

Financial Year End	31/12/2016
Reporting Period Ending	31/03/2016
Reporting Quarter	1Q-2016

Recommendation	HOLD
Target Price (MYR)	0.26
Current Price (MYR)	0.29

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)	67.9
52 week High (MYR)	0.37
52 week Low (MYR)	0.22
Average Volume (3 month) '000	3,009.3
1 Yr Return (%)	-6.6

Major Shareholders (%)

Hsiao Family	16.5

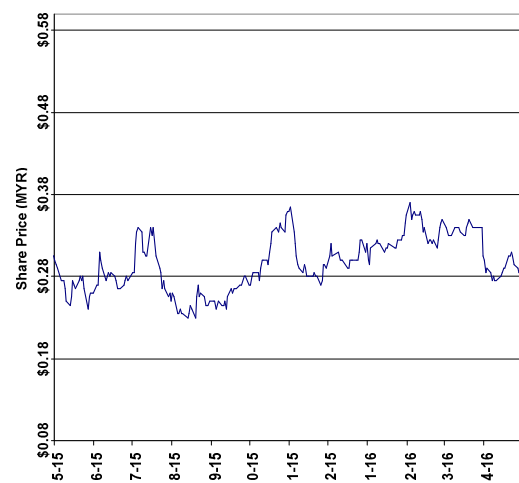
FTSE-BURSA INDEX MEMBERSHIP

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

REPORT INDEX

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SHARE PRICE LAST 12 MONTHS (MYR)



MALAYSIA EQUITY NI HSIN RESOURCES BHD

RESULTS REPORT

YTD 1Q FY16 revenue fell 15.0% vs YTD 1Q FY15. Cookware sales were much weaker, as were clad metal sales, though sales momentum continues to build for both local cookware and convex mirrors. NHR recently signed a shareholders agreement with MyAngkasa Holdings Sdn Bhd, a unit of National Cooperative Bhd. This venture is on track to raise another MYR 10mn in local sales over the next six quarters. However, the slowdown in global trade generally is starting to make itself felt, as demand is well lower in many key export markets.

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 further rise in stainless steel prices would be an additional concern, as stainless steel prices appear to be headed higher. 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 change our BUY recommendation to HOLD and reduce our fair value to MYR 0.26. At prices below MYR 0.24 value investors will want to accumulate this name.

NHR has regained its focus on its core business of cookware manufacturing. It is useful to note that growth in unit sales of local cookware came in at high double digits. Material prices may rise in the next few quarters, keeping margins on the low side. 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 1Q FY16 revenue comprised 44.9% cookware products, 28.6% clad metal and 26.5% convex mirrors. (see page five)

ANNUAL RESULTS AND METRICS (MYR mn)

FY Dec	2014	2015	2016F	2017F
Revenue	40.7	45.9	41.6	47.0
Revenue g (%)	-26.2	12.8	-9.4	13.0
Net Profit	0.1	2.2	1.4	1.9
Net Profit g (%)	>100	>100	-37.9%	37.1
Dividends Paid	1.2	0.0	0.5	0.5
Owners' Equity	59.3	58.7	59.0	60.4
Total Liabilities	10.9	8.3	9.5	9.7
Debt/Equity (%)	18.4	14.2	16.2	16.0
EPS (sen)	0.0	0.9	0.6	0.8
P-S (x)	2.0	1.6	1.6	1.4
P-E (x)	>100	32.2	49.3	36.0
P-BV (x)	1.4	1.2	1.2	1.1
ROE %	0.1	3.8	2.3	3.1

MALAYSIA EQUITY
NI HSIN RESOURCES BHD

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

FY Dec	1Q-16	1Q-15	Q-o-Q %chg	YTD FY16	YTD FY15	Y-o-Y %chg
Revenue	9.5	11.2	-15.0	9.5	11.2	-15.0
Operating Profit	0.1	0.2	-58.6	0.1	0.2	-56.9
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	7.0	-0.7	-0.6	7.0
Finance Costs	0.0	0.0	-83.3	0.0	0.0	-83.3
Pre Tax Profit	0.1	0.2	-56.0	0.1	0.2	-56.0
Tax	0.0	-0.1	-34.3	0.0	-0.1	-34.3
Minority Interest	0.0	0.0	na	0.0	0.0	na
Net Profit to S'holders	0.1	0.2	-65.2	0.1	0.2	-65.2
Dividends	0.0	0.0	na	0.0	0.0	na
EPS (sen)	0.0	0.1	-65.2	0.0	0.1	-65.2
DPS (sen)	0.0	0.0	na	0.0	0.0	na
Operating Margin (%)	1.1	2.2	-51.3	1.1	2.1	-49.3
Net Margin (%)	0.6	1.4	-59.0	0.6	1.4	-59.0
Effective Tax Rate (%)	44.4	29.8	49.3	44.4	29.8	49.3
NTA/share (RM)				0.24	0.25	-2.6

