

Financial Year End	31/12/2016
Reporting Period Ending	30/06/2016
Reporting Quarter	2Q-2016

**MALAYSIA EQUITY
NI HSIN RESOURCES BHD**

Recommendation	HOLD
Target Price (MYR)	0.24
Current Price (MYR)	0.30

Industry Group	Housewares
Industry Sub Group	Housewares

Key Company Statistics	
Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Issued Capital (mn shares)	238.2
Market Capitalisation (MYR mn)	71.4
52 week High (MYR)	0.37
52 week Low (MYR)	0.22
Average Volume (3 month) '000	684.0
1 Yr Return (%)	27.7

Major Shareholders (%)	
Hsiao Family	16.5

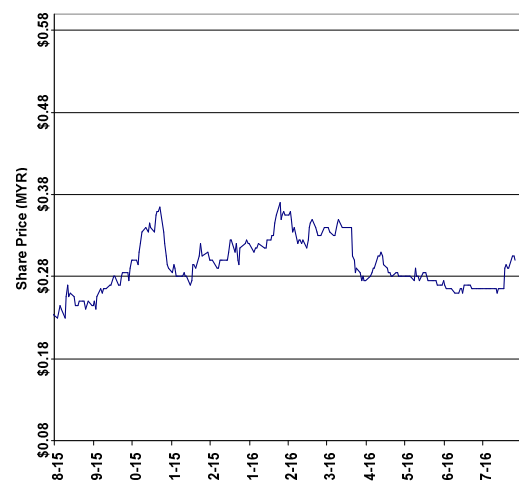
FTSE-BURSA INDEX MEMBERSHIP

FBM KLCI	FBM70	FBMEMAS	FBMHJRAH
No	No	No	No

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SHARE PRICE LAST 12 MONTHS (MYR)



RESULTS REPORT

YTD 1H FY16 revenue fell 16.6% vs YTD 1H FY15. Cookware sales were much weaker, as were clad metal sales. Convex mirror sales were a small bright spot. Cookware sales remain very challenging in both local and export markets. The slowdown in global trade is making itself felt. NHR has done a commendable job in controlling costs, keeping its gross margins above 27% YTD 1H 2016. The company recently re-valued its property and provided for an enlarged ESOS program. The latter has resulted in a one-off charge to 2Q 2016 operating expenses, which pushed net profit well into the red. See page five for details.

INVESTMENT RISKS

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

RECOMMENDATION

NHR has made very good progress in its marketing efforts; but weakened regional and global demand is starting to be felt. We maintain our HOLD recommendation and reduce our fair value to MYR 0.24. At prices below MYR 0.22 value investors will want to accumulate this name.

NHR has regained its focus on its core business of cookware manufacturing. Material prices have remained subdued over the last two few quarters, helping to lift gross margins somewhat. There are growing signs of demand weakness both here in Malaysia and abroad. We are forecasting lower sales growth in the quarters ahead, but if NHR beats our targets, we may well raise our target price.

COMPANY PROFILE

Ni Hsin Resources Bhd ("NHR") is one of the leading cookware manufacturers listed in Malaysia. The company has its roots in Taiwan, and was incorporated in Malaysia in 1989 and listed in 2005. About 10% of total revenue is currently realised in Malaysia, with Japan and Asia Pacific accounting for the lion's share of the company's substantial export revenue. Group YTD 1H FY16 revenue comprised 44.5% cookware products, 40.5% clad metal and 15.0% convex mirrors. (see page five)

ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2014	2015	2016F	2017F
Revenue	40.7	45.9	40.1	43.3
Revenue g (%)	-26.2	12.8	-12.8	8.0
Net Profit	0.1	2.2	-4.1	1.8
Net Profit g (%)	>100	>100	na	na
Dividends Paid	1.2	0.0	0.5	0.5
Owners' Equity	59.3	58.7	71.8	73.0
Total Liabilities	10.9	8.3	9.9	10.0
Debt/Equity (%)	18.4	14.2	13.8	13.7
EPS (sen)	0.0	0.9	-1.7	0.7
P-S (x)	2.0	1.6	1.8	1.7
P-E (x)	>100	32.2	na	40.2
P-BV (x)	1.4	1.2	1.0	1.0
ROE %	0.1	3.8	-5.8	2.4

