NI HSIN

ANNUAL REPORT 2017

Essence Through Traditionalism
Splendor Through Ordinary

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Corporate Information

BOARD OF DIRECTORS

SOFIYAN BIN YAHYA
Independent Non-Executive Chairman

RIZVI BIN ABDUL HALIM
Executive Director

NG SHWU CHING
Executive Director

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

DATUK TAN CHOON HWA
Independent Non-Executive Director

LEOW CHAN KHIANG
Independent Non-Executive Director

RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN
Independent Non-Executive Director

COMPANY SECRETARIES
Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

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

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

SHARE REGISTRAR
Bina Management (M) Sdn Bhd (50164-V)
Lot 10, The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03 – 7784 3922
Fax : 03 – 7784 1988

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

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

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

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Name : NIHSIN
Stock Code : 7215

Corporate Structure

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

Investment Holding Company

100% — **Ni Hsin Corporation Sdn Bhd ("NHC")**
(Company No. 185578-V)
Incorporated in Malaysia

Cookware Division
Design, manufacture and sale of stainless steel kitchenware and cookware

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100% — **Ever-Grow Advanced Materials Sdn Bhd ("EGAM")**
(Company No. 545564-A)
Incorporated in Malaysia

Convex Mirror & Clad Metal Division
Research, development and manufacture of clad metals and stainless steel convex mirrors

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100% — **Steel Crafts Europa S.R.L. ("SCE")**
(Company No. BS-513499)
Incorporated in Italy

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

100% — **Pentoli S.R.L.**
(formerly known as Kit-Zen S.R.L.)
(Company No. BS-542138)
Incorporated in Italy

Retail sales of kitchenware, tableware and cookware, water filter and related products and accessories

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100% — **Inoco Resources Sdn Bhd ("INOCO")**
(Company No. 1117556-H)
Incorporated in Malaysia

General merchandiser and other commodities of all kinds and descriptions and retailer.

70% — **MyAngkasa Ni Hsin Sdn Bhd**
(Company No. 1169517-K)
Incorporated in Malaysia

Distribution and marketing of cookware, kitchenware, water filters and related products and accessories

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100% — **Pentoli Sdn Bhd**
(Company No. 1160982-V)
Incorporated in Malaysia

Distribution and marketing of cookware, kitchenware, water filters, convex mirrors and related products and accessories

Five-Year Group Financial Highlights

GROUP INCOME STATEMENTS

The table below sets out a summary of consolidated results of the Ni Hsin Resources ("NHR") Group for the financial years ended 31 December 2013 to 31 December 2017:-

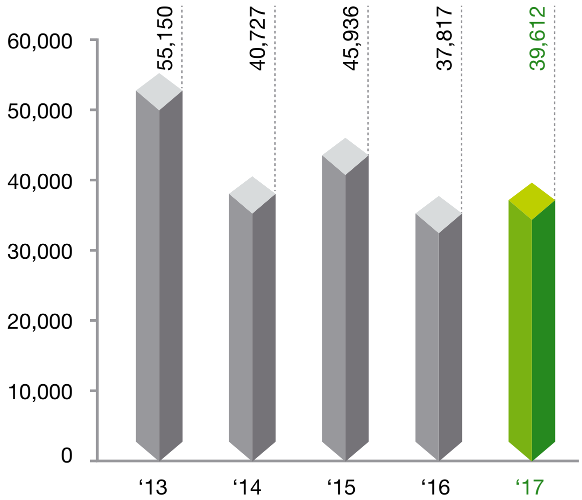
Key Operating Results	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	55,150	40,727	45,936	37,817	39,612
Earnings/(Loss) before interest, taxation, depreciation and amortisation ("EBITDA")	6,581	3,373	5,813	(1,743)	5,155
Depreciation	(2,656)	(2,595)	(2,642)	(2,774)	(2,528)
Interest expense	(311)	(213)	(80)	(49)	(54)
Interest income	24	7	8	6	20
Profit/(Loss) before taxation ("PBT/(LBT)")	3,638	572	3,099	(4,560)	2,593
Taxation	(1,359)	(515)	(883)	(459)	(526)
Profit/(Loss) after taxation ("PAT/(LAT)")	2,279	57	2,216	(5,019)	2,067
Non-controlling interests ("NCI")	-	-	-	105	18
Profit/(Loss) for the financial year attributable to owners of the Company	2,279	57	2,216	(4,914)	2,085
Other Key Data					
Total assets	75,451	70,165	66,955	84,844	90,571
Total borrowings	4,583	2,585	170	254	-
Shareholders' equity	60,076	59,261	58,653	74,444	80,118
PBT/(LBT) Margin (%)	6.60	1.40	6.75	(12.06)	6.55
PAT/(LAT) after NCI Margin (%)	4.13	0.14	4.82	(12.99)	5.26
Weighted average ordinary shares ('000)	230,958	230,958	229,001	218,671	220,243
Share price as at the financial year end (RM)	0.165	0.335	0.300	0.280	0.230
Gross Earnings/(Loss) Per Share ("EPS/LPS") (sen) [1]	1.58	0.25	1.31	(2.04)	1.19
Net EPS/(LPS) (sen) [1]	0.99	0.02	0.97	(2.25)	0.95
Tax-exempt Dividends Per Share (sen)	0.50	0.50	-	-	-
Gross Taxable Dividends Per Share (sen)	-	-	-	-	-
Return on total assets (%)	5.20	1.11	4.74	(5.32)	2.90
Return on equity (%)	6.53	1.31	5.41	(6.07)	3.28

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

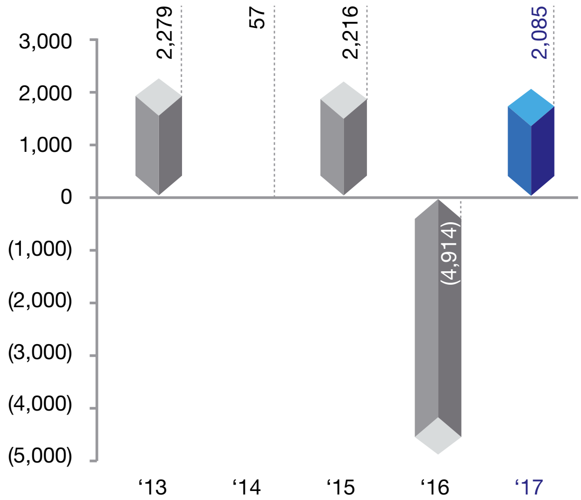
2 There were no extraordinary or exceptional items for the financial years under review.

Five-Year Group Financial Highlights (continued)

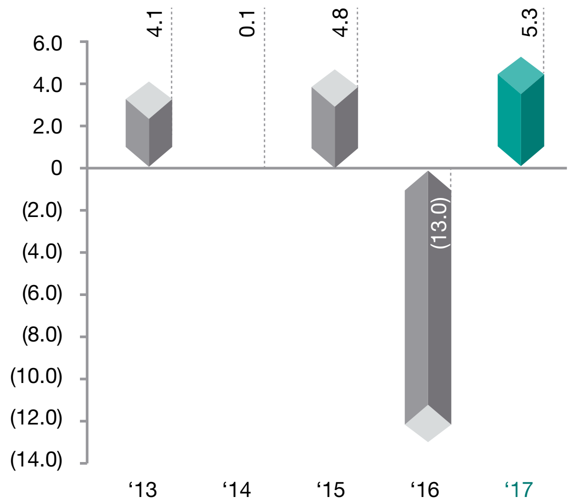
Revenue (RM'000)



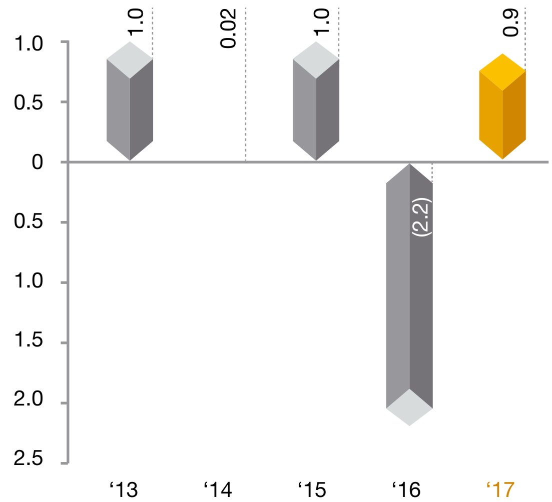
Profit/(Loss) Attributable to Owners of the Company (RM'000)



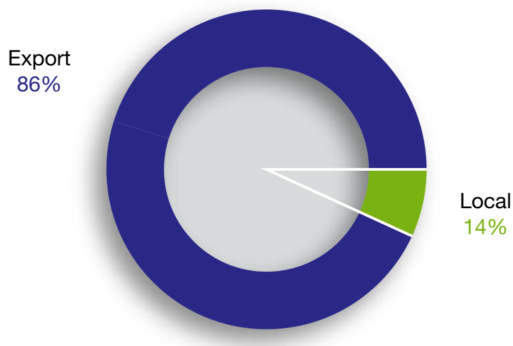
Profit/(Loss) Attributable to owners of the company After Tax Margin (%)



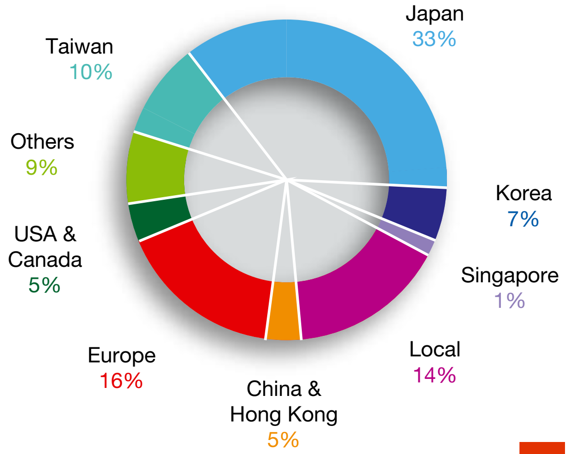
Net Earnings/(Loss) Per Share (Sen)



Local vs Export Sales 2017



Group Revenue by Country 2017



Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present you the annual report of Ni Hsin Resources Berhad ("Ni Hsin" or "the Group") for the financial year ended 31 December 2017 ("FY2017").

The Group recorded total revenue of RM39.6 million in FY2017, RM1.8 million higher compared with financial year ended 31 December 2016 ("FY2016"). Gross profit margin improved by 2.2% over that of FY2016. The Group achieved a Profit After Taxation ("PAT") of RM2.07 million in FY2017 compared to a Loss After Taxation ("LAT") of RM5.02 million recorded in FY2016. The LAT incurred in FY2016 was mainly due to the recognition of the Employees' Share Option Scheme ("ESOS") fair value of RM5.03 milion. Better profit margins for cookware and clad metal and net gains in fair value of quoted shares and disposal of quoted shares of RM1.56 million and RM0.26 million respectively in FY2017 also contributed to the improved results in FY2017. Free cash flow improved by RM3.7 million in FY2017. The road ahead remains challenging but the Management is confident the Group's business will remain resilient and continue to improve going forward.

We are proud of the achievements we have made thus far:

- We are a leading manufacturer of Premium Stainless Steel Multi-ply Cookware, Stainless Steel Convex Mirrors and other stainless steel related products in Asia and we aspire to be recognised worldwide.
- We attained ISO 9001 certification from S.G.S. in 1999.
- We are one of the few factories outside Japan to receive the accreditation for SG in 1992 and SG (CH-IH) in 2002.
- In 2006 we were awarded the Certificate in Quality Assurance System for our Pressure Equipment from TUV Industrie Service GmbH, Germany.

The cooperation with Mingkeda Holding Co. Ltd. Shenzhen, China for the distribution of PENTOLI brand cookware products and Ni Hsin's stainless steel convex mirrors in China is progressing well and both parties are diligently working on the marketing platforms, both conventional and digital, to reach out to the consumers in China. The Group will continue to seek strategic partners not only to expand its current business but also in respect of appropriate diversification business.

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. I would like to take this opportunity to express my heartiest gratitude to our previous Chairman, En Rizvi Bin Abdul Halim, for his excellent contribution to the Group. The Board of Directors, management and staff of Ni Hsin are deeply saddened by the demised of our Managing Director, Mr. Chen Shien Yee, in October 2017 and extend our deepest condolences to his family and loved ones. His untimely demise is a great loss to us in terms of leadership and guidance in our business operations.

Our gratitude and sincere thanks is also extended to our valued customers, bankers, business associates, suppliers and regulatory bodies for their invaluable support, assistance and confidence in the Group. Lastly, I would also like to thank my fellow Board members for their assistance, advice and guidance.

SOFIYAN BIN YAHYA
Independent Non-Executive Chairman

Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Ni Hsin Group is a leading manufacturer of high quality premium stainless steel products in Asia. Our manufacturing and production facilities are located in Seri Kembangan, Selangor.

VISION

Our Group strives to be the leader in exquisite Stainless Steel Products from Asia and beyond.

PRINCIPAL ACTIVITIES OF OUR GROUP

Manufacturing of premium stainless steel products:

- Premium Stainless Steel Multi-ply Cookware ranging from pressure cookers, woks, pots and sauce pans for household and commercial use on an Original Equipment Manufacturing ("OEM") or Original Design Manufacturing ("ODM") basis;
- Multi-ply Stainless Steel Clad Metal;
- Stainless Steel Convex Mirror; and
- Stainless Steel Household Water Filtration Systems.

KEY MARKETS

Our key markets are as follows:

Asia Pacific (excluding Japan) – 45.7%, Japan – 33.3%, USA & Canada – 5.1%, Europe – 15.9%

STRATEGIES IN CREATING VALUE

The strategies adopted by the Group in 2017 aimed at continuously sustaining competitive advantage and include the following:

- Strengthen pricing strategy of both sales and procurement through periodic forecast and planning;
- Quality assurance and sustainable practices both in production and procurement;
- Competitive selling price for high quality products and attractive package;
- Continuous improvement in Quality Management System;
- Speedy response to customers' needs and feedback;
- Implementation of Enterprise Resources Planning ("ERP") system to enhance production planning and efficiency, management control and decision making thereby improving profitability; and
- Strengthen manpower quality and efficiency by providing appropriate skills and leadership training programmes.

Management Discussion And Analysis (continued)

5 YEARS FINANCIAL HIGHLIGHTS OF THE GROUP

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Profit/(Loss) for the financial year attributable to owners of the Company	2,279	57	2,216	(4,914)	2,085
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Net EPS/(LPS) (sen) [1]	0.99	0.02	0.97	(2.25)	0.95
Tax-exempt Dividends Per Share (sen)	0.50	0.50	-	-	-
Gross Taxable Dividends Per Share (sen)	-	-	-	-	-
Return on total assets (%)	5.20	1.11	4.74	(5.32)	2.90
Return on equity (%)	6.53	1.31	5.41	(6.07)	3.28

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

[2] There were no extraordinary or exceptional items for the financial years under review.

SHARE PERFORMANCE

The following table sets out the five (5) years highest and lowest transacted prices of the Shares on the Bursa Securities.

	2013	**2014**	**2015**	**2016**	**2017**
Year high (RM)	0.190	0.545	0.490	0.370	0.310
Year low (RM)	0.120	0.165	0.220	0.255	0.225
Year close (RM)	0.165	0.335	0.300	0.280	0.230
Trading volume ('000)	12,143	1,449,568	913,934	320,730	197,970
Market capitalization (as at the financial year end) (RM '000,000)	42.6	95.8	80.3	65.5	59.6

Management Discussion And Analysis (continued)

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2017 ("FY2017"), the Group achieved a total revenue of RM39.6 million which was 4.8% higher than the total revenue achieved in FY2016 of RM37.8 million. The higher revenue recorded was mainly due to improved sales orders in the convex mirror and clad metal segments.

Gross Profit ("GP") margin achieved during the year improved by 2.2% compared to the previous year. The Group recorded a Profit Before Taxation ("PBT") of RM2.6 million in FY2017 against a Loss Before Taxation of RM4.6 million in FY2016. The LBT incurred in FY2016 was mainly due to the recognition of the Employees' Share Option Scheme ("ESOS") fair value of RM5.03 million. The other factors that contributed to the difference in profitability include better profit margins for cookware and clad metal and net gains in fair value of quoted shares and disposal of quoted shares of RM1.56 million and RM0.26 million respectively in FY2017. Consequently, the Group achieved a Profit After Taxation ("PAT") of RM2.07 million in FY2017 compared to a Loss After Taxation ("LAT") of RM5.02 million recorded in FY2016.