Comments
Revenue down 15.0% YTD 1Q 2016 vs YTD 1Q 2015. Cookware sales fell 23%, softening in many markets, however Malaysia is a bright spot, showing higher sales levels. Convex mirror sales increased about 31% but clad metal sales decreased by 45%. Cookware accounts for about 45% of total revenue.
Operating margins are weakening; lower capacity utilisation and higher steel prices may keep margins in the 1% - 3% range through FY 2016

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	41.6	222.0
Net Profit	1.4	7.5
Owners' Equity	59.0	108.8
Dividends	0.5	4.0
Market Cap	67.9	71.8
P-S (x)	1.6	0.3
P-E (x)	49.3	9.6
P-BV (x)	1.2	0.7
Div Yield (%)	0.7	5.6
Net Margins (%)	3.3	3.4
ROE (%)	2.3	6.9
Payout Ratio (%)	36.3	53.3
Debt/Equity (%)	16.2	57.0

*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	41.6	47.0
Operating Profit	0.8	3.2	2.0	2.7
Other Income	1.5	2.1	0.7	0.8
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-2.6	-2.6	-3.1	-3.2
Finance Costs	-0.2	-0.1	-0.1	-0.2
Pre Tax Profit	0.6	3.1	1.9	2.5
Tax	-0.5	-0.9	-0.5	-0.6
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	0.1	2.2	1.4	1.9
Operating Margin (%)	1.9	6.9	4.8	5.7
PBT Margin (%)	1.4	6.7	4.5	5.3
Net Margin (%)	0.1	4.8	3.3	4.0
Effective Tax Rate (%)	90.0	28.5	26.0	25.0

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

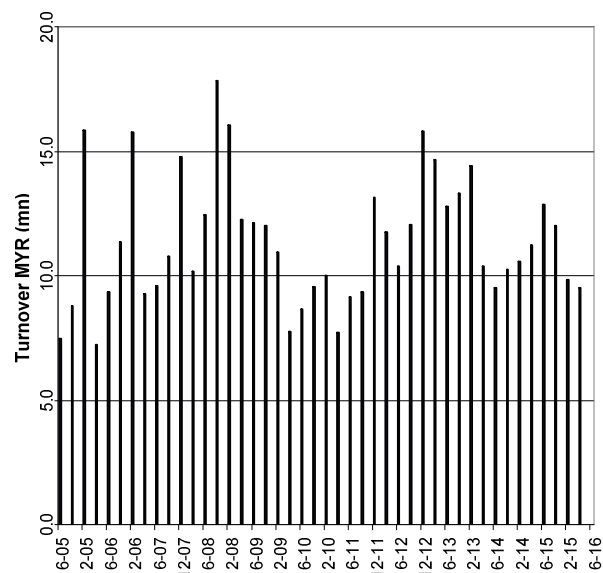
FY Dec	2014	2015	2016F	2017F
Total Assets	70.2	67.0	68.5	70.0
Fixed Assets	32.5	31.4	31.8	33.1
Current Assets	32.5	29.1	30.3	30.5
Other LT Assets	5.1	6.4	6.4	6.4
Current Liabilities	8.8	6.1	7.3	7.4
LT Liabilities	2.1	2.2	2.3	2.3
Total Liabilities	10.9	8.3	9.5	9.7
Share Capital	47.3	47.3	47.5	47.5
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	59.3	58.7	58.9	60.3
Total Equity	59.3	58.7	59.0	60.4
Total Liabilities & Equity	70.2	67.0	68.5	70.0

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

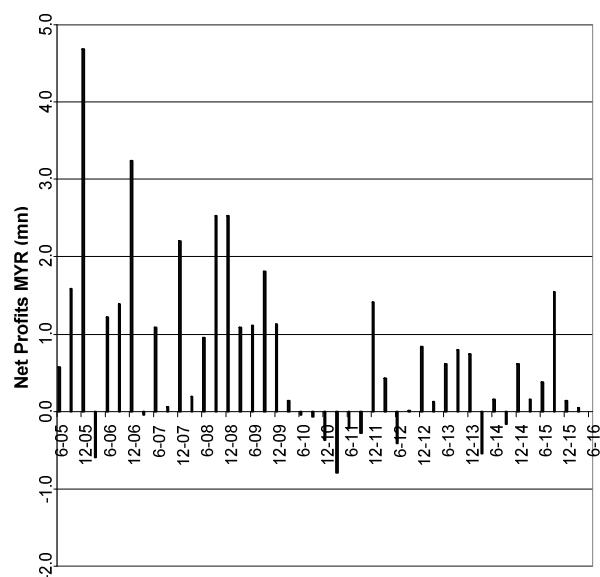
FY Dec	2014	2015	2016F	2017F
Revenue	17.1	19.3	17.5	19.7
Cash Flow	1.1	2.0	1.9	2.1
Earnings	0.0	0.9	0.6	0.8
Dividends	0.5	0.0	0.2	0.2
Book Value	24.9	24.6	24.8	25.3
Payout (%)	>100	>100	>100	>100
P-S (x)	2.0	1.6	1.6	1.4
P-CF (x)	30.5	14.7	15.2	13.3
P-E (x)	>100	32.2	49.3	36.0
P-BV (x)	1.4	1.2	1.2	1.1
Dividend Yield (%)	1.4	0.0	0.7	0.7
ROE (%)	0.1	3.8	2.3	3.1
Total Debt/Equity (%)	18.4	14.2	16.2	16.0