MALAYSIA EQUITY
NI HSIN RESOURCES BHD

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

FY Dec	2Q-16	2Q-15	Q-o-Q %chg	YTD FY16	YTD FY15	Y-o-Y %chg
Revenue	10.5	12.9	-18.0	20.1	24.1	-16.6
Operating Profit	-4.9	0.5	na	-4.8	0.8	na
Other Income	0.0	0.0	na	0.0	0.0	na
Share of Associates	0.0	0.0	na	0.0	0.0	na
Depreciation/Amort'n	-0.7	-0.6	17.9	-1.4	-1.2	12.1
Finance Costs	0.0	0.0	-4.8	0.0	0.0	-46.7
Pre Tax Profit	-4.9	0.5	na	-4.8	0.7	na
Tax	-0.1	-0.1	-33.6	-0.1	-0.2	-33.8
Minority Interest	0.1	0.0	na	0.1	0.0	na
Net Profit to S'holders	-5.0	0.4	na	-5.0	0.5	na
Dividends	0.0	0.0	na	0.0	0.0	na
EPS (sen)	-2.1	0.2	na	-2.1	0.2	na
DPS (sen)	0.0	0.0	na	0.0	0.0	na
Operating Margin (%)	-46.5	4.1	na	-23.9	3.2	na
Net Margin (%)	-47.6	2.9	na	-24.7	2.2	na
Effective Tax Rate (%)	-1.9	27.8	na	-2.9	28.4	na
NTA/share (RM)				0.24	0.25	-2.6

Comments
Revenue down 16.6% YTD 1H 2016 vs YTD 1H 2015. Cookware sales fell 24% in sales value. Cookware sales are challenging in both domestic and export markets.
Convex mirror sales increased about 24% but clad metal sales decreased by 39%.
Cookware accounts for about 44% of total revenue.
Gross margins have improved slightly; lower steel prices and higher ASP have lifted gross margins a bit. 2Q 16 saw a one time non-cash hit of MYR 5.03 mn for ESOS related expenses. See page five.

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

Current FY Ending	Ni Hsin Resources Bhd Dec-16	Cam Resources Dec-16
Revenue	40.1	210.0
Net Profit	-4.1	4.8
Owners' Equity	71.8	106.1
Dividends	0.5	4.0
Market Cap	71.4	60.0
P-S (x)	1.8	0.3
P-E (x)	-17.3	12.5
P-BV (x)	1.0	0.6
Div Yield (%)	0.7	6.7
Net Margins (%)	-10.3	2.3
ROE (%)	-5.8	4.5
Payout Ratio (%)	na	83.3
Debt/Equity (%)	13.8	58.4

*Consensus data used for peers where available

MALAYSIA EQUITY
NI HSIN RESOURCES BHD

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

FY Dec	2014	2015	2016F	2017F
Revenue	40.7	45.9	40.1	43.3
Operating Profit	0.8	3.2	-3.6	2.5
Other Income	1.5	2.1	0.6	0.8
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-2.6	-2.6	-3.0	-3.2
Finance Costs	-0.2	-0.1	-0.1	-0.2
Pre Tax Profit	0.6	3.1	-3.7	2.4
Tax	-0.5	-0.9	-0.4	-0.6
Minority Interest	0.0	0.0	0.1	0.0
Net Profit to Shareholders	0.1	2.2	-4.1	1.8
Operating Margin (%)	1.9	6.9	-9.0	5.8
PBT Margin (%)	1.4	6.7	-9.3	5.5
Net Margin (%)	0.1	4.8	-10.3	4.1
Effective Tax Rate (%)	90.0	28.5	-11.3	25.0

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

FY Dec	2014	2015	2016F	2017F
Total Assets	70.2	67.0	81.7	83.1
Fixed Assets	32.5	31.4	46.3	48.2
Current Assets	32.5	29.1	28.9	28.4
Other LT Assets	5.1	6.4	6.4	6.4
Current Liabilities	8.8	6.1	6.9	7.0
LT Liabilities	2.1	2.2	3.0	3.0
Total Liabilities	10.9	8.3	9.9	10.0
Share Capital	47.3	47.3	47.7	47.7
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	59.3	58.7	71.8	73.0
Total Equity	59.3	58.7	71.8	73.0
Total Liabilities & Equity	70.2	67.0	81.7	83.1