The Group's net assets per share as at 31 December 2017 increased to RM0.37. The Group's non-current assets decreased to RM53.24 million compared with the non-current assets of RM55.71 million as at 31 December 2016 due to depreciation charges and disposals of plant and equipment of the Group. Inventories increased to RM20.19 million as at 31 December 2017 due to advance purchase of raw materials. Receivables, deposits and prepayments decreased by RM1.62 million to RM3.95 million due to better collections from customers. The Group's net current assets was RM30.52 million as at 31 December 2017. The Group is in a positive net cash position as at 31 December 2017 with cash and cash equivalent of RM9.44 million after deducting all borrowings of the Group.

The Group's net operating cash inflow for FY2017 was RM3.74 million. The net cash outflow from investing activities was RM1.75 million, mainly due to acquisition of quoted shares and purchases of plant and equipment after deducting proceeds from the disposal of quoted shares and disposal of plant and equipment respectively. Net cash inflow from financing activities was RM3.63 million, mainly attributable to the proceeds from exercise of warrants. The net resultant impact to the Group's cashflow was an increase in cash of RM5.62 million during FY2017. Net cash and cash equivalents amounted to RM9.44 million as at 31 December 2017.

Management Discussion And Analysis (continued)

SALES PERFORMANCE BY DIVISION

The Group's performance by each Division for the financial year ended 31 December 2017 is as follows:

(i) Cookware

The Cookware Division's revenue for FY2017 increased slightly by RM0.10 million or 0.5% to RM19.37 million compared with the revenue achieved in FY2016 of RM19.28 million. The Group experienced lower sales of premium cookware to Japan which is the Group's major export market by 10.7% as compared to FY 2016. However, sales to the Asia Pacific countries (excluding Japan), Europe, USA and Canada improved in FY2017. The cookware revenue by geographical market for the period is as follows:

	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) RM'000	%
Japan	6,334	7,096	(762)	(10.7%)
Asia Pacific (excluding Japan)	10,799	10,117	682	6.7%
USA & Canada	1,713	1,665	49	2.9%
Europe	527	398	129	32.4%
	19,373	**19,276**	**98**	**0.5%**

(ii) Convex Mirror

The Convex Mirror Division achieved a revenue of RM12.10 million for FY2017, an increase of RM0.97 million compared with the revenue of RM11.13 million achieved in FY2016. The increase in revenue is attributed to higher overall export sales.

	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) RM'000	%
Japan	4,379	3,953	426	10.8%
Asia Pacific (excluding Japan)	4,528	4,440	88	2.0%
USA & Canada	333	292	41	14.0%
Europe	2,857	2,445	412	16.9%
	12,097	**11,130**	**967**	**8.7%**

(iii) Clad Metal

Clad Metal Division's revenue improved in FY2017 by RM0.73 million to RM8.14 million compared with the revenue achieved in FY2016 of RM7.41 million. Sales of clad metal to Asia Pacific and Europe improved in FY2017 but the orders from customers in Japan, USA and Canada were lower in FY2017.

	FY2017 RM'000	FY2016 RM'000	Increase/ (Decrease) RM'000	%
Japan	2,474	2,944	(470)	(16.0%)
Asia Pacific (excluding Japan)	2,756	1,714	1,042	60.9%
USA & Canada	-	335	(335)	(100%)
Europe	2,912	2,418	494	20.4%
	8,142	**7,411**	**731**	**9.9%**

Management Discussion And Analysis (continued)

RISK FACTORS

(i) Few Major Customers

Sales to our ten (10) largest customers accounted for approximately 61% of our total revenue in FY2017. Although we enjoy a good rapport with them, there can be no assurance that these customers will continue to procure the Group's products. Failure to maintain our business relationship or reduction in orders from these major customers may materially affect our operating results.

We attempt to mitigate any loss of customers by having integrated manufacturing capabilities to offer exclusive product design to our ODM customers. We face stringent production and operational audits by our customers as they require a reliable manufacturer to protect their brand name. These ODM customers would visit our Research and Development and manufacturing facilities and conduct stringent quality tests on the sample products before accepting us as their ODM partner. Once accepted as their ODM partner, we usually maintain long-term relationships with our customers.

We also attempt to mitigate the risk of over dependency on our existing major customers by continually seeking new customers. We would also continue to enhance our value-added services propositions, improve our service levels, making regular visits to our customers to listen and respond to their needs and feedback on the products and business concerns, broaden our products range and develop a more diversified market both locally and overseas. We have also developed our own brand of premium stainless steel multi-ply cookware, PENTOLI, for the local and overseas markets.

(ii) Competition from Overseas Players

Locally there is not much direct competition among the local stainless steel cookware manufacturers. The cookware market is segregated into three (3) different segments, namely, low-end, medium range and high-end. Our Group is positioned in the high-end segment and there is no other local stainless steel cookware manufacturer in this segment. Nevertheless, low pricing from low-end and medium range manufacturers and imported high-end cookware pose a threat to our market share.

On the global front, we face competition from a few OEM and ODM high-end stainless steel cookware manufacturers such as Spring AG (Switzerland), West Bend Cookware (USA), Regal Ware Inc (USA) and Lagostina (Italy).

In recent years there has been an increasing trend of outsourcing high-end stainless steel cookware to manufacturers in Asia, especially Malaysia, the People's Republic of China and South Korea, due to lower operating costs in these countries thus increasing the competition.

Our Directors are of the view that we possess the necessary strengths to maintain our competitiveness. Our competitive strengths include synergistic operations in the manufacturing of our raw materials – our own proprietary multi-ply clad metal, strategic partnerships with our customers via our OEM/ODM strategies, strong R&D capabilities, experienced management team, consistent high product quality, innovative designs, competitive pricing, prompt delivery and efficient production.

(iii) Shortage or Increase in Prices of Raw Materials

Our principal raw material is stainless steel sourced from Japan and aluminium which is sourced locally. We purchase our raw materials from a pool of suppliers who have an established track record and are able to provide constant supply at competitive prices promptly.

We are also exposed to the risk of increase in prices of raw materials. Notwithstanding this risk, we may still be able to maintain reasonable margins by passing the increase in cost to our customers who are familiar with raw material price fluctuations. Our management has extensive experience in purchasing raw materials to take advantage of positive price fluctuations and stock availability.

(iv) Foreign Exchange Fluctuations

We are exposed to the foreign exchange risk through our exports to other countries such as Japan, USA, Europe, Australia and the Asia Pacific. Our exports to these countries are mostly denominated in USD. Our purchases of imported raw materials are also denominated in USD. As such, we have a natural hedge against foreign currency exposure.

Management Discussion And Analysis (continued)

FUTURE PROSPECTS

Global economic growth in 2017 grew to 3.3%, the strongest result in six years. Alongside China's stellar performance and robust dynamics in the United States, the Euro area logged another period of fast economic growth and will likely continue led by domestic demand amid an improving labor market and expansionary monetary policy. In Japan, the economy marked in Q4 2017 the longest period of sustained growth in three decades.

Ample accommodative monetary policies by some of the world's key central banks and only moderate monetary tightening by others will keep financial markets overly supplied this year. Moreover, the global trade cycle enjoys good health, which is expected to persist this year. Loose monetary conditions, a tight job market and resilient trade flows should also continue to boost economic activity.

Political uncertainty in some countries such as Brazil and Italy, fears of rising protectionism particularly by the U.S., a sharp tightening in financial conditions and persistent geopolitical tensions are the main downside risks to global economic growth.

FocusEconomics panelists expect the global economy to grow 3.4% in 2018. Among developing nations, the Asia (ex-Japan) region is benefiting from strong global trade and China's resilient economic activity. With Russia's economic recovery gathering pace this year and the Euro area logging robust growth in 2017, the economic outlook for Eastern Europe continues to improve. (Source: Focus Economics).

The Group will intensify its efforts to further develop and expand existing market as well as penetrating into new markets worldwide. Among the measures undertaken and planned are the forging of new strategic partnerships, participation in trade exhibitions worldwide and introducing products other than the traditional products being transacted in existing established markets like Japan.

The partnership with Mingkeda Holding Co. Ltd. Shenzhen, China ("Mingkeda") for the distribution of PENTOLI brand cookware products and our stainless steel convex mirrors in China has taken off and expected to bear fruits in FY2018. Ni Hsin and Mingkeda are working aggressively on the marketing platforms both conventional and digital to reach out to the consumers in China. We are also aggressively building the foundations through digital and e-commerce technology to pursue the local market as well as Indonesia for the PENTOLI brand.

The inner rice bowl, a healthy replacement for the common aluminium rice cooker bowl, is being aggressively promoted to the Japan and South East Asian markets. Besides selling the rice bowl product, we are also targeting to supply our clad metal to the manufacturers of these rice bowls. We are currently working on a new segment of the cookware market, the Food and Beverage Segment, to supply our commercial series of pressure cookers and cooking pots in Malaysia and Singapore.

As for the Convex Mirrors we have developed a new version of coated Convex Mirror with unique characteristics such as environment friendliness, scratch proof, heat resistant, antibacterial and anti-fog. This product is currently targeted at Japan and Europe.

Board of Directors' Profile

SOFIYAN BIN YAHYA
Independent Non-Executive Chairman

Sofiyan Bin Yahya, a Malaysian, aged 60, male, was appointed as our Independent Non-Executive Chairman on 22 November 2017. He serves as the Chairman of the Nomination Committee, Chairman of the Remuneration Committee and is a member of the Audit and Risk Management Committee.

Sofiyan holds a Bachelor Degree in Mechanical Engineering from the City University of London. He is a Chartered Engineer and is an associate fellow from the Institute of Marine Engineering, Science and Technology (IMAREST), UK. He is also a fellow member from the Institute of Materials Malaysia (IMM).

Sofiyan has more than thirty-five (35) years of experience in the oil and gas industry in Malaysia as well as in other countries. He began his career in 1979 as a graduate engineer in the Production Department of PETRONAS. In 1980, he joined Pappos Sdn Bhd as Mechanical Engineer which involved in various projects in palm oil mills, boilers and metering system to pressure vessels. Subsequently, he joined Solus Oceaneering Sdn Bhd in 1985 as Area Manager, East Malaysia with responsibility to manage the branch in East Malaysia as the leading diving services contractor in Malaysia. From 1986 until 1993, he was the General Manager of Atkins Inspection Services Sdn Bhd (merged as Oilfield Inspections Services Sdn Bhd later) whereby he was managing the overall management of the company. Subsequently, he joined KNM Group Bhd as Vice President where he was responsible for business development locally and internationally.

Currently, Sofiyan is the Chief Executive Officer of SEAMOG Group Sdn Bhd, Executive Chairman and founder of Cekap Technical Services Sdn Bhd and Chairman of Jord Malaysia Sdn Bhd.

Sofiyan did not attend any Board meetings held in the financial year as he was only appointed after all the Board meetings held during the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

NG SHWU CHING
Executive Director

Ng Shwu Ching, a Malaysian, aged 50, female, was appointed as our Executive Director on 19 March 2005. She graduated from Cheng Chi University in Taiwan with a Bachelor of Finance. She also holds a Diploma in Taxation from Help Institute and Master in Finance from RMIT University obtained in 2002.

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

Ms Ng is currently responsible for the overall day-to-day operations which include business development and marketing operations, finance, accounting, secretarial, administrative, production and human resource functions of our Group.

Ms Ng attended all the five (5) Board meetings held in the financial year. Other than Ni Hsin Resources Berhad, she does not hold any other directorship in any other public company and listed issuer in Malaysia. She does not have any family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Board of Directors' Profile (continued)

RIZVI BIN ABDUL HALIM
Executive Director

Rizvi Bin Abdul Halim, a Malaysian, aged 48, male, was first appointed as our Independent Non-Executive Director on 10 October 2014 and was subsequently re-designated as Independent Non-Executive Chairman on 1 March 2017. On 22 November 2017, he was re-designated as Executive Director.

Rizvi holds a Master of Business Administration from Ohio University USA and a Bachelor of Science Degree in Business Administration from Indiana State University USA. He also holds a Diploma in Hotel Management from Universiti Teknologi MARA (UiTM). Whilst in UiTM, he underwent the Reserve Officer Training Unit (ROTU) programme and was commissioned as a second lieutenant army officer.

Rizvi has vast experience in corporate banking, corporate finance, capital market and syndication, and capital market regulations. He held the position of Account Manager in the Corporate Banking Department of Bank Bumiputra Malaysia Berhad (now known as Hong Leong Investment Bank) from 1995 to 1996. From 1997 to 2000, he was the Assistant Manager in the Capital Markets & Syndications Department of Malaysian International Merchant Bankers Berhad (now known as MIMB Investment Bank Berhad). He joined Securities Commission Malaysia in 2000 and held the position of Senior Manager in the Equities-Corporate Finance Department until 2012.

Currently, Rizvi sits on the Board of Ideal Jacobs (Malaysia) Corporation Berhad as an Independent Non-Executive Director, a company listed on Bursa Malaysia Securities Berhad. He is also the shareholder and Director of Cascade Crest Sdn Bhd, a company involved in construction and engineering work. He is primarily responsible on the project initiation and management functions of the company.

Rizvi attended all the five (5) Board meetings held in the financial year. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company or listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

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

Datin Ida Suzaini Binti Abdullah, a Malaysian, aged 57, female, was appointed as our Executive Director on 10 October 2014 and was subsequently re-designated as Non-Independent Non-Executive Director on 1 April 2017. She holds a Master of Business Admin Certificate of Achievement from University of Heriot Watt, United Kingdom and Bachelor of Science (Hons) Geology from University of Malaya.

Datin Ida has experience in Oil and Gas sector. She was an advisor for Persada Nuri Sdn Bhd from 2006 to 2008. From 1995 to 2005, she was a dealer representative for US Desk Stockbroker in Rashid Hussain Securities. From 1994 to 1995, she was one of the top 5 stockbrokers in Sarawak Securities Sdn Bhd. She joined Sarawak Shell Berhad from 1984 to 1994 as seismic interpreter, exploration geologist and wellsite geologist. She was the Head of Research in copper and gold open pit mine for Overseas Mineral Resources Development.

Datin Ida attended all the five (5) Board meetings held in the financial year. Other than Ni Hsin Resources Berhad, she does not hold any other directorship in any other public company and listed issuer in Malaysia. She does not have any family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

DATUK TAN CHOON HWA
Independent Non-Executive Director

Datuk Tan Choon Hwa, a Malaysian, aged 60, male, was appointed as our Non-Independent Non-Executive Director on 21 January 2015 and was subsequently re-designated as Independent Non-Executive Director on 22 November 2017.

Datuk Tan is a businessman with twenty (20) years of experience in various industries such as timber, mining, hotel resort, housing, land development and finance investment holding. He is the Executive Chairman of TCH Group. He also holds directorships in Wazlian Group. He also holds other chairmanships in several associations, President Malaysia – China Chamber of Commerce (Kelantan Branch) and Centre Committee.

Currently, Datuk Tan sits on the Board of SMTrack Berhad as an Executive Director, MGB Berhad (formely known as ML Global Berhad) as an Independent Non-Executive Director and Sand Nisko Capital Berhad (formerly known as Len Cheong Holding Berhad) as an Independent Non-Executive Director, all of which are companies listed on Bursa Malaysia Securities Berhad.

Datuk Tan attended three (3) out of five (5) Board meetings held in the financial year. Except for the Directorships as disclosed above, he does not hold any other Directorship in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Board of Directors' Profile (continued)

LEOW CHAN KHIANG
Independent Non-Executive Director

Leow Chan Khiang, a Malaysian, aged 51, male, was appointed as our Independent Non-Executive Director on 26 October 2015. He serves as the Chairman of the Audit and Risk Management Committee and is a member of the Nomination Committee and Remuneration Committee.

Mr Leow is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. He obtained a Bachelor Degree in Economics from the University of Malaya in 1990 and a Master's degree in Business Administration from Universiti Utara Malaysia in 1999.