**MALAYSIA EQUITY
NI HSIN RESOURCES BHD**

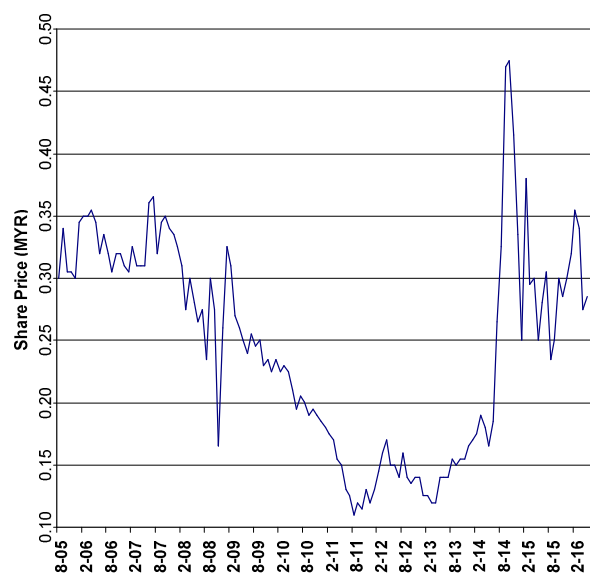
REVENUE - QUARTERLY LAST 11 YEARS (MYR mn)



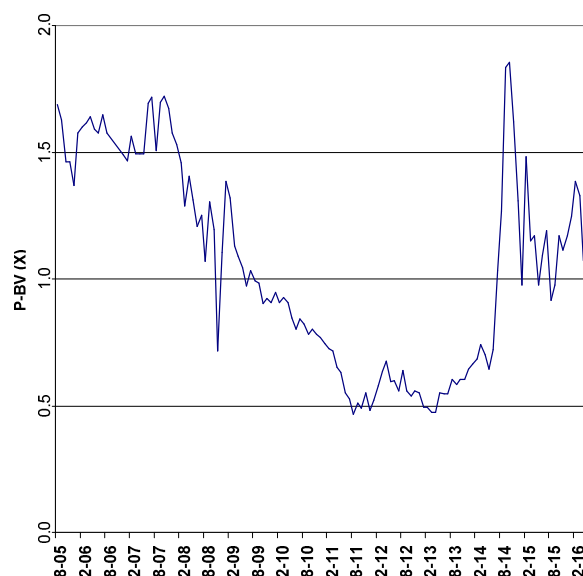
NET PROFIT - Q'TERLY LAST 11 YRS (MYR mn)



SHARE PRICE - MONTHLY - LAST 11 YEARS (MYR)



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



MALAYSIA EQUITY
NI HSIN RESOURCES BHD

SEGMENT RESULTS AND RECENT COMPANY NEWS

Sales By Segment

Cookware sales in NHR's Asia Pacific export markets have slowed down sharply in 1Q 2016, keeping pace with broad declines in global trade around the region. Japan saw particularly sharp declines in cookware sales, although cookware sales increases in Malaysia nearly offset the drop in Japanese sales. NHR continues to do well in Malaysia, where domestic cookware is running at 18.7% of total cookware sales YTD 1Q 2016. Meanwhile, convex mirror sales increased 31%, whilst clad metal sales fell 45%. 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 Cost on the rise

Along with demand weakness in many of NHR's export markets, there may be other headwinds to profits building up from the cost side. The price of steel generally has been on the rise over 1Q 2016, and this trend is continuing so far through 2Q 2016. Stainless steel prices are also on the rise, with prices in Asia-Pacific up more than 40% over the last six months. Though NHR has very effective cost control, and enjoys gross margins above 25%, it is possible that gross margins will be lower as material costs rise more sharply in 2Q 2016.

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	21,000	-9.4%
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	49,000	-4.7%
Eliminations	-9,546	-10,503	-9,212	-10,767	-7,840	-4.8%
Total Revenue	49,933	55,150	40,727	45,936	41,160	-4.7%
Annual Change	25.5%	10.4%	-26.2%	12.8%	-10.4%	

ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	FairValue	Price At Recommendation	% 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%
Return Since Inception of Coverage					136.7%



**MALAYSIA EQUITY
NI HSIN RESOURCES BHD**

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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J Charles Wilson
Head of Research

QUESTIONS? CONTACT THE INVESTMENT ADVISER:

Wilson & York Global Advisers Sdn Bhd
Suite B-11-3A, Level 11, Block B, Plaza Mont' Kiara
2, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia

Tel: +603 6203 2280
Fax: +603 6203 2281

E-mail info@wygainvestments.com
Website: www.wygainvestments.com

CONTACT THE COMPANY:

Ni Hsin Resources Berhad
No. 45, Jalan Taming Dua
Taman Taming Jaya
43300 Seri Kembangan
Selangor, Malaysia.

Tel: +603 8961 6815
Fax: +603 8961 3941

Website: www.ni-hsin.com.my