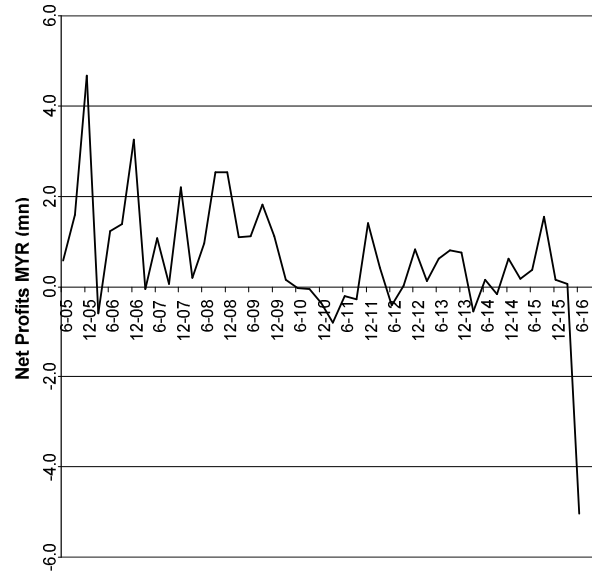
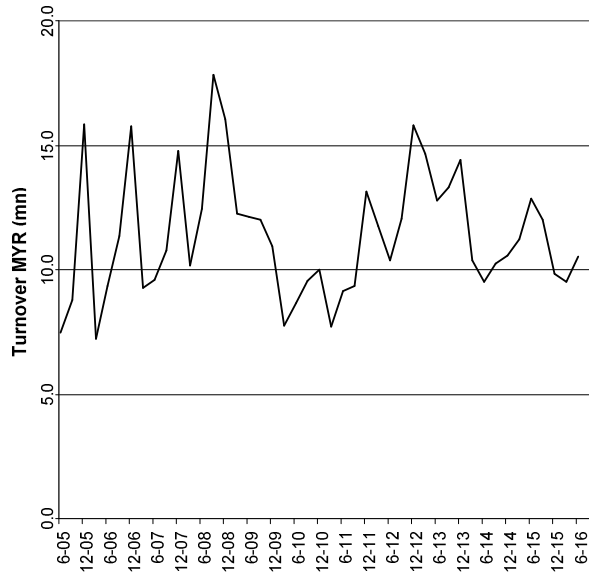
PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Dec	2014	2015	2016F	2017F
Revenue	17.1	19.3	16.8	18.2
Cash Flow	1.1	2.0	-0.5	2.1
Earnings	0.0	0.9	-1.7	0.7
Dividends	0.5	0.0	0.2	0.2
Book Value	24.9	24.6	30.1	30.7
Payout (%)	>100	>100	na	>100
P-S (x)	2.0	1.6	1.8	1.7
P-CF (x)	30.5	14.7	-61.0	14.4
P-E (x)	>100	32.2	na	40.2
P-BV (x)	1.4	1.2	1.0	1.0
Dividend Yield (%)	1.4	0.0	0.7	0.7
ROE (%)	0.1	3.8	-5.8	2.4
Total Debt/Equity (%)	18.4	14.2	13.8	13.7

MALAYSIA EQUITY
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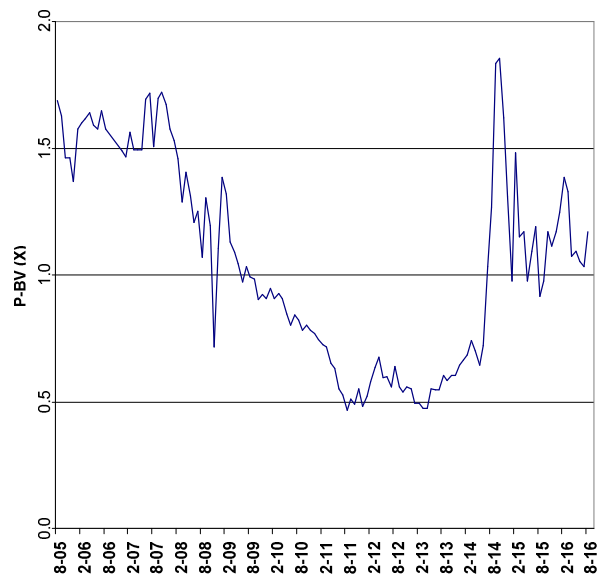
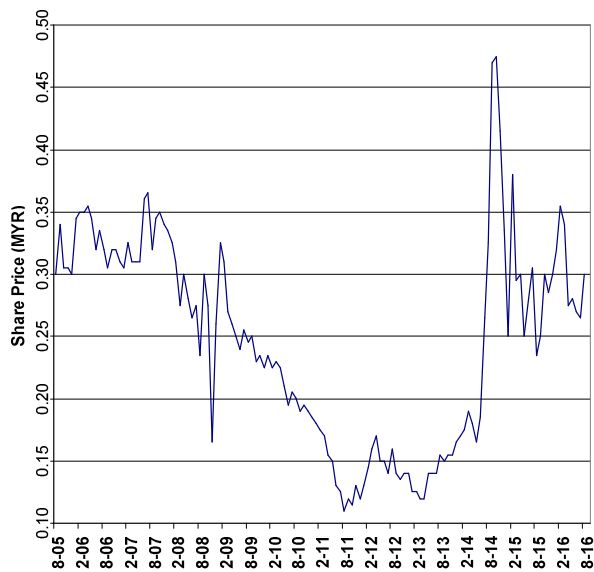
REVENUE - QUARTERLY LAST 11 YEARS (MYR mn)