Mr Leow began his career in 1991 as an executive in Hong Leong Bank Berhad and was promoted to Assistant Manager in 1994. In 1996, he left Hong Leong Bank Berhad and joined Malaysian International Merchant Bankers Berhad as an Assistant Manager where he was responsible for various corporate fund raising exercises as well as general advisory work until 2001. Subsequently, he joined a logistic company until 2002. In 2002, he joined CAB Cakaran Corporation Berhad ("CAB") as a Director of Corporate Finance, and subsequently, was appointed as an Executive Director in 2003 where he was responsible for corporate planning, accounting and tax as well as joint-venture matters. He resigned from his position as an Executive Director of CAB in 2007 and was appointed to the Board of SLP Resources Berhad as Non-Independent Non-Executive Director in the same year.

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

Mr Leow attended all the five (5) Board meetings held in the financial year. Except for the Directorships as disclosed above, he does not hold any other Directorship in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

RITHAUDDIN HUSSEIN JAMALATIFF BIN JAMALUDDIN
Independent Non-Executive Director

Rithauddin Hussein Jamalatiff Bin Jamaluddin, a Malaysian, aged 53, male, was appointed as our Independent Non-Executive Director on 1 March 2017. He serves as a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Rithauddin holds a Bachelor Degree in Law (L.L.B. Honours) from the University of Buckingham and a Certificate of Legal Practice from Universiti of Malaya. He is a lawyer by profession and co-founder of Rithauddin and Azlin, a legal firm in Kuala Lumpur established in May 1992.

He sits on the Board of ES Ceramics Technology Berhad, a company listed on Bursa Malaysia Securities Berhad as an Independent Non-Executive Director.

Rithauddin attended all the four (4) Board meetings held in the financial year since his date of appointment. Except for the Directorship as disclosed above, he does not hold any other Directorship in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company, and has not been convicted of any offences (other than traffic offences, if any) within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2017.

Key Senior Management Profile

KHOO CHEE KONG
Managing Director
Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, Inoco Resources Sdn Bhd, Pentoli Sdn Bhd and MyAngkasa Ni Hsin Sdn Bhd.

Khoo Chee Kong, a Malaysian, aged 56, male, was appointed as Managing Director of the subsidiary companies of the Group namely, Ni Hsin Corporation Sdn Bhd, Ever-Grow Advanced Materials Sdn Bhd, both on 1 October 2016, Inoco Resources Sdn Bhd on 5 December 2016, Pentoli Sdn Bhd on 31 January 2017 and MyAngkasa Ni Hsin Sdn Bhd on 23 October 2017. He is overseeing the operations of these companies.

He is an Accountant by training. He began his career with Messrs. BDO Binder in 1979 as an Audit Assistant and was subsequently promoted as an Audit Senior in 1980. He left Messrs. BDO Binder and subsequently joined United Industries group of companies as an Internal Auditor in 1981. While he was with United Industries group of companies, he was seconded to its subsidiaries holding various finance related positions. He joined Kopenda Holdings Sdn Bhd as Financial Accountant in 1984, Innovest Hart Engineering Sdn Bhd as the Finance Manager in 1988 and Lyman Group of Indonesia as the Head of Corporate Finance and Business Development Department in 1990.

He gained wide business and financial experience in both the domestic and international market place from his previous employments, he started the Kyeros Kebab business in 1997 which soon grew into an international fast food chain. Kyeros Kebab then merged with CAB Cakaran Corporation Group Berhad (“CAB”) and was listed in the Bursa Malaysia Stock Exchange in 2003. He was an Executive Director of CAB from 2003 to 2006.

He is a major shareholder of the Company. He is not a Director in any other public company and listed issuer in Malaysia. He does not have any family relationship with any Director and/or other major shareholder of the Company, nor does he have any conflict of interest with the Company. He has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

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

Lim Kam Ten, a Malaysian, aged 45, male, graduated from Takushoku University in Japan with a Degree in Bachelor of Arts in Commerce. He joined Ni Hsin Corporation Sdn Bhd in 1999 as an Assistant Officer in Sales & Marketing Department, in charge of the market development and customer service for Japan and Asian countries in respect of cookware.

In 2014, he was also tasked with the sales and marketing of convex mirrors and clad metals in Ever-Grow Advanced Materials Sdn Bhd. During his tenure of service, he has successfully developed major customers and/or markets for stainless steel cookware, convex mirror, non-stick cookware and clad metal products.

Recognised for his outstanding performance, he was promoted to the position of Business Development Executive in February 2004 and subsequently on 1 September 2006, to his current position of Market Development Manager.

Mr Lim does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHIA HOON ANG
Quality Management Manager
Ni Hsin Corporation Sdn Bhd

Chia Hoon Ang, a Malaysian, aged 42, female, joined Ni Hsin Corporation Sdn Bhd in 1999 as an Assistant Officer immediately after her graduation from University Putra Malaysia with Bachelor of Science.

She obtained further qualification as a Lead Auditor from Authorised Registered Authority in 2000. She gained vast experience in multi disciplines working in various positions in Quality Assurance, Document Control Center, and as Secretary to the General Manager.

Ms Chia was actively involved in several main projects in Ni Hsin Corporation Sdn Bhd which included re-organising the operations in the Quality Assurance (“QA”) Section in 2004 and shop-floor re-engineering in 2005. She was promoted to QA Manager in 2007. On 1 January 2017, she was appointed as the Head of QA to oversee the functions of the Quality Management System, Quality Assurance and Production Engineering.

She was also appointed as the Chairman of the Safety & Health Committee for the period 2009 to 2011 and Employee Welfare and Sports (EWS) Chairman for year 2012. She is also a First Aid Team member since 2012.

Ms Chia does not have any family relationship with any Director and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She is not a Director in any other public company and listed issuer in Malaysia. She has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Key Senior Management Profile (continued)

HOO YOKE FONG
Human Resources and General Affairs Manager
Ni Hsin Corporation Sdn Bhd and Ever-Grow Advanced Materials Sdn Bhd

Hoo Yoke Fong, a Malaysian, aged 45, female, joined Ni Hsin Corporation Sdn Bhd in 1991 as Production Assistant after completing her secondary studies. In 1992, she was promoted as Secretary to Factory Manager. With her initiative and astute learning capability, she accumulated various experience and skills in production, secretarial, purchasing and human resource functions. She was appointed as Secretary to the General Manager in 1996. Capitalising on her multi-skills, she took on the position of Human Resource and General Affairs Executive in 2001. She obtained a Diploma in Business Administration from the Institute of Business Administration and Management through her part-time studies in the same year. Ms Hoo was promoted to her current position of Human Resource and General Affairs Manager on 1 May 2012.

She was awarded with the Best Employee and Perfect Attendance accolades throughout her years of service with the Group. She was also appointed as the Safety & Health Committee Chairman for the period from 2012 to 2014.

Ms Hoo does not have any family relationship with any Director and/or major shareholder of the Company, nor does she have any conflict of interest with the Company. She is not a Director in any other public company and listed issuer in Malaysia. She has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PHUAH YEW HOCK
Management Information System Manager
Ni Hsin Corporation Sdn Bhd and Ever-Grow Advanced Materials Sdn Bhd

Phuah Yew Hock, a Malaysian, aged 44, male, graduated with a Diploma in Information Technology from Informatics College. He joined the Group in 2000 as Management Information Senior Officer and on 1 February 2001, he was promoted to Management Information System Manager.

He has more than ten (10) years of experience in system design, system analysis, system integration and Enterprise Resource Planning project implementation.

Prior to joining the Group, he worked in Bristol Trading Sdn Bhd as an Assistant Information Technology (IT) Manager, where he was responsible for the overall IT project implementation and technical support.

Mr Phuah is also a member of the Emergency & Evacuation Team Member since the year 2009.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

TAI FOOT NEE
Production Manager
Ni Hsin Corporation Sdn Bhd

Tai Foot Nee, a Malaysian, aged 50, male, joined Ni Hsin Corporation Sdn Bhd in 2006 as a Trainee Production Control Executive.

He had accumulated more than ten (10) years' experience in leading the production function rising through the ranks to his current position as Production Manager on 1 May 2012.

Mr Tai was the Emergency & Evacuation Team Leader from 2015 to 2016 and was appointed as Chairman for the Safety & Health Committee for the period from 2017 to 2018.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

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

Yeo Boon Kwong, a Malaysian, aged 39, male, graduated from Tunku Abdul Rahman College with a Degree in Information System Engineering. He joined Ni Hsin Corporation Sdn Bhd in 2001 as Management Information System Assistant and in 2005, he was transferred to Ever-Grow Advanced Materials Sdn Bhd as Production Control Officer.

He had accumulated more than ten (10) years' experience in the production function and in 2017 he was promoted to the position of Assistant Production Manager to lead the clad metals and convex mirrors production department. Besides that, he is also overseeing the inventory management and purchasing of raw materials.

Mr Yeo is a member of the Safety & Health Committee and also Emergency & Evacuation Team Member.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor does he have any conflict of interest with the Company. He is not a Director in any other public company and listed issuer in Malaysia. He has not been convicted of any offences (other than traffic offences, if any), within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Ni Hsin Resources Berhad ("NHR" or "the Company") is pleased to present its statement on corporate governance ("CG") practices of the Company during the financial year 2017. The Board in leading the Company in its CG practices is guided by the principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

This statement is prepared in compliance with Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and guided by Practice Note 9 of the MMLR and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Berhad. This Corporate Governance Overview Statement should also be read together with the CG Report 2017 of the Company ("CG Report") which is available on NHR website: www.ni-hsin.com as well as via an announcement on the website of Bursa Malaysia Securities Berhad and in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit and Risk Management Committee ("ARMC") Report and Corporate Sustainability Statement) as the application of certain governance enumerations may be more evidently expressed in the context of the respective statement.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1 Board Responsibilities

The Group is headed by an experienced and effective Board. The Board assumes overall responsibility in leading the strategic direction, future expansion, corporate governance, risk management, human resource planning and development, investments made by the Company and overseeing the proper conduct of business of the Group.

In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees, namely ARMC, Nomination Committee ("NC") and Remuneration Committee ("RC") which operate within defined Terms of Reference. The Chairman of the respective Board Committees report to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary.

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

Name	Board	ARMC	NC	RC
Sofiyan Bin Yahya [a] *Independent Non-Executive Chairman*	N/A	N/A	N/A	N/A
Chen Shien Yee [b] *Managing Director*	4/4	-	-	-
Rizvi Bin Abdul Halim *Executive Director*	5/5	5/5	2/2	1/1
Ng Shwu Ching *Executive Director*	5/5	-	-	-
Datin Ida Suzaini Binti Abdullah *Non-Independent Non-Executive Director*	5/5	-	-	-
Datuk Tan Choon Hwa *Independent Non-Executive Director*	3/5	-	-	-
Md Nazir Bin Md Kassim [c] *Independent Non-Executive Director*	0/1	0/1	N/A	N/A
Leow Chan Khiang *Independent Non-Executive Director*	5/5	5/5	2/2	1/1
Rithauddin Hussein Jamalatiff Bin Jamaluddin [d] *Independent Non-Executive Director*	4/4	4/4	2/2	1/1

<u>Remarks:</u>

[a] Appointed on 22 November 2017
[b] Demised on 4 October 2017
[c] Resigned on 1 March 2017
[d] Appointed on 1 March 2017

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

1 Board Responsibilities (continued)

In February and March 2018 the Board Charter, Terms of Reference of the Board Committees and the Code of Conduct were tabled and approved by the Board to be in line with the CG practices set out in the MCCG.

The Chairman oversees the Board in the effective discharge of its supervisory role emphasising on governance and compliance. The position of the Chairman and Chief Executive Officer/Managing Director are held by different individuals. The Chairman is an Independent Non-Executive Director.

The Board is supported by qualified and competent Company Secretaries. The Board has direct access to the advice and services of the Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures, corporate governance and compliance with the relevant regulatory requirements and legislations. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.

2 Board Composition

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

The Board currently has seven (7) members, comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Executive Directors. This complies with Paragraph 15.02 of the MMLR which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors. The Board has further applied Practice 4.1 of MCCG on more than half of the Board is comprised of Independent Directors. There was 28% women representation on the Board for a period of ten (10) months in 2017 (from March to December 2017). The Board will justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for a cumulative period of more than nine (9) years.

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

(a) Recommended to the Board the appointment of Encik Sofiyan Bin Yahya and Encik Rithauddin Hussein Jamalatiff Bin Jamaluddin as Independent Non-Executive Chairman and Independent Non-Executive Director respectively after having considered, amongst others, the following criteria:-

- education background;
- skills, knowledge, expertise and experience; and
- possibility of conflict-of-interests.

(b) Recommended to the Board the re-designation of Encik Rizvi Bin Abdul Halim as Independent Non-Executive Chairman, followed by Executive Director after having considered his qualification, character, experience, integrity, competency and time commitment.

(c) Recommended to the Board the re-designation of Datuk Tan Choon Hwa as Independent Non-Executive Director after having reviewed his character, experience, knowledge, integrity, competency and time commitment.

(d) Reviewed and recommended to the Board the re-designation of Datin Ida Suzaini Binti Abdullah as Non-Independent Non-Executive Director after having reviewed her character, experience, knowledge, integrity, competency and time commitment.

(e) Reviewed and recommended to the Board the appointment of Chairman/member to the RC, NC and ARMC.

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

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

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

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

2 Board Composition (continued)

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

(j) Evaluated the performance of Mr Chen Shien Yee, Datin Ida Suzaini Binti Abdullah, and Encik Rizvi Bin Abdul Halim and recommended their re-election at the Thirteenth Annual General Meeting ("AGM") of the Company to the Board.

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

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

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

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

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

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

(1) Ms Ng Shwu Ching (Article 90)
(2) Datuk Tan Choon Hwa (Article 90)
(3) Encik Sofiyan Bin Yahya (Article 97)

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

The Board has put in place Code of Conduct and Whistle Blowing Policies and Procedures to promote an environment of integrity and ethical behaviour within the Group.

3 Remuneration

In determining the remuneration of the Directors and Senior Management, the Company's objective is to provide fair and competitive remuneration to its Board and/or Senior Management in order for the Company to benefit by attracting and retaining a high quality team. The RC is authorised by the Board to seek appropriate professional advice within and outside the Group.

Mr Chen Shien Yee, the former Group Managing Director is the employee of the Group. During the financial year under review, the Group paid salaries (inclusive contributions to state plans) of RM199,000 and benefits-in-kind of approximately RM8,000 for his services. Ms Ng Shwu Ching, the Executive Director is also the employee of the Group. During the financial year under review, the Group paid salaries (inclusive contributions to state plans) of RM514,000 and benefits-in-kind of approximately RM24,000 for her services.

Corporate Governance Overview Statement
(continued)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

3 Remuneration (continued)

Details of the remuneration of Directors (both the Company and the Group) who served during the financial year ended 31 December 2017 are as follows:

The Group

Name	Fees (RM'000)	Meeting Allowance (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)
Rizvi Bin Abdul Halim	54	-	-	-	-
Datin Ida Suzaini Binti Abdullah	42	-	-	-	-
Sofiyan Bin Yahya	5	-	-	-	-
Datuk Tan Choon Hwa	36	-	-	-	-
Md Nazir Bin Md Kassim	6	-	-	-	-
Leow Chan Khiang	42	-	-	-	-
Rithauddin Hussein Jamalatiff Bin Jamaluddin	30	-	-	-	-

The Company

Name	Fees (RM'000)	Meeting Allowance (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Other emoluments (RM'000)
Rizvi Bin Abdul Halim	54	-	-	-	-
Datin Ida Suzaini Binti Abdullah	42	-	-	-	-
Sofiyan Bin Yahya	5	-	-	-	-
Datuk Tan Choon Hwa	36	-	-	-	-
Md Nazir Bin Md Kassim	6	-	-	-	-
Leow Chan Khiang	42	-	-	-	-
Rithauddin Hussein Jamalatiff Bin Jamaluddin	30	-	-	-	-

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

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1 ARMC

The ARMC comprises three (3) Independent Non-Executive Directors. The Chairman of the ARMC is an Independent Non-Executive Director. The ARMC assesses the performance (including independence) and recommends to the Board annually the appointment or re-appointment of the external auditors guided by the factors as prescribed under Paragraph 15.21 of the MMLR.

