Re-election of Mr Hsiao Tung Min		
Resolution 7	Re-appointment of Auditors		
Resolution 8	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Resolution 9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		
Resolution 10	Proposed Renewal of Authority for the Company to Purchase its Own Ordinary Shares		

[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.]

.....  
 Signature/Common Seal  
 Number of shares held: .....  
 Date: .....

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	<b>No. of shares</b>	<b>Percentage</b>
Proxy 1		%
Proxy 2		%
Total		<u>100%</u>

- NOTES:**
- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not, be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
  - 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.
  - If the appointor 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.
  - The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

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**Affix  
stamp**

The Company Secretary  
**Ni Hsin Resources Berhad** (Company No. 653353-W)  
Lot 6.05, Level 6, KPMG Tower,  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

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