NET PROFIT - Q'TERLY LAST 11 YRS (MYR mn)



SHARE PRICE - MONTHLY - LAST 11 YEARS (MYR)

P-BV (X) - MONTHLY - LAST 11 YEARS



SEGMENT RESULTS AND RECENT COMPANY NEWS

Sales By Segment

Cookware sales in NHR's Asia Pacific export markets have slowed down sharply in 1H 2016, keeping pace with broad declines in global trade around the region. Japan saw particularly sharp declines in cookware sales, as did most other export markets. The Malaysia market was not spared a sharp fall. Meanwhile, convex mirror sales increased 24%, whilst clad metal sales fell 39%. Though NHR has made remarkable progress over the last few quarters, there is growing evidence of demand weakness in many markets, thus we retain our conservative sales forecast.

Materials Costs Subdued, One-off costs for enlarged ESOS program

Stainless steel prices in Asia have remained subdued over the past two quarters, and this has lifted NHR's gross margins somewhat. Meanwhile, the company announced a revaluation reserve increase of MYR 13.8 mn in 2Q 2016 as well as an ESOS reserve increase of MYR 5.03 mn. The latter was charged to 2Q 2016 operating expenses and thus net profits show a sharp decline. It is our opinion that investors may be well served to look past this period's sharp drop in net profits and focus on the firm's sales and gross profits in the quarters ahead. Indeed, cash balances at NHR YTD 1H 2016 are very little changed versus 1H 2015, and comprise about 6% of the current share price.

MYR (000s)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 E	FY16 / FY12 4yr cagr%
Cookware	31,181	33,699	21,614	25,917	19,700	-10.8%
Convex Mirror	9,427	8,496	9,883	10,521	12,000	6.2%
Clad Metal	15,505	22,366	17,853	20,265	16,000	0.8%
Other	3,366	1,092	589	0	0	NA
Rev. Including Inter-segment	59,479	65,653	49,939	56,703	47,700	-5.4%
Eliminations	-9,546	-10,503	-9,212	-10,767	-7,632	-5.4%
Total Revenue	49,933	55,150	40,727	45,936	40,068	-5.4%
Annual Change	25.5%	10.4%	-26.2%	12.8%	-12.8%	

ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	Fair Value	Price At Recommendation Date	% Price Change Since Prior Recommendation
NHR MK Equity	24-Feb-11	HOLD	0.17	0.17	
NHR MK Equity	11-Apr-11	BUY	0.27	0.15	-11.8%
NHR MK Equity	19-May-11	BUY	0.23	0.15	0.0%
NHR MK Equity	16-Aug-11	BUY	0.23	0.12	-23.3%
NHR MK Equity	21-Nov-11	BUY	0.23	0.12	0.0%
NHR MK Equity	27-Feb-12	BUY	0.23	0.13	13.0%
NHR MK Equity	23-May-12	HOLD	0.20	0.18	34.6%
NHR MK Equity	24-Aug-12	HOLD	0.18	0.16	-8.6%
NHR MK Equity	20-Nov-12	HOLD	0.18	0.14	-15.6%
NHR MK Equity	20-Feb-13	BUY	0.18	0.12	-11.1%
NHR MK Equity	22-May-13	HOLD	0.18	0.15	25.0%
NHR MK Equity	19-Aug-13	BUY	0.18	0.14	-10.0%
NHR MK Equity	18-Nov-13	BUY	0.19	0.16	14.8%
NHR MK Equity	26-Feb-14	BUY	0.21	0.18	16.1%
NHR MK Equity	21-May-14	HOLD	0.18	0.17	-5.6%
NHR MK Equity	21-Aug-14	HOLD	0.22	0.33	91.2%
NHR MK Equity	19-Nov-14	HOLD	0.22	0.45	38.5%
NHR MK Equity	16-Feb-15	HOLD	0.22	0.41	-10.0%
NHR MK Equity	21-May-15	HOLD	0.22	0.30	-27.2%
NHR MK Equity	19-Aug-15	BUY	0.22	0.26	-11.9%
NHR MK Equity	18-Nov-15	BUY	0.30	0.36	38.5%
NHR MK Equity	25-Feb-16	BUY	0.30	0.36	0.0%
NHR MK Equity	18-May-16	HOLD	0.26	0.29	-20.8%
NHR MK Equity	24-Aug-16	HOLD	0.24	0.30	5.3%
Return Since Inception of Coverage					121.1%



ANALYST'S DISCLOSURE

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

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

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

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

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

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

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