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

Corporate Governance Overview Statement
(continued)

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

2 Risk Management and Internal Control Framework

The Board acknowledges the significance of a sound system of risk management and internal control to manage the overall risk exposure of the Group. The Group has an internal audit function which is outsourced to IBDC (Malaysia) Sdn Bhd and reports directly to the ARMC. Details of the internal audit function together with the staffs of the Group's internal control are set out in the Statement on Risk Management and Internal Control and ARMC Report of the Annual Report 2017. The Board affirms its overall responsibility with established and clear functional responsibilities and accountabilities which are carried out and monitored by the Risk Management Committee ("RMC"). The Risk Management Committee has been renamed to Risk Management Working Committee and reports directly to the ARMC. The adequacy and effectiveness of the internal controls and risk management framework were reviewed by the ARMC. The Board is satisfied with the performance of the RMC and ARMC in discharging their responsibilities in accordance with the Terms of Reference.

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

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

1 Communication with Stakeholders

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

The Company has put in place a Code of Conduct on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

The Code of Conduct has been revised on 22 February 2018 to include prohibited activities or misconduct involving gifts, gratuities, bribes and corruption, insider trading and money laundering.

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

2 Conduct of General Meetings

The Company's AGM is the principal forum for dialogue with its shareholders, as it provides shareholders the opportunity to ask questions about the resolutions being proposed or about the Group's operations in general. The Share Registrar is available to attend to matters relating to shareholders' interests. At the 13th AGM, all Directors (except for Mr Chen Shien Yee and Datin Ida Suzaini Binti Abdullah) were present in person to engage directly with and be accountable to the shareholders for their stewardship of the Company. The Directors and external auditors were in attendance to respond to the shareholders' queries.

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

Notice of the 13th AGM and Annual Report are sent out to shareholders more than 28 days before the date of the AGM. The voting at the 13th AGM was conducted by way of poll.

Corporate Governance Overview Statement
(continued)

PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors (except for Encik Sofiyan Bin Yahya who was appointed on 22 November 2017) have successfully completed the Mandatory Accreditation Programme. Encik Sofiyan Bin Yahya has registered to attend the Mandatory Accreditation Programme scheduled to be held on 9 and 10 April 2018. The NC and Directors will continue to identify and attend appropriate seminars, conferences and courses to keep abreast of changes in market, legislations and regulations affecting the Group. The Directors are also committed to continue to undergo other relevant training programmes and seminars whether in-house or external to keep abreast with the developments of the business environment and further enhance their skills and knowledge.

During the financial year ended 31 December 2017, the Directors have attended various training programmes and seminars, amongst others, the following:-

- Release of The Malaysian Code on Corporate Governance
- Share Capital at No Par Value, Share Buyback and Redeemable Preference Share: Accounting Implications
- Companies Act 2016: Key Revamp Updates With Integrated Tax Planning Opportunity
- Corporate Disclosure Framework & Directors Disclosure Obligations Under Listing Requirements
- GST Audit Framework
- Goods And Services Tax (“GST”) Workshop: Latest Developments & Uncovering The Truth About GST Audits
- Corporate Governance and Listing Requirements Market Talk
- MFRS Updates
- KPMG Penang Tax Summit 2017
- Workshop on Driving Financial Integrity and Performance - Enhancing Financial Literacy for Audit Committee
- Effective Internal Audit Function for Chief Internal Auditor (CIA) Workshop

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

During the year, the Board has escalated its efforts to the following key areas:-

(1) Boardroom Independence

During the year 2017, the Board has appointed Encik Sofiyan Bin Yahya and Encik Rithauddin Hussein Jamalatiff Bin Jamaluddin as Independent Directors of the Company.

(2) Board and Board Committees

The Board has further reviewed and revised the Board Charter and Terms of reference of the Board Committees to guide the governance and conduct of the Board and committees.

The Company will focus on improving the internal control and risk management system.

This CG Overview Statement was approved by the Board of Directors of NHR on 22 March 2018.

Additional Compliance Information

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

1.1 UTILISATION OF PROCEEDS

A total of approximately RM4.49 million was raised from the exercise of the Company's warrants during the financial year. The proceeds were utilised for working capital purposes of the Group.

1.2 AUDIT FEE AND NON-AUDIT FEES

During the financial year, the amount incurred by the Company and by the Group in respect of audit fees and non-audit related fees for services rendered by the external auditors are as follows:-

	Company (RM'000)	Group (RM'000)
Audit services	30	148
Non-audit services	26	68
Total	**56**	**216**

The non-audit services comprised the following assignments:-

a) Review of the Statement of Risk Management and Internal Control
b) Tax compliance services
c) Review of oversea subsidiaries management accounts for the financial year ended 31 December 2017
d) Review of MFRS 15 and MFRS 9

1.3 MATERIAL CONTRACTS

There were no material contracts or loans entered into by the Group involving interests of Directors, Chief Executives and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

1.4 EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company had at the Extraordinary General Meeting held on 18 May 2016 obtained its shareholders' approval to establish an ESOS of up to 15% of the issued capital (excluding treasury shares) of the Company for the eligible employees and Directors of the Group at any point of time during the tenure of the ESOS. The ESOS was implemented on 13 June 2016. There were no options granted to any person during the financial year.

The ESOS has been terminated on 23 January 2018.

1.5 REVALUATION POLICY ON LANDED PROPERTIES

The Group elected to measure the landed properties using the revaluation model under Malaysian Financial Reporting Standards (MFRS) 116 Property, Plant and Equipment.

The Group revalues its property comprising freehold land and factory buildings every five (5) years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. The latest revaluation was carried out in December 2016.

1.6 RECURRENT RELATED PARTY TRANSACTIONS

At the Thirteenth AGM held on 23 June 2017, 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 2017 are disclosed in Note 27 of the financial statements on pages 90 to 91 of this Annual Report.

Audit and Risk Management Committee Report

1. MEMBERS

The Audit Committee was established on 21 March 2005 and subsequently renamed to Audit and Risk Management Committee ("ARMC") on 22 February 2018. Its Terms of Reference is consistent with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance ("the Code"). A detailed Terms of Reference of the ARMC has been drawn up and approved by the Board and is available online in the Investor Relations section of the Company's website at www.ni-hsin.com. The Terms of Reference of the ARMC is reviewed annually by the ARMC. Any revision or amendment shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of the Terms of Reference and the Terms of Reference shall be considered duly revised or amended. The Terms of Reference of the ARMC was updated on 29 March 2017 and on 22 February 2018.

During the financial year ended 31 December 2017, the ARMC held a total of five (5) meetings. The members of the ARMC together with their attendance are set out below:-

Name	Position	Attendance
Leow Chan Khiang	Chairman (Independent Non-Executive Director)	5/5
Rizvi Bin Abdul Halim+	Member (Independent Non-Executive Director)	5/5
Rithauddin Hussein Jamalatiff Bin Jamaluddin*	Member (Independent Non-Executive Director)	4/4
Md Nazir Bin Md Kassim^	Member (Independent Non-Executive Director)	0/1
Sofiyan Bin Yahya#	Member (Independent Non-Executive Director)	N/A

+ Resigned on 22 November 2017 following his re-designation as Executive Director
* Appointed on 1 March 2017
^ Resigned on 1 March 2017
# Appointed on 22 November 2017

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

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

During the financial year ended 31 December 2017 in line with the Terms of Reference, the ARMC carried out the following work in discharging its function and duties:-

2.1 Financial Reporting

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

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

2.2 Related Party Transactions and Conflict of Interest

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

2.3 External Audit

a) met with the external auditors during the year to review the external auditors' independence, scope of work and the audit plan, their audit fees, the results of their examination in the external audit reports and management's responses, as well as weaknesses in the internal control;

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

Audit and Risk Management Committee Report
(continued)

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

2.3 External Audit (continued)

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

d) met with the external auditors on the updates of new Malaysian Financial Reporting Standards ("MFRS") and the impact on the Group as well as new developments on regulatory requirements; and

e) met with the external auditors (without the presence of the Management staff or any Executive Directors) for the financial year ended 31 December 2017 on the following dates:
- 21 February 2017 to discuss audit findings for the financial year ended 31 December 2016; and
- 21 November 2017 to discuss Audit Plan and Strategy for the financial year ending 31 December 2017.

2.4 Internal Audit

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

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

c) met with the internal auditors (without the presence of the Management staff or any Executive Directors) for the financial year ended 31 December 2017 on the following dates:
- 21 February 2017 to discuss the Internal Audit Strategy and Planning Memorandum;
- 23 August 2017 to discuss the internal audit findings;
- 21 November 2017 to discuss the internal audit findings; and

d) reviewed the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.

2.5 Other

a) reviewed the Audit Committee Report, Statement on Risk Management and Internal Control, Corporate Governance Statement and Corporate Sustainability Statement before submission to the Board for consideration and approval for inclusion in the Company's Annual Report for the financial year ended 31 December 2016; and

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

3. TRAINING

During the financial year ended 31 December 2017, the ARMC Chairman and the members attended the following training programmes, seminars, forums and discussions relating to business, corporate governance, law, accounting, finance, taxation and economy to enhance their knowledge to enable them to discharge their duties more effectively:-

- GST Audit Framework
- Goods and Services Tax Workshop: Latest Developments & Uncovering The Truth About GST Audits
- Corporate Governance and Listing Requirements Market Talk
- MFRS Updates
- KPMG Penang Tax Summit 2017
- Driving Financial Integrity and Performance – Enhancing Financial Literacy for Audit Committees

Audit and Risk Management Committee Report
(continued)

4. INTERNAL AUDIT FUNCTION

The Group recognises that an internal audit function is essential in ensuring the effectiveness of the Group's system of internal control and is an integral part of the risk management process.

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

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

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

The scope of work, as approved by the ARMC, was essentially based on the risk profiles of companies in the Group, where areas of higher risk were included for internal audit. The internal audit covered key operational, financial and compliance controls, including the risk management process deployed by Management. Audit findings and areas of concern that need improvements were highlighted in the internal audit reports and reviewed at the ARMC meetings. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. The Internal Auditors conducted follow-up audits on key engagement to ensure that the corrective actions were implemented appropriately. During the Board meetings, the Chairman of the ARMC briefed the Board on audit matters and the minutes of the ARMC meetings were duly noted by the Board.

The cost incurred in outsourcing of the internal audit function to an independent professional firm during the financial year amounted to approximately RM50,000 which included expenses.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors is pleased to present the following Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2017 in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

RESPONSIBILITY

The Board acknowledges the importance of maintaining a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets. Accordingly, the Board affirms its responsibility for the Group's system of risk management and internal control and its commitment to review its effectiveness, adequacy and integrity. The Group's existing system of internal control includes financial, operational and compliance controls and risk management procedures. Due to the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The Board also recognises that a sound system of risk management and internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

For the reporting period the Board has received assurance from the Managing Director of major subsidiaries and the Executive Director (who is in charge of Financial and Corporate Affairs) who are members of the Risk Management Committee ("RMC") that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. Following the review of the risk management and internal control system in accordance with the guidelines for directors on risk management and internal control, the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies, it was decided that the functions of the RMC shall come under the purview of the Audit Committee ("AC"). The AC was then renamed Audit and Risk Management Committee ("ARMC") on 22 February 2018 and the RMC was renamed Risk Management Working Committee ("RMWC") reporting to the ARMC and carries out the first line of defence in risk management activities as described below.

The ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies is further elaborated in the following paragraphs.

RISK MANAGEMENT

The Board and Management are mindful of measures required to identify risks residing in any major proposed transactions, changes in nature of activities or venturing into new operating environment.

The Group operates a risk management framework in which the Board assumes overall responsibility with established and clear functional responsibilities and accountabilities under two lines of defence for the management of risk.

The first line of defence of risk management activities were carried out by the Group's RMWC which comprises of Executive Directors. The RMWC is currently chaired by Mr Khoo Chee Kong (Managing Director of major subsidiaries). As part of the Risk Management process, a Registry of Risk and a risk management policy was maintained during the period to identify principal business risks and updated for on-going changes in the risk profile. The risk management policy summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concept. The respective heads of departments are entrusted to identify risks and to ensure that adequate control systems are implemented to mitigate significant risks faced by the Group. Significant risk factors identified are reported to the Board for further elaboration and strategic decision making.

Key management staff and Heads of Department are delegated with the responsibility to manage risks of their respective areas of responsibilities. They are also responsible for creating a risk-awareness culture within the organisation to ensure greater understanding of the importance of risk management and that its principles are embedded in key operational processes. In the periodic management meetings, key risks and mitigating controls are deliberated. Significant risks affecting the Group's strategic and business plans are then escalated to the Board and discussed at their scheduled meetings.

The second line of defence is the Group's Internal Audit function, which is currently outsourced to an independent firm of professional internal auditors that reports directly to the ARMC. The ARMC provides independent assurance of the adequacy and reliability of the risk management processes and system of internal controls.

Statement on Risk Management and Internal Control (continued)

INTERNAL AUDIT FUNCTION

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

The Board is fully aware of the importance of the internal audit function and has outsourced this function to an independent professional service firm, namely IBDC (Malaysia) Sdn Bhd ("IBDC") to provide an independent assurance the Board requires on the effectiveness and efficiency of the Group's system of internal control.

Details of the audit personnel from IBDC that carried out the internal audit work for the financial year ended 2017 are as follows:-

Name	Qualification & Accreditation
Yeoh Chin Hoe *Director-In-Charge*	• IIAM Chartered Audit Committee Director (No. 0039) • Fellow of Association of Chartered Certified Accountant (ACCA) • Member of Malaysia Institute of Accountants (MIA) • Member of Malaysia Institute of Certified Public Accountants (MICPA) • Master Degree in Business Administration (General Management)
Ghitha Kerubanandan *Consultant*	• IIAM Associate Member (No. 211255) • Bachelor of Accounting (Hons.)
Oon Yee Juin *Associate Consultant*	• IIAM Associate Member (No. 211253) • Bachelor of Corporate Administration (Hons.)

The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles from the comprehensive risk assessment of the specific business units of the Group. Scheduled internal audits are carried out by the internal auditors based on the annual internal audit plan presented to and approved by the ARMC. On a quarterly basis, the internal auditors present to the ARMC the internal audit reports which summarise the audit approach, scope, key risks, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The cost of internal audit function for the financial year ended 31 December 2017 was approximately RM50,000, which included expenses.

The review of the adequacy and effectiveness of the risk management and internal control process has been undertaken by the internal audit function, and necessary actions have been taken to remedy significant failing or weaknesses identified for the financial year 2017.

THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The system is designed to manage the principal risks attributed to the Group's operations and due to the limitations that are inherent in any system, the Board takes cognizance that the system can only provide reasonable but not absolute assurance against material loss or misstatement.

The key elements of the Group's internal control system are as follows:-

- An organisational structure with defined responsibilities and delegation of authorities for Committees of the Board and Operational Committees;
- Company's Policies and Procedures, which set out the guidelines and expected standards for the Group's operations, are under regular review and update so as to maintain its effectiveness at all times;
- A strategic planning and an annual budgeting process has been established, whereby all key operating subsidiaries of the Group are required to prepare budgets and business plans for the coming year;
- Operational review meetings are held and attended by the Executive Directors and the department heads to assess the performance of the Group's operations;
- Monthly financial reporting by the subsidiaries to the holding company. Actual performance compared with budget is reviewed monthly with major variances being followed up and management action taken where necessary;

Statement on Risk Management and Internal Control (continued)

THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- Each department measures its performance against its business objectives and monitors the identified risks associated with the achievability of its objectives;

- The public releases of quarterly financial reports are made after the review by the ARMC and the approval of the Board;

- There are guidelines within the Group for hiring and termination of staff. Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Training and development are provided for selected employees to enhance their competency in carrying out their responsibilities;

- A formal employee appraisal to evaluate and measure employee's performance and their competency is performed at least once a year;

- A centralised accounting and disbursement function ensures compliance with the procedures and approval authority;

- A co-ordinated procurement function for major purchases and maintenance expenditures that ensures adherence to approval procedures as well as to leverage on economies of scale;

- Regular production meetings, which involve the senior production management and related units to promptly address any production problems faced;

- ISO 9001:2015 Quality Management System has been implemented for a subsidiary, Ni Hsin Corporation Sdn. Bhd. Documented internal procedures and standard operating procedures have been put in place and internal quality audits are carried out by the management and annual surveillance audits are conducted by a certification body to provide assurance of compliance with the procedures.

The key aspects of the risk management process are:

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

- The RMWC will report to the Board significant risks that require the Board's attention;

- An enterprise risk assessment will be performed with inputs from Executive Directors and Heads of Departments;

- The RMWC maintains a Registry of Risk which is the identification and analysis of risks to the achievement of business objectives. A scoring of the risks is then performed based on the likelihood of the risks occurring and the evaluation of the consequence of the occurrence. This forms a basis for determining how risks should be managed. The Registry of Risk is updated on a half yearly basis, and when any material changes in risks are identified.

- The RMWC then deliberates and decides the risk response to the identified risks. The risk response could be to transfer, reduce, accept or avoid the risks. The residual risks are then tabled to determine whether it should be reported as a key issue or a supplemental issue where internal controls could be used to mitigate the risks.

- Heads of Departments will then monitor and review the key risks and report to the RMWC from time to time. Any significant change in existing risks with significant impact or the emergence on new risks will warrant an immediate reporting to the RMWC.

- Key risks will be highlighted to the internal audit function to review and monitor proper controls are implemented and carried out to mitigate those risks.

Statement on Risk Management and Internal Control (continued)

MONITORING AND REVIEW OF THE SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL

The existing system of risk management and internal control has operated effectively in the year under review and up to the date of issuance of this statement. Although control lapses were identified for certain business processes within the Group, there were no significant failures or weaknesses that has resulted in material loss that requires disclosure in the Group's annual report for the financial period under review. The Board is committed towards operating a sound system of risk management and internal control and will strive for continuous improvement where necessary, to further enhance the Group's system of risk management and internal control. The Board has reviewed the risk management and internal control system in accordance with the guidelines for directors on risk management and internal control, the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

The Board is of the view that the system of risk management and internal control being instituted throughout the Ni Hsin Group is adequate and effective.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Corporate Sustainability Statement

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

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

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

OUR COMMITMENT TO SUSTAINABILITY

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

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

Customer Satisfaction

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

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

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

During the reporting period the level of customer satisfaction is consistent with the previous year's results with an improvement of 5.3% in staff performance. The table below shows the results of the survey for FY2016 and FY2017. We target to achieve a score of 80%.

	2016	2017	Variance
Customer satisfaction	76.84%	76.67%	(0.17%)
Product performance	71.13%	70.71%	(0.42%)
Staff performance	78.37%	83.67%	5.3%

We place high importance on our customers' feedback and continue to improve our internal systems to meet our customers' expectations.

Corporate Sustainability Statement (continued)

Corporate Governance & Ethical Behaviour

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

Our business practices are governed by:
- Code of Conduct and Ethics, which is applicable to directors, officers and employees of NI HSIN in their dealings with each other and all stakeholders of the Group; and
- Whistle Blowing Policies and Procedures.

Code of Conduct and Ethics

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

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

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

Whistle Blowing Policies and Procedures

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

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

An Independent Non-Executive Director ("INED") is identified by the Board as one to whom all whistle blowing reports may be conveyed. The INED may delegate the responsibility for implementing the Whistle Blowing procedures to a guardian/custodian of the Whistle Blowing procedure within the Company. The guardian's role is to appoint fair and independent (internal or external) investigative officers of the Company to be identified who will initiate an investigation into the complaint and report to the INED to decide on the appropriate course of action. If the INED deems the complaint material or otherwise appropriate for the attention of the Board, it shall be so brought up at the following Board meeting. The Policy also includes provisions of confidentiality to safeguard the identity of the Whistle Blower.

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

No cases of breaches in ethics and integrity practices were reported during the Financial Year 2017 ("FY2017").

Occupational Health and Safety ("OHS")

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

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

Corporate Sustainability Statement (continued)

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

OHS Incidents Table

Severity	2016	2017
Fatal	-	-
Major	1	1
Minor	4	5
Total Cases	**5**	**6**

Health, Safety and Security Events Table

	Year		
Events / Activities	**2016**	**2017**	**Participation**
World OSH Day Campaign	28 April 2016	27 April 2017	All Employees
Emergency Evacuation Program	28 April 2016	-	All Employees
Safety & Health Meeting	Quarterly	Quarterly	SHC Committees
Safety Talk	Monthly	Monthly	All Employees
Noise Exposure & Audiometric Test	26 November 2016	21 October 2017	Production & Supporting Workers
SHC Workplace Inspection & Safety Tour	Quarterly	Quarterly	All Employees
Fire Extinguisher Renewal for Building no. 45 & 47	January & July 2016	January & July 2017	EET & HR&GA
Smoke Fogging	Bimonthly	Bimonthly	-
Chemical Health Risk Assessment (CHRA) - Every 5 years	27 May 2016	-	All Employees
Hazard Identification, Risk Assessment & Risk Control (HIRARC)	1 November 2016	-	All Employees
Training:			
Workplace Safety & Health Inspection & Audit Reinforcement	16 April 2016	22 April 2017	SHC Committees
Fire Fighting Practical Training	26 May 2016	26 September 2017	SHC Committees
Forklift / pallet Truck Safety & Operation Reinforcement	April 2016	5 June 2017	SHC Committees
Noise Exposure & Audiometric Test Result Briefing	December 2016	27 & 28 December 2017	Selected Worker (Work in Noise Area)
Occupational Safety & Health at Workplace	-	22 April 2017	SHC Committees
First Aid & CPR Reinforcement	-	26 August 2017	SHC Committees

Environmental Management

Our Group is committed to manage our operations in an environmentally sustainable way incorporating the following measures:

- Recycling of raw material wastages for re-use.
- Ensuring compliance to all relevant environmental legal and other requirements and raising environmental awareness among employees.
- Minimising air, water, land and noise pollution in the workplace and surroundings.
- Integrating environmental and quality management systems together to strive for continual improvement.

Corporate Sustainability Statement (continued)

Our cookware products are developed to be efficient in heat distribution through the usage of our proprietary multi-ply stainless steel clad metals and our unique multi-stacking feature allows for different food to be cooked simultaneously thus saving time and energy.

Our employees are also trained to practise other conservation measures like recycling of office stationeries and papers, switching off the lights and air conditioners when not in use. We also send such items to a social welfare organisation which collects items for recycling or charity purposes.

Energy Efficiency

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

Recycling of Raw Material

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

Directors' Responsibility Statement

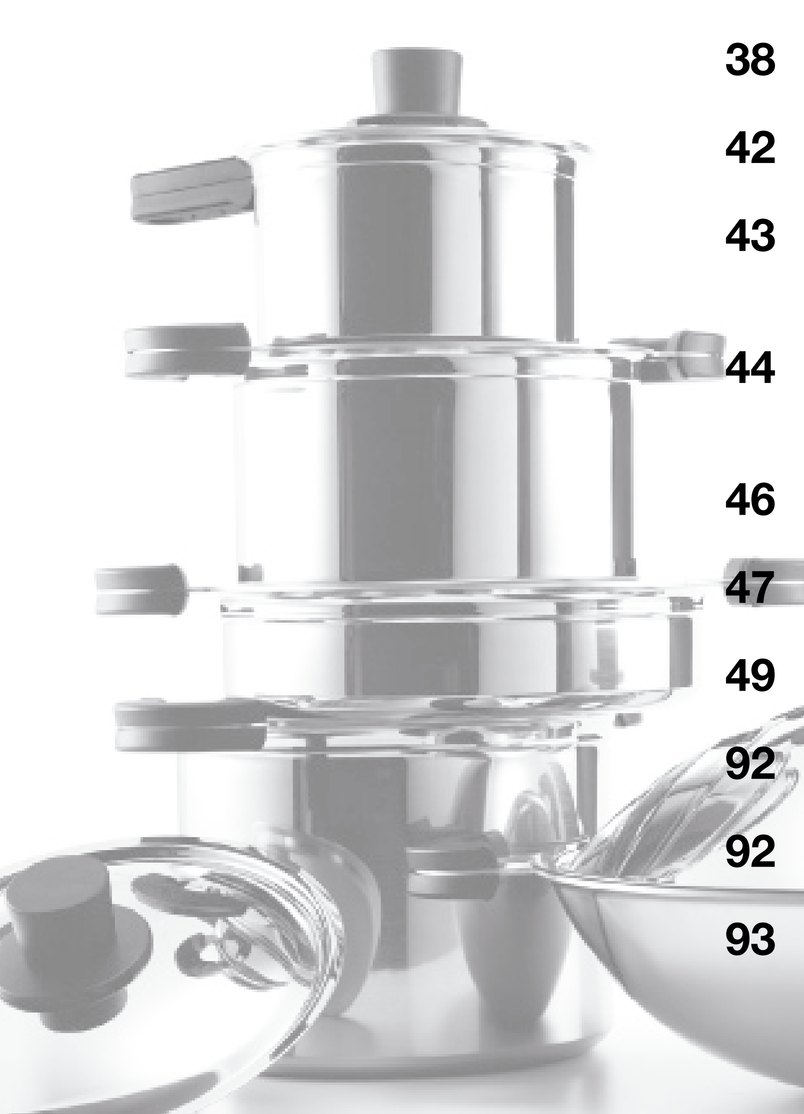
The Board of Directors is required under Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Securities to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Board is responsible for ensuring that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and applicable Malaysian Financial Reporting Standards ("MFRS") approved by the Malaysian Accounting Standards Board ("MASB") in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 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 2017, the Group and the Company have adopted suitable accounting policies in accordance with applicable MFRSs approved by the MASB in Malaysia and applied them consistently and reasonably.

The Statement is made in accordance with a resolution of the Board of Directors dated 22 March 2018.

FINANCIAL STATEMENTS



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Directors' report
for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	2,085	1,625
Non-controlling interests	(18)	-
	2,067	1,625

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

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend any final dividend for the financial year ended 31 December 2017.

Directors of the Company

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

Ng Shwu Ching
Datin Ida Suzaini Binti Abdullah
Rizvi Bin Abdul Halim
Datuk Tan Choon Hwa
Leow Chan Khiang
Rithauddin Hussein Jamalatiff Bin Jamaluddin (Appointed on 1 March 2017)
Md Nazir Bin Md Kassim (Resigned on 1 March 2017)
Sofiyan Bin Yahya (Appointed on 22 November 2017)
Chen Shien Yee (Demised on 4 October 2017)

Directors' report
for the year ended 31 December 2017 (continued)

Directors' interests in shares

The interests and deemed interests in the ordinary shares and warrants over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017/ date of appointment	**Bought**	**Sold**	**At 31.12.2017**
Interests in the holding company:				
Datuk Tan Choon Hwa				
- own	1,188,000	-	(1,188,000)	-
Sofiyan Bin Yahya				
- own	2,600,000	-	-	2,600,000

By virtue of their interests in the shares of the Company, the above Directors are also deemed interested in the shares of 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 2017 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company issued 22,447,300 new ordinary share of RM0.20 each for cash arising from the exercise of warrants at exercise price of RM0.20 per ordinary share.

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

Treasury shares

The repurchased shares are held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held at the financial year end is 236,851,410 (2016: 217,480,410) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

The details of shares repurchased during the financial year is disclosed in Note 11 to the financial statements.

Options granted over unissued shares

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

At an extraordinary general meeting held on 18 May 2016, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued capital of the Company to eligible Directors and employees of the Group at any point in time during the tenure of the ESOS.

Directors' report
for the year ended 31 December 2017 (continued)

Options granted over unissued shares (continued)

The salient features of the ESOS scheme are, inter alia, as follows:

i) Eligible Directors and employees are those Directors and employees of Ni Hsin Resources Bhd Group who have been confirmed in service on the date of the offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.

ii) The aggregate number of shares to be issued under the ESOS shall not be more than 15% of the issued and paid-up share capital of the Company.

iii) The Scheme shall be in force for a period of five (5) years from the first grant date.

iv) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.20.

v) An option holder may fully exercise the number of shares in the option certificate without any retention period or restriction on transfer.

vi) The option granted to eligible employees and directors will lapse when they are no longer in employment with the Group.

	Number of options over ordinary shares				
	At 1.1.2017	Granted	Exercised	Lapsed	At 31.12.2017
Chen Shien Yee	18,440,000	-	-	-	18,440,000
Ng Shwu Ching	3,000,000	-	-	-	3,000,000
Datin Ida Suzaini Binti Abdullah	500,000	-	-	-	500,000
Datuk Tan Choon Hwa	300,000	-	-	-	300,000
Rizvi Bin Abdul Halim	300,000	-	-	-	300,000
Md Nazir Bin Md Kassim	300,000	-	-	(300,000)	-
Leow Chan Khiang	300,000	-	-	-	300,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders who have been granted options to subscribe for less than 300,000 shares required by section 251(1)(b) of the Companies Act, 1965. This information has been separately filed with the Companies Commission of Malaysia. Other than the Directors of the Company, the names of the option holders and the number of options granted which are in aggregate more than 300,000 shares are as follows:

Name of option holder	Number of options over ordinary shares
Low Meng Chai	400,000
Lim Kam Ten	400,000
Phuah Yew Hock	400,000
Gan Gwo Chyang	400,000
Teh Siok Nee	400,000
Lim Sai Weng	300,000
Loo Yee Mun	300,000

There were no ESOS exercised during the financial year.

Indemnity and insurance costs

During the financial year, there was no insurance effected for Directors of the Company (2016: RM5,000,000).

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Directors' report
for the year ended 31 December 2017 (continued)

Other statutory information (continued)

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

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

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in note 17 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

The details of such event is disclosed in note 28 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in note 19 to the financial statements.

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

....
Rizvi Bin Abdul Halim
Director

....
Ng Shwu Ching
Director

Selangor Darul Ehsan

Date: 22 March 2018

Statements of financial position
as at 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	46,843	49,267	197	235
Investment property	6	1,279	1,306	1,279	1,306
Goodwill	4	5,105	5,105	-	-
Investments in subsidiaries	5	-	-	59,455	59,455
Deferred tax assets	12	9	35	-	-
Total non-current assets		53,236	55,713	60,931	60,996
Inventories	7	20,191	18,639	-	-
Other investments	8	3,570	-	3,570	-
Current tax assets		182	804	77	37
Trade and other receivables	9	3,953	5,575	310	81
Cash and cash equivalents	10	9,439	4,113	2,605	435
Total current assets		37,335	29,131	6,562	553
Total assets		90,571	84,844	67,493	61,549
Equity					
Share capital		53,980	47,671	53,980	47,671
Reserves		26,231	26,848	12,819	13,788
Equity attributable to owners of the Company		80,211	74,519	66,799	61,459
Non-controlling interest		(93)	(75)	-	-
Total equity	11	80,118	74,444	66,799	61,459
Liabilities					
Deferred tax liabilities	12	3,639	3,810	-	-
Total non-current liabilities		3,639	3,810	-	-
Trade and other payables	14	6,814	6,336	694	90
Loans and borrowings	13	-	254	-	-
Total current liabilities		6,814	6,590	694	90
Total liabilities		10,453	10,400	694	90
Total equity and liabilities		90,571	84,844	67,493	61,549

The notes on pages 49 to 91 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	15	39,612	37,817	740	2,580
Cost of sales		(27,806)	(27,383)	-	-
Gross profit		11,806	10,434	740	2,580
Other income		2,552	776	1,823	-
Distribution expenses		(982)	(836)	-	-
Administrative expenses		(10,749)	(14,891)	(874)	(6,518)
Results from operating activities		2,627	(4,517)	1,689	(3,938)
Finance costs	16	(54)	(49)	(52)	-
Finance income		20	6	16	5
Profit/(Loss) before tax		2,593	(4,560)	1,653	(3,933)
Tax expense	18	(526)	(459)	(28)	(93)
Profit/(Loss) for the year	19	2,067	(5,019)	1,625	(4,026)
Other comprehensive income/ (expense), net of tax:	20				
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	17,149	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		14	31	-	-
Available-for-sale financial assets – reclassified to profit or loss		(122)	-	-	-
Other comprehensive (expense)/ income for the year, net of tax		(108)	17,180	-	-
Total comprehensive income/ (expense) for the year		1,959	12,161	1,625	(4,026)
Profit/(Loss) attributable to:					
Owners of the Company		2,085	(4,914)	1,625	(4,026
Non-controlling interests		(18)	(105)	-	-
Profit/(Loss) for the year		2,067	(5,019)	1,625	(4,026)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		1,977	12,266	1,625	(4,026)
Non-controlling interests		(18)	(105)	-	-
Total comprehensive income/ (expense) for the year		1,959	12,161	1,625	(4,026)
Earnings/(Loss) per ordinary share (sen)					
Basic	21	0.95	(2.25)		
Diluted	21	0.85	(1.93)		

The notes on pages 49 to 91 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2017

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	Property revaluation reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/---- Attributable to owners of the Company ----/											
		/---- Non-distributable ----/								Distributable			
At 1 January 2016		47,320	(4,443)	1,820	202	49	-	-	9,206	4,499	58,653	-	58,653
Foreign currency translation differences for foreign operations		-	-	-	-	31	-	-	-	-	31	-	31
Revaluation of property		-	-	-	-	-	17,149	-	-	-	17,149	-	17,149
Total other comprehensive income for the year		-	-	-	-	31	17,149	-	-	-	17,180	-	17,180
Loss for the year		-	-	-	-	-	-	-	-	(4,914)	(4,914)	(105)	(5,019)
Total comprehensive income/(expense) for the year		-	-	-	-	31	17,149	-	-	(4,914)	12,266	(105)	12,161
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(1,785)	-	-	-	-	-	-	-	(1,785)	-	(1,785)
Warrant exercised		351	-	-	-	-	-	-	-	-	351	-	351
Share-based payment transactions		-	-	-	-	-	-	5,034	-	-	5,034	-	5,034
Ownership interests in a subsidiary		-	-	-	-	-	-	-	-	-	-	30	30
Total transactions with owners of the Company		351	(1,785)	-	-	-	-	5,034	-	-	3,600	30	3,630
At 31 December 2016		47,671	(6,228)	1,820	202	80	17,149	5,034	9,206	(415)	74,519	(75)	74,444
		Note 11.1	Note 11.2		Note 11.3	Note 11.4	Note 11.5	Note 11.6	Note 11.7				

Consolidated statement of changes in equity
for the year ended 31 December 2017 (continued)

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Fair value reserve RM'000	Translation reserve RM'000	Property revaluation reserve RM'000	Share option reserve RM'000	Other reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/--- *Attributable to owners of the Company*								---/			
		/--- *Non-distributable*							---/	*Distributable*			
At 1 January 2017		47,671	(6,228)	1,820	202	80	17,149	5,034	9,206	(415)	74,519	(75)	74,444
Adjustments for effects of Companies Act 2016		1,820	-	(1,820)	-	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations		-	-	-	-	14	-	-	-	-	14	-	14
Available-for-sale financial assets – reclassified to profit or loss		-	-	-	(122)	-	-	-	-	-	(122)	-	(122)
Total other comprehensive (expense)/ income for the year		-	-	-	(122)	14	-	-	-	-	(108)	-	(108)
Profit for the year		-	-	-	-	-	-	-	-	2,085	2,085	(18)	2,067
Total comprehensive (expense)/income for the year		-	-	-	(122)	14	-	-	-	2,085	1,977	(18)	1,959
Contributions by and distributions to owners of the Company													
Own shares acquired		-	(774)	-	-	-	-	-	-	-	(774)	-	(774)
Warrant exercised		4,489	-	-	-	-	-	-	-	-	4,489	-	4,489
Total transactions with owners of the Company		4,489	(774)	-	-	-	-	-	-	-	3,715	-	3,715
At 31 December 2017		53,980	(7,002)	-	80	94	17,149	5,034	9,206	1,670	80,211	(93)	80,118
		Note 11.1	Note 11.2		Note 11.3	Note 11.4	Note 11.5	Note 11.6	Note 11.7				

Statement of changes in equity
for the year ended 31 December 2017

	/---------------- Attributable to owners of the Company ----------------/					
	/-------------------- Non–distributable --------------------/				Distributable	
Company	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2016	47,320	(4,443)	1,820	-	17,188	61,885
Loss and comprehensive expense for the year	-	-	-	-	(4,026)	(4,026)
Contributions by and distributions to owners of the Company						
Own shares acquired	-	(1,785)	-	-	-	(1,785)
Warrant exercised	351	-	-	-	-	351
Share-based payment transactions	-	-	-	5,034	-	5,034
Total transactions with owners of the Company	351	(1,785)	-	5,034	-	3,600
At 31 December 2016/1 January 2017	47,671	(6,228)	1,820	5,034	13,162	61,459
Adjustments for effects of Companies Act 2016	1,820	-	(1,820)	-	-	-
Profit and comprehensive income for the year	-	-	-	-	1,625	1,625
Contributions by and distributions to owners of the Company						
Own shares acquired	-	(774)	-	-	-	(774)
Warrant exercised	4,489	-	-	-	-	4,489
Total transactions with owners of the Company	4,489	(774)	-	-	-	3,715
At 31 December 2017	53,980	(7,002)	-	5,034	14,787	66,799
	Note 11.1	Note 11.2		Note 11.6		

The notes on pages 49 to 91 are an integral part of these financial statements.

Statements of cash flows
for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		2,593	(4,560)	1,653	(3,933)
Adjustments for:					
Depreciation of property, plant and equipment	3	2,528	2,774	38	37
Depreciation of investment property	6	27	27	27	27
Dividend income		-	-	(500)	(2,100)
Share-based payment	19	-	5,034	-	5,034
Finance costs	16	54	49	52	-
Finance income		(20)	(6)	(15)	(5)
Loss/(Gain) on unrealised foreign exchange	19	44	(68)	-	-
Gain on disposal of property, plant and equipment	19	(8)	-	-	-
Property, plant and equipment written off	19	61	29	-	-
Gain on disposal of other investment	19	(263)	-	(263)	-
Gain on disposal of available-for-sales financial assets	19	(86)	-	-	-
Net gain in fair value of other investments measured at fair value	19	(1,560)	-	(1,560)	-
Impairment loss on investment in subsidiary	5	-	-	-	70
Provision for doubtful debts in subsidiary	9	-	-	242	248
Operating profit/(loss) before changes in working capital		3,370	3,279	(326)	(622)
Change in inventories		(1,552)	(1,300)	-	-
Change in trade and other receivables		1,483	(290)	(471)	87
Change in trade and other payables		522	378	604	(60)
Cash generated from/(used in) operations		3,823	2,067	(193)	(595)
Interest paid	16	(54)	(49)	(52)	-
Interest received		20	6	15	5
Income tax paid		(577)	(939)	(68)	(142)
Income tax refund		528	450	-	-
Net cash generated from/(used in) operating activities		3,740	1,535	(298)	(732)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(440)	(1,942)	-	(64)
Proceeds from disposal of property, plant and equipment		283	-	-	-
Proceeds from disposal of available-for-sale financial asset		156	-	-	-
Proceeds from disposal of other investments		9,398	-	9,398	-
Acquisition of other investments		(11,145)	-	(11,145)	-
Acquisition of subsidiary		-	-	-	(70)
Acquisition of non-controlling interests		-	30	-	-
Net cash used in investing activities		(1,748)	(1,912)	(1,747)	(134)

Statements of cash flows
for the year ended 31 December 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from financing activities					
Payment of finance lease liability		(87)	(84)	-	-
Repurchase of treasury shares		(774)	(1,785)	(774)	(1,785)
Dividend received		-	-	500	2,100
Proceeds from exercise of warrants		4,489	351	4,489	351
Net cash generated from/ (used in) financing activities		3,628	(1,518)	4,215	666
Net increase/(decrease) in cash and cash equivalents		5,620	(1,895)	2,170	(200)
Effect of exchange rate fluctuations on cash held		(127)	80	-	-
Cash and cash equivalents at 1 January		3,946	5,761	435	635
Cash and cash equivalents at 31 December	*(i)*	9,439	3,946	2,605	435

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits with licensed banks	2,694	189	175	170
Cash and bank balances	6,745	3,924	2,430	265
Bank overdrafts	-	(167)	-	-
	9,439	3,946	2,605	435

The notes on pages 49 to 91 are an integral part of these financial statements.

Notes to the financial statements

Ni Hsin Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business	**Registered office**
No. 45, Jalan Taming Dua	Lot 6.05, Level 6, KPMG Tower
Taman Taming Jaya	8, First Avenue
43300 Seri Kembangan	Bandar Utama
Selangor Darul Ehsan	47800 Petaling Jaya
	Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 March 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 128 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128 which are not applicable to the Group and the Company.

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

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

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements as at 1 January 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because:

- the Group and the Company have not finalised the testing and assessment of controls over its new accounting system;

- the new accounting policies are subject to change until the Group and the Company present its first financial statements that include the date of initial application.

Group	As reported at 31 December 2017 RM'000	Estimated adjustments due to adoption of MFRS 15 RM'000	Estimated adjusted opening balance at 1 January 2018 RM'000
Trade and other payables	(6,814)	2,113	(4,701)
Contract liabilities	-	(2,113)	(2,113)
Retained earnings	(1,670)	-	(1,670)

Notes to the financial statements
(continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company have assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 and do not expect any material financial impact arising therefrom.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following note:

- Note 4 - Goodwill

Notes to the financial statements
(continued)

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) 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.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (“FCTR”) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

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

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

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

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), or financial liabilities that are specifically designated into this category upon initial recognition.

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

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Property, plant and equipment under the revaluation model

The Group revalues its property comprising freehold land and factory buildings every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Property, plant and equipment under the revaluation model **(continued)**

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 recognized in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Factory buildings	3%
• Hostels	2%
• Building	2%
• Plant and machinery	7%
• Moulds	7%
• Factory equipment	10%
• Office equipment, furniture, fixtures and fittings	10% - 20%
• Motor vehicles	20%
• Renovation	10%

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

Goodwill

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

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

The Directors estimate fair value of the Group's investment property without involvement of independent valuers. Fair value is arrived at by reference to market evidence of sales listing prices for similar properties within the same/adjacent location.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(m) Provisions

A provision is recognised, if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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 persuasive evidence exists, usually in the form of an executed sales arrangement, that the significant risks and rewards of ownership have been transferred to the customer, 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, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the financial statements
(continued)

2. Significant accounting policies (continued)

(p) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants over ordinary shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(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 not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the financial statements
(continued)

3. Property, plant and equipment

Group	Freehold land RM'000	Factory buildings RM'000	Hostels RM'000	Plant and machinery RM'000	Moulds RM'000	Factory equipment RM'000	Office equipment, furniture, fixtures and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
Cost										
At 1 January 2016	11,445	9,540	102	36,183	9,138	1,358	3,005	2,411	776	73,958
Additions	-	-	-	964	138	314	453	68	5	1,942
Revaluation of property	15,255	1,760	-	-	-	-	-	-	-	17,015
Disposals	-	-	-	-	-	-	(5)	-	-	(5)
Written off	-	-	-	(1,071)	(571)	(11)	(160)	-	-	(1,813)
At 31 December 2016/ 1 January 2017	26,700	11,300	102	36,076	8,705	1,661	3,293	2,479	781	91,097
Additions	-	-	-	2	137	28	44	229	-	440
Disposals	-	-	-	(13)	-	-	(4)	(693)	-	(710)
Written off	-	-	-	(25)	-	-	(302)	-	(102)	(429)
At 31 December 2017	26,700	11,300	102	36,040	8,842	1,689	3,031	2,015	679	90,398
Accumulated depreciation										
At 1 January 2016	-	1,425	47	29,442	6,696	1,194	2,272	813	692	42,581
Depreciation for the year	-	342	2	1,408	333	65	250	354	20	2,774
Revaluation of property	-	(1,736)	-	-	-	-	-	-	-	(1,736)
Disposals	-	-	-	-	-	-	(5)	-	-	(5)
Written off	-	-	-	(1,071)	(551)	(10)	(152)	-	-	(1,784)
At 31 December 2016/ 1 January 2017	-	31	49	29,779	6,478	1,249	2,365	1,167	712	41,830
Depreciation for the year	-	413	2	1,235	320	80	240	234	4	2,528
Disposals	-	-	-	(13)	-	-	(2)	(420)	-	(435)
Written off	-	-	-	(25)	-	-	(279)	-	(64)	(368)
At 31 December 2017	-	444	51	30,976	6,798	1,329	2,324	981	652	43,555
Carrying amounts										
At 1 January 2016	11,445	8,115	55	6,741	2,442	164	733	1,598	84	31,377
At 31 December 2016/ 1 January 2017	26,700	11,269	53	6,297	2,227	412	928	1,312	69	49,267
At 31 December 2017	26,700	10,856	51	5,064	2,044	360	707	1,034	27	46,843

Notes to the financial statements
(continued)

3. Property, plant and equipment (continued)

Company

	Motor vehicle RM'000
Cost	
At 1 January 2016	232
Additions	64
At 31 December 2016/1 January 2017/31 December 2017	296
Accumulated depreciation	
At 1 January 2016	24
Depreciation for the year	37
At 31 December 2016/1 January 2017	61
Depreciation for the year	38
At 31 December 2017	99
Carrying amounts	
At 1 January 2016	208
At 31 December 2016/1 January 2017	235
At 31 December 2017	197

3.1 Property, plant and equipment under the revaluation model

Freehold land and factory buildings were revalued in the previous financial year by independent professional valuers using comparison approach.

Had the freehold land and factory buildings been carried the cost model, their carrying amounts would have been RM11,445,000 and RM7,827,000 respectively.

3.2 Assets under finance lease

In prior year, included in property, plant and equipment of the Group are motor vehicles under finance leases with carrying amount of RM199,000.

4. Goodwill

	Group	
	2017 RM'000	2016 RM'000
Cost	5,105	5,105
Carrying amounts	5,105	5,105

Notes to the financial statements (continued)

4. Goodwill (continued)

4.1 Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value-in-use. The carrying amount of the unit was determined to be approximately its recoverable amount and no impairment loss was recognised.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Revenue growth rate ranging from 6% to 8% per annum (2016: 5% to 10% per annum)
- Gross profit margin of 21% (2016: 20%)
- A pre-tax discount rate of 8.5% (2016: 8.5%)

The values assigned to the key assumptions represent management's assessment of future trends in the clad metals and convex mirrors industry and are based on both external sources and internal sources (historical data).

5. Investments in subsidiaries

	Note	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost		56,654	56,654
Less: Impairment loss		(70)	(70)
		56,584	56,584
Amount due from a subsidiary	5.1	2,871	2,871
		59,455	59,455

5.1 The amount due from a subsidiary is non-trade in nature, unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is a part of the Company's net investment in the subsidiary in substance, it was stated at cost less accumulated impairment.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Ni Hsin Corporation Sdn. Bhd. ("NHC")#	Design, manufacture and sale of stainless steel kitchenware and cookware	Malaysia	100	100
Ever-Grow Advanced Materials Sdn. Bhd. ("EGAM")#	Research, development and manufacturing of clad metals and stainless steel convex mirrors	Malaysia	100	100
Steel Crafts Europa S.R.L. ("SCE")*	Trading and assembly of kitchenware, cookware, clad metals and stainless steel convex mirrors	Italy	100	100

Notes to the financial statements
(continued)

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2017 %	Effective ownership interest 2016 %
and its subsidiary: Pentoli S.R.L.*	Retail sales of kitchenware, tableware and cookware, water filter and related products and accessories	Italy	100	100
Inoco Resources Sdn. Bhd. ("Inoco")@	General merchandiser and other commodities of all kinds and descriptions and retailer	Malaysia	100	100
MyAngkasa Ni Hsin Sdn. Bhd. ("MNH")@	Distribution and marketing of cookware, kitchenware, water filters and related products and accessories	Malaysia	70	70
Pentoli Sdn. Bhd. ("PSB")@	Distribution and marketing of cookware, kitchenware, water filters and related products and accessories	Malaysia	100	100

* Subsidiaries incorporated in Italy have not been audited as they are exempted from statutory audit under Italian Company Laws. They are consolidated based on unaudited management accounts for the year ended 31 December 2017.
\# Audited by KPMG
@ Not audited by KPMG

5.2 Non-controlling interests in subsidiary

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

	MyAngkasa Ni Hsin 2017 RM'000	MyAngkasa Ni Hsin 2016 RM'000
NCI percentage of ownership interest and voting interest	30%	30%
Carrying amount of NCI	(93)	(75)
Profit allocated to NCI	(18)	(105)
Summarised financial information before intragroup elimination		
As at 31 December		
Non-current assets	2	3
Current assets	3	16
Current liabilities	(315)	(268)
Net assets	(310)	(249)

Notes to the financial statements (continued)

5. Investments in subsidiaries (continued)

5.2 Non-controlling interests in subsidiary (continued)

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

	2017 RM'000	2016 RM'000
Year ended 31 December		
Revenue	-	17
Loss for the year	(61)	(349)
Cash flows used in operating activities	(72)	(332)
Cash flows used in investing activities	-	(3)
Cash flows generated from financing activities	60	348
Net (decrease)/ increase in cash and cash equivalents	(12)	13

6. Investment property

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cost				
At 1 January/31 December	1,333	1,333	1,333	1,333
Accumulated depreciation				
At 1 January	(27)	-	(27)	-
Depreciation for the year	(27)	(27)	(27)	(27)
At 31 December	(54)	(27)	(54)	(27)
Carrying amounts	1,279	1,306	1,279	1,306

Included in the above are:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At cost:				
Building	1,333	1,333	1,333	1,333

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Direct operating expenses:				
- non-income generating investment property	13	10	13	10

Notes to the financial statements
(continued)

6. Investment property (continued)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2017 Level 3 RM'000	2016 Level 3 RM'000
Group and Company		
Building	1,899	1,978

Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 3 fair value

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

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method considers the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size of the lot, legal and legislation constraints, supply and demand. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM822 – RM1,207)	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

7. Inventories

	Group	
	2017 RM'000	2016 RM'000
Raw materials and component parts	12,245	10,442
Indirect materials	970	945
Work-in-progress	924	729
Manufactured inventories	6,052	6,523
	20,191	18,639
Recognised in profit or loss:		
Inventories recognised as cost of sales	27,806	27,383

Notes to the financial statements (continued)

8. Other investments

	Note	Group Quoted shares RM'000	Group Total RM'000	Company Quoted shares RM'000
2017				
Current				
Financial assets at fair value through profit or loss				
- Held for trading	8.1	3,570	3,570	3,570

8.1 In prior year, the Group and the Company did not invest in quoted shares.

9. Trade and other receivables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Trade receivables		1,955	3,365	-	-
Non-trade					
Subsidiary		-	-	490	327
Less : provision for doubtful debt		-	-	(490)	(248)
	9.2	-	-	-	79
Other receivables	9.1	1,022	1,597	4	1
Deposits		456	150	301	1
Prepayments		520	463	5	-
		1,998	2,210	310	81
		3,953	5,575	310	81

Group

9.1 Included in other receivables are club memberships in the Klang Valley. The memberships are valued at their fair value of RM128,000 (2016: RM320,000).

Company

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

10. Cash and cash equivalents

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits with licensed banks	2,694	189	175	170
Cash and bank balances	6,745	3,924	2,430	265
	9,439	4,113	2,605	435

Notes to the financial statements
(continued)

11. Share capital and reserves

11.1 Share capital

	Group and Company			
	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Ordinary shares, issued and fully paid:				
At 1 January	47,671	238,354	47,320	236,600
Exercise of warrant	4,489	22,447	351	1,754
Adjustments for effects of Companies Act 2016	1,820	-	-	-
At 31 December	53,980	260,801	47,671	238,354

11.2 Treasury shares

The shareholders of the Company, by a special resolution passed in a general meeting held on 23 June 2017, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

For the financial year ended 31 December 2017, the Company repurchased 3,076,300 units of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.25 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

Details of the share buy-back during the financial year were as follows:

2017	Average repurchased price RM	Highest repurchased price RM	Lowest repurchased price RM	Number of treasury shares repurchased	Total consideration paid RM
June	0.244	0.244	0.244	250,300	61,518
August	0.259	0.260	0.255	700,000	181,383
September	0.250	0.250	0.250	300,000	75,576
November	0.269	0.275	0.255	926,000	249,095
December	0.230	0.230	0.225	900,000	207,096
2016					
January	0.295	0.295	0.295	500,000	148,164
March	0.334	0.346	0.320	1,895,000	632,152
April	0.289	0.300	0.275	2,000,000	577,487
May	0.277	0.280	0.270	732,000	202,685
June	0.260	0.260	0.260	16,900	4,443
August	0.285	0.285	0.283	669,700	191,201
November	0.265	0.265	0.265	109,000	29,107

There were no treasury shares resold during the financial year.

The number of outstanding shares in issue after deducting treasury shares held at the financial year end is 236,851,410 (2016: 217,480,410) ordinary shares of RM0.20 each. Treasury shares have no rights to voting, dividends and participation in other distribution.

Notes to the financial statements (continued)

11. Share capital and reserves (continued)

11.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The financial assets are the club memberships (Note 9.1).

11.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM, as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

11.5 Property revaluation reserve

Property revaluation reserve arises from the revaluation of property in the previous financial year.

11.6 Share option reserve

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

11.7 Other reserve

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

11.8 Warrants

During the financial year, the warrant exercised by registered warrant holders to new ordinary shares of RM0.20 each at exercise price of RM0.20 per ordinary share as follow:

Month of exercise	Exercise price (RM)	No. of warrant exercised
September	0.20	400,000
October	0.20	8,339,400
November	0.20	9,143,000
December	0.20	4,564,900

The number of warrants unexercised at the end of the reporting period was 91,277,903 (2016: 113,725,203).

Notes to the financial statements
(continued)

12. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	-	26	(3,918)	(3,597)	(3,918)	(3,571)
Provisions	43	42	-	-	43	42
Unabsorbed reinvestment allowances carried forward	-	65	-	-	-	65
Tax losses carried forward	75	59	-	-	75	59
Others	170	-	-	(370)	170	(370)
Tax assets/(liabilities)	288	192	(3,918)	(3,967)	(3,630)	(3,775)
Set off of tax	(279)	(157)	279	157	-	-
Net tax assets/(liabilities)	9	35	(3,639)	(3,810)	(3,630)	(3,775)

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.

Unrecognised deferred tax assets

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Tax loss carry-forwards	215	105	-	-
Other deductible temporary differences	1	1	-	-
	216	106	-	-

During the financial year, RM216,000 (2016: RM106,000) unrecognised tax losses of a subsidiary that was suffering loss were not recognised as management considered it probable that future taxable profits will not be available against which they can be utilised.

The unabsorbed tax losses and other deductible temporary differences do not expire under current tax legislation.

Notes to the financial statements
(continued)

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

Movement in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised in other comprehensive income (Note 20) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2017 RM'000
Group						
Property, plant and equipment	(2,238)	269	(1,602)	(3,571)	(347)	(3,918)
Provisions	94	(52)	-	42	1	43
Unabsorbed reinvestment allowances carried forward	106	(41)	-	65	(65)	-
Tax losses carried forward	133	(74)	-	59	16	75
Other items	(244)	(126)	-	(370)	540	170
	(2,149)	(24)	(1,602)	(3,775)	145	(3,630)

13. Loans and borrowings

	Group 2017 RM'000	Group 2016 RM'000
Current		
Bank overdrafts	-	167
Finance lease liability	-	87
	-	254

Bank overdrafts

The Group's bank overdrafts are supported by negative pledge over the Group's assets and corporate guarantee from the Company.

Finance lease liability

Finance lease liability is payable as follows:

Group	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Future minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Less than one year	-	-	-	90	3	87
Between one and three years	-	-	-	-	-	-
	-	-	-	90	3	87

In prior year, included in the Group's finance lease liability is lease of motor vehicles amounting to RM250,000 under the finance lease expiring within one year.

Notes to the financial statements
(continued)

14. Trade and other payables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Trade payables	14.1	1,715	2,359	-	-
Non-trade					
Other payables		4,297	3,133	694	90
Accrued expenses		802	844	-	-
		5,099	3,977	694	90
		6,814	6,336	694	90

14.1 In prior year, included in Group's trade payables are amounts due to corporations in which certain Directors have substantial financial interests amounting to RM5,000 and are subject to normal trade terms.

15. Revenue

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Sales of goods	39,612	37,817	-	-
Dividend income	-	-	500	2,100
Management fees	-	-	240	480
	39,612	37,817	740	2,580

16. Finance costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank overdrafts	14	16	-	-
Bankers' acceptances	38	27	-	-
Finance lease liability	2	6	-	-
Intercompany advances	-	-	52	-
	54	49	52	-

Notes to the financial statements
(continued)

17. Employee benefits

On 13 June 2016, the Company granted share options to qualified Directors and employees to purchase shares in the Company under the Employees Share Option Scheme ("ESOS") approved by the shareholders of the Company on 18 May 2016. In accordance with these programmes, the options are vested at the grant date and the holders are entitled to purchase shares at the exercise price.

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

	Number of options '000
Outstanding at 1 January 2017	32,500
Exercised during the year	-
Forfeited during the year	-
Outstanding at 31 December 2017	32,500

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

There were no options exercised during the 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 binomial option pricing model, with the following inputs:

Options fair value	RM0.1549
Share price at grant date	RM0.2850
Volatility	58.56%
Risk free rate	3.48%

The share options expense is recognised in the profit or loss of the Company in the previous financial year.

18. Tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
- current	605	490	31	94
- under/(over) provision in prior years	66	(55)	(3)	(1)
Total current tax recognised in profit or loss	671	435	28	93
Deferred tax expense				
- origination and reversal of temporary differences	(221)	(6)	-	-
- under provision in prior years	76	30	-	-
Total deferred tax recognised in profit or loss (Note 12)	(145)	24	-	-
Total income tax expense	526	459	28	93
Reconciliation of effective tax expense				
Profit/(Loss) for the year	2,067	(5,019)	1,625	(4,026)
Tax expense	526	459	28	93
Profit/(Loss) excluding tax	2,593	(4,560)	1,653	(3,933)

Notes to the financial statements
(continued)

18. Tax expense (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Reconciliation of effective tax expense				
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	622	(1,095)	397	(944)
Non-deductible expenses	254	1,635	191	1,542
Tax exempt income	(437)	-	(557)	(504)
Tax incentives	(60)	(81)	-	-
	379	459	31	94
Current year losses for which no deferred tax asset was recognised	4	25	-	-
Under/(Over) provision in prior years	143	(25)	(3)	(1)
Tax expense	526	459	28	93

The corporate tax rate is 24% for year of assessment 2017. Consequently, deferred tax assets and liabilities are measured using these tax rates.

19. Profit/(Loss) for the year

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the year is arrived at after charging:				
Auditors' remuneration				
- Audit fees KPMG	148	155	30	30
- Non-audit fees KPMG	68	62	26	30
Depreciation of property, plant and equipment	2,528	2,774	38	37
Depreciation of investment property	27	27	27	27
Net loss on foreign exchange - unrealised	44	-	-	-
Property, plant and equipment written off	61	29	-	-
Personnel expenses (including key management personnel)				
- Contributions to state plans	732	575	-	-
- Share-based payments	-	5,034	-	5,034
- Wages, salaries and others	10,594	9,242	215	372
Rental expense	159	158	-	-
Profit/(Loss) for the year is arrived at after crediting:				
Gain on disposal of property, plant and equipment	8	-	-	-
Gain on disposal of other investments	263	-	263	-
Gain on disposal of available-for-sale financial assets	86	-	-	-
Net gain in fair value of other investments measured at fair value	1,560	-	1,560	-
Dividend income from subsidiaries	-	-	500	2,100
Net gain on foreign exchange - unrealised	-	68	-	-
Net gain on foreign exchange - realised	391	612	-	-
Rental income from land and buildings	312	162	-	-

Notes to the financial statements
(continued)

20. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2017			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	-	-	-
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	14	-	14
Available-for-sale financial assets - reclassified to profit or loss	(122)	-	(122)
2016			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	18,751	(1,602)	17,149
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	31	-	31

21. Earnings/(Loss) per ordinary share

Group

Basic earnings/(loss) per ordinary share

The calculation of basic loss per ordinary share at 31 December 2017 was based on the profit (2016: loss) attributable to ordinary shareholders of RM2,085,000 (2016: RM4,914,000) and the number of weighted average ordinary shares outstanding during the year of 220,242,705 (2016: 218,670,841) after accounting for share buy-backs and effect of exercise of warrants.

Diluted earnings/(loss) per ordinary share

The calculation of diluted loss per ordinary share at 31 December 2017 was based on profit (2016: loss) attributable to ordinary shareholders of RM2,085,000 (2016: RM4,914,000) and the number of weighted average diluted ordinary shares outstanding during the year of 246,405,294 (2016: 254,827,487) after accounting for share buy-backs and adjustment for the effects of all dilutive potential ordinary shares of 26,162,589 (2016: 36,156,646) shares arising from the share warrants on issue.

The effect of ESOS granted to the eligible Directors and employees of the Group that could potentially dilute basic earnings per share in future, but were not included in the calculation of diluted loss per share as above because they are anti-dilutive for the financial year ended 31 December 2017.

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

22. Dividends

No dividends declared by the Company during the financial year.

Notes to the financial statements (continued)

23. Operating segments

The Group has three main reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Managing Director) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's main reportable segments:

(i)	Cookware	Design, manufacture and sale of stainless steel kitchenware and cookware
(ii)	Convex mirrors	Manufacture and sale of stainless steel convex mirrors
(iii)	Clad metals	Research, development and manufacture of clad metals

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

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

Geographical segments

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

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Elimi-nations RM'000	Total RM'000
2017					
Business segments					
Revenue	19,374	12,096	8,142	-	39,612
Inter-segment revenue	4	1,609	6,837	(8,450)	-
Total revenue	19,378	13,705	14,979	(8,450)	39,612
2016					
Business segments					
Revenue	19,276	11,130	7,411	-	37,817
Inter-segment revenue	41	898	5,631	(6,570)	-
Total revenue	19,317	12,028	13,042	(6,570)	37,817

Notes to the financial statements (continued)

23. Operating segments (continued)

Major customers

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

	Revenue 2017 RM'000	Revenue 2016 RM'000	Segment
Customer A	4,379	3,979	Convex mirrors

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2017						
Results						
Segment results	(151)	2,266	(489)	(16)	68	1,678
Unallocated corporate income						949
Interest expense						(54)
Interest income						20
Profit before tax						2,593
Tax expense						(526)
Profit for the year						2,067
Assets						
Segment assets	60,600	7,022	15,018	-	(1,699)	80,941
Unallocated corporate assets						9,630
Total assets						90,571
Liabilities						
Segment liabilities	4,724	1,660	1,944	53	(1,567)	6,814
Unallocated corporate liabilities						3,639
Total liabilities						10,453
Other information						
Capital expenditure	185	99	156	-	-	440
Depreciation	1,587	129	812	-	-	2,528
Others	6	24	23	-	-	53

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

Notes to the financial statements
(continued)

23. Operating segments (continued)

	Cookware RM'000	Convex mirrors RM'000	Clad metals RM'000	Others RM'000	Elimi-nations RM'000	Total RM'000
2016						
Results						
Segment results	(351)	2,563	(718)	(8)	515	2,001
Unallocated corporate expenses						(6,518)
Interest expense						(49)
Interest income						6
Loss before tax						(4,560)
Tax expense						(459)
Loss for the year						(5,019)
Assets						
Segment assets	59,798	5,667	17,088	-	(2,661)	79,892
Unallocated corporate assets						4,952
Total assets						84,844
Liabilities						
Segment liabilities	4,759	1,364	2,845	86	(2,464)	6,590
Unallocated corporate liabilities						3,810
Total liabilities						10,400
Other information						
Capital expenditure	1,002	893	47	-	-	1,942
Depreciation	1,856	267	678	-	-	2,801
Others	27	1	1	-	-	29

	Revenue RM'000
Geographical segments	
Japan and Korea	16,840
Malaysia and Singapore	5,327
China, Taiwan and Hong Kong	5,477
Thailand and Indonesia	1,582
Europe	5,262
USA and Canada	2,292
Australia	547
Others	490
	37,817

The carrying amount of segment assets and cost to acquire property, plant and equipment by location of assets are not provided. The assets of the Group are located and capital expenditure incurred for these assets, are principally in Malaysia.

Notes to the financial statements
(continued)

24. Financial instruments

24.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS");
(c) Financial liabilities measured at amortised cost ("FL");
(d) Fair value through profit or loss ("FVTPL").

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	FVTPL RM'000
2017				
Financial assets				
Group				
Receivables and deposits	3,433	3,305	128	-
Other investments	3,570	-	-	3,570
Cash and cash equivalents	9,439	9,439	-	-
	16,442	12,744	128	3,570
Company				
Receivables and deposits	305	305	-	-
Other investments	3,570	-	-	3,570
Cash and cash equivalents	2,605	2,605	-	-
	6,480	2,910	-	3,570
Financial liabilities				
Group				
Trade and other payables	(6,814)	(6,814)	-	-
Company				
Trade and other payables	(694)	(694)	-	-
2016				
Financial assets				
Group				
Receivables and deposits	5,112	4,792	320	-
Cash and cash equivalents	4,113	4,113	-	-
	9,225	8,905	320	-
Company				
Receivables and deposits	81	81	-	-
Cash and cash equivalents	435	435	-	-
	516	516	-	-
Financial liabilities				
Group				
Bank overdrafts	(167)	(167)	-	-
Finance lease liability	(87)	(87)	-	-
Trade and other payables	(6,336)	(6,336)	-	-
	(6,590)	(6,590)	-	-
Company				
Trade and other payables	(90)	(90)	-	-

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Loans and receivables	203	391	16	5
Financial liabilities measured at amortised cost	112	245	(52)	-
Fair value through profit or loss	1,560	-	1,560	-
	1,875	636	1,524	5

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

The Group has no significant exposure to any individual receivable other than the amounts due from corporations in which certain Directors have substantial financial interests in prior year as stated in Note 27 to the financial statements, which form 37% of the total trade receivables of the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Domestic	2,021	1,542	304	81
Others	1,412	3,570	-	-
	3,433	5,112	304	81

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The aging of receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	2,784	-	2,784
Past due 1 - 30 days	649	-	649
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due over 90 days	-	-	-
	3,433	-	3,433
2016			
Not past due	4,164	-	4,164
Past due 1 - 30 days	660	-	660
Past due 31 - 60 days	-	-	-
Past due 61 - 90 days	-	-	-
Past due over 90 days	288	-	288
	5,112	-	5,112
Company			
2017			
Not past due	304	-	304
2016			
Not past due	81	-	81

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

As at the end of the reporting period, the Company provided total corporate guarantees amounting to RM26,140,000 (2016: RM26,140,000).

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM Nil (2016: RM254,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was immaterial.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.4 Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the aging of current advances to the subsidiaries as these are repayable on demand.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
2017						
Non-derivative financial liabilities						
Bank overdrafts	-	-	-	-	-	-
Finance lease liability	-	-	-	-	-	-
Payables and accruals	6,814	-	6,814	6,814	-	-
2016						
Non-derivative financial liabilities						
Bank overdrafts	167	7.75	167	167	-	-
Finance lease liability	87	2.48	90	90	-	-
Payables and accruals	6,336	-	6,336	6,336	-	-
Company						
2017						
Non-derivative financial liabilities						
Payables and accruals	694	-	694	694	-	-
Financial guarantee	-	-	26,140	26,140	-	-
2016						
Non-derivative financial liabilities						
Payables and accruals	90	-	90	90	-	-
Financial guarantee	-	-	26,140	26,140	-	-

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk arising from transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Japanese Yen ("JPY"), Euro ("EUR") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

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

	Denominated in			
	USD RM'000	**EUR RM'000**	**SGD RM'000**	**JPY RM'000**
Group				
2017				
Trade and other receivables	1,023	224	-	165
Trade payables	(219)	(66)	-	-
Net exposure	804	158	-	165
2016				
Trade and other receivables	2,395	534	292	349
Trade payables	(829)	(350)	-	-
Net exposure	1,566	184	292	349

Company

The Company does not have any exposure to foreign currency risk at the end of the reporting period.

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 10% (2016: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

	Profit or loss	
	2017	2016
	RM'000	RM'000
Group		
USD	(61)	(119)
SGD	-	(22)
JPY	(13)	(26)
EUR	(12)	(14)

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24.6.2 Interest rate risk

The Group's investments in fixed deposits are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group has an informal policy in place and the exposure to interest rate risk is monitored on an ongoing basis.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	2,694	189	175	170
Financial liabilities	-	(87)	-	-
Floating rate instruments				
Financial liabilities	-	(167)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Notes to the financial statements
(continued)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	2017 Profit or loss		2016 Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	-	-	(1)	1

24.7 Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2017		2016	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Investments in club memberships	128	128	320	320
Other investments	3,570	3,570	-	-
Company				
Other investments	3,570	3,570	-	-

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

Notes to the financial statements (continued)

24. Financial instruments (continued)

24.7 Fair value of financial instruments (continued)

24.7.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities, that the Group can access at the measurement date.
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2017				
Financial assets				
Investments in club memberships	-	128	-	128
Other investments	3,570	-	-	3,570
2016				
Financial assets				
Investments in club memberships	-	320	-	320
Company				
2017				
Financial assets				
Other investments	3,570	-	-	3,570
2016				
Financial assets				
Other investments	-	-	-	-

25. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor adequacy of capital on an ongoing basis.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. Capital and other commitments

	Group 2017 RM'000	Group 2016 RM'000
Property, plant and equipment		
Contracted but not provided for	49	8

Notes to the financial statements
(continued)

27. Related parties

Identity of related parties

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

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

The Group has related party relationship with significant investors, subsidiaries, Directors and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are as follows:

	Transaction value for year ended 31 December		Balance outstanding as at 31 December	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Company				
Dividend income from subsidiaries	(500)	(2,100)	-	-
Management fees from subsidiaries	(240)	(480)	-	-
Administration fee paid on behalf of subsidiary	171	54	-	79
Group				
Related parties:				
Standardworld Holding Ltd.				
Marketing fee	701	740	(116)	(148)
Sun New Stainless Steel Industry Ltd.				
Sales	(2,569)	(3,038)	112	300
Purchases	89	136	-	(1)
Ni Hsin International Trade Shanghai Co. Ltd.				
Purchases	-	4	-	-
Everpro Sdn. Bhd.				
Sales	(3,294)	(2,142)	560	628
Purchases	-	4	-	-
Rental income receivable	(228)	(162)	-	-
I.D.M. Creative Development Co. Ltd.				
Sales	(634)	(848)	2	237
Purchases	419	235	-	(4)
Buffalo GSB Sdn. Bhd.				
Sales	(2)	(5)	-	-
Buffalo Cookware Australia Pty. Ltd.				
Sales	(358)	(494)	51	-

Notes to the financial statements (continued)

27. Related parties (continued)

The key management personnel compensations are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	365	255	215	255
- Remuneration	1,053	1,388	-	45
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	32	51	-	11
- Employee share options scheme ("ESOS")	-	3,584	-	3,584
	1,450	5,278	215	3,895

28. Subsequent event

The Company had, on 13 June 2016, established an Employees' Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up share capital to all eligible employees of the Ni Hsin Group for a period of 5 years. The ESOS will expire on 12 June 2021. The Company has granted 32,500,000 options with the exercise price of RM0.29 per share under the ESOS, whereby none of the options have yet to be exercised and therefore, there are no shares vested.

On 28 November 2017 and 30 November 2017, the Company announced its intention to terminate the ESOS ("Proposed Termination") based on the following:

1. The exercise price of the ESOS Options was RM0.29 per share. Based on the closing market price of the Company's shares on 27 November 2017 of RM0.26, the ESOS Options were out-of-the-money; and

2. The Company is deliberating on alternative ways to reward the employees and Directors of Ni Hsin Group.

The Company has obtained the written consent of all the grantees under the ESOS who have yet to exercise their options and on 25 January 2018, the Company held an Extraordinary General Meeting, wherein the majority of the shareholders present and voting thereat, voted in favour of the termination.

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

In the opinion of the Directors, the financial statements set out on pages 42 to 91 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

....

Rizvi Bin Abdul Halim
Director

....

Ng Shwu Ching
Director

Kuala Lumpur
Date: 22 March 2018

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

I, **Ng Shwu Ching**, the Director primarily responsible for the financial management of Ni Hsin Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 91 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ng Shwu Ching, NRIC: 670803-10-6136, in Kuala Lumpur at the Federal Territory on 22 March 2018.

....

Ng Shwu Ching

Before me:

Commissioner for Oaths
Kuala Lumpur

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ni Hsin Resources Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.*

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories	
Refer to Note 2(h) - Significant accounting policy: Inventories and Note 7 Inventories	
The key audit matter	**How the matter was addressed in our audit**
The Group has RM20 million of inventories as at 31 December 2017. Inventories are measured at the lower of cost and net realisable value. Valuation of inventories is a key audit matter due to: • Significant amount of inventories of the Group are slow moving. • Significant level of judgement required in: - assessing the Group's assessment that inventories are stated at the lower of cost and net realisable values as the transaction price that could be referenced may not be current and readily available. - assessing the adequacy of the Group's provision for slow-moving inventories.	We performed the following audit procedures, among others, around the valuation of inventories: • We tested the accuracy of the aging of inventories by testing the age profile of the inventory balances to the respective Goods Received Notes, Work Orders, and Handover documents; • We evaluated the Group's inventory net realisable values for finished goods as at 31 December 2017 by comparing the carrying value of the inventories to sales made to external customers subsequent to year end to test whether these exceeded the carrying value of inventory at year end; • For those inventories without sales subsequent to year end, we evaluated the Group's basis of provisioning for slow-moving inventories as at 31 December 2017 based on our understanding of the utilisation and scrap sales of each components of these inventories; and • Based on the inventory aging, we assessed the Group's adequacy of provision for slow-moving inventories as at 31 December 2017 by comparing the Group's provision amount to provision computed by us based on our work performed above.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor's report.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Yee Keng
Approval Number: 02880/04/2019 J
Chartered Accountant

22 March 2018
Petaling Jaya

Statement of shareholdings
As at 5 March 2018

Total number of issued shares	321,514,910 ordinary shares
Class of shares	Ordinary Share
Voting rights	One vote per ordinary share

SIZE OF SHAREHOLDINGS AS AT 5 MARCH 2018

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of shares held	% of issued capital
Less than 100 shares	20	0.84	680	0.00
100 to 1,000 shares	358	14.97	161,600	0.05
1,001 to 10,000 shares	656	27.44	4,530,806	1.53
10,001 to 100,000 shares	1,032	43.16	43,150,250	14.56
100,001 to 14,814,359*	324	13.55	233,379,874	78.78
14,814,360 and above **	1	0.04	15,064,000	5.08
Total	2,391	100.00	296,287,210#	100.00

Notes:

Excluding a total of 25,227,700 NHR shares bought-back by NHR and retained as treasury shares as at 5 March 2018

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

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

DIRECTORS' SHAREHOLDINGS AS AT 5 MARCH 2018

		Direct Interest		Deemed Interest	
	Name of Directors	No. of shares held	% of issued capital*	No. of shares held	% of issued capital*
1	Sofiyan Bin Yahya	2,600,000	0.88	-	-
2	Rizvi Bin Abdul Halim	-	-	-	-
3	Ng Shwu Ching	-	-	-	-
4	Datin Ida Suzaini Binti Abdullah	-	-	-	-
5	Datuk Tan Choon Hwa	-	-	-	-
6	Leow Chan Khiang	-	-	-	-
7	Rithauddin Hussein Jamalatiff Bin Jamaluddin	-	-	-	-

Note:

* Excluding a total of 25,227,700 NHR shares bought-back by NHR and retained as treasury shares as at 5 March 2018

Statement of shareholdings
As at 5 March 2018 (continued)

30 LARGEST SHAREHOLDERS AS AT 5 MARCH 2018
(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name of Shareholders	No. of shares held	% of shares held *
1	M & A Nominee (Tempatan) Sdn Bhd *Pledged securities account for Khoo Chee Kong*	15,064,000	5.08
2	Hsiao, Chih-Che	12,474,988	4.21
3	Hsiao Chih Chien	9,975,193	3.37
4	Wichford Group Limited	9,451,300	3.19
5	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ng Kim Hwa*	9,380,000	3.16
6	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged securities account for Chia Kee Siong*	9,227,500	3.11
7	Hsiao Chih Jen	8,475,193	2.86
8	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged securities account for Lim Ching Neoh*	6,259,000	2.11
9	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Koh Kin Lip*	5,700,000	1.92
10	Kyeros Partners Sdn Bhd	5,100,000	1.72
11	Yoong Sin Kuen	4,987,300	1.68
12	Cartaban Nominees (Asing) Sdn Bhd *DBS Vickers (Hong Kong) Limited for Shanghai Commercial Bank Ltd*	4,500,000	1.52
13	M & A Nominee (Asing) Sdn Bhd *Pledged securities account for Meng Bin*	3,857,100	1.30
14	Maybank Nominees (Tempatan) Sdn Bhd *Pledged securities account for Ching Hong Tat*	3,100,000	1.05
15	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Susy Ding*	3,000,000	1.01
16	Chia Kee Siong	2,770,000	0.93
17	TA Nominees (Tempatan) Sdn Bhd *Pledged securities account for Aw Sen Loi*	2,505,900	0.85
18	Hsiao Tung Wei	2,500,000	0.84
19	Sofiyan Bin Yahya	2,500,000	0.84
20	Chen Chee Seang	2,282,000	0.77
21	HSBC Nominees (Asing) Sdn Bhd *BPSS Sin for Inclusif Value Fund*	2,210,000	0.75
22	Transaksi Azam Sdn Bhd	2,096,600	0.71
23	Hsiao Tung Min	2,000,000	0.68
24	Hsiao, Tung-Hsin	2,000,000	0.68
25	Lim Kwong Hon	2,000,000	0.68
26	Tay Kim Kee	2,000,000	0.68
27	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Teo Ker-Wei*	1,900,000	0.64
28	Teo Ker-Wei	1,854,500	0.63
29	Lee Yeh Meng	1,707,550	0.58
30	HLB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Tan Soo Sie*	1,550,000	0.52
Total		**142,428,124**	**48.07**

Note:
* Excluding a total of 25,227,700 NHR shares bought-back by NHR and retained as treasury shares as at 5 March 2018.

SUBSTANTIAL SHAREHOLDERS AS AT 5 MARCH 2018

		Direct Interest		Deemed Interest	
	Name of Substantial Shareholder	**No. of shares held**	**% of issued capital ***	**No. of shares held**	**% of issued capital ***
1	Khoo Chee Kong	15,064,000	5.08	-	-

Note:
* Excluding a total of 25,227,700 NHR shares bought-back by NHR and retained as treasury shares as at 5 March 2018.

List of properties
As at 31 December 2017

No	Location	Description	Existing use	Tenure	Age of buildings (Years) #	Land Area (sq meters)	Built-up Area (sq meters)	Net Book Value RM'000	Year of Last Revaluation/ Acquisition
1	HS (D) 140097, PT No, 71214								
*	(formerly HS(D) 38402, PT No. 20620) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan	Industrial Land with 2 Storey Office Building and 1 Storey Factory Building	Office Building and Factory	Freehold	27	9,854	6,320	37,556	2016 (revaluation)
*	(formerly HS(D) 23491, PT No. 20621) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan	Industrial Land with 3 Storey Office Building and 1 Storey Factory Building	Office Building, Factory and Ware-house	Freehold	20	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	25	–	62	17	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	25	–	62	17	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	25	–	62	17	1990
5	Unit No. 368-4-1, 4th Floor, Bellisa Row, Jalan Burma, Pulau Pinang held under Strata Title Geran 58485/M1/4/49, Parcel No. 49, Storey No. 4, Building No. M1, Parent Lot No. 2626 Town of Georgetown Section 1 District of North East Pulau Pinang	1 unit shop office	Rental	Freehold	17	–	268	1,279	2015

Notes:

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Thursday, 28 June 2018 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 2017 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 9)**

2. To approve the payment of Directors' fees and benefits payable to the Directors up to an aggregate amount of RM900,000.00 from 1 January 2018 until the next Annual General Meeting ("AGM") of the Company. **Ordinary Resolution 1**

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

   i) Ms Ng Shwu Ching **Ordinary Resolution 2**
   ii) Datuk Tan Choon Hwa **Ordinary Resolution 3**

4. To re-elect Encik Sofiyan Bin Yahya who is retiring pursuant to Article 97 of the Articles of Association of the Company. **Ordinary Resolution 4**

5. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

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

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

   "THAT pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance." **Ordinary Resolution 6**

7. **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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given for the Company and its subsidiaries, to enter into recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 2.4 of the Circular to Shareholders dated 3 April 2018 which are necessary for the Company's day-to-day operations subject further to the following:

   (a) the transactions are in the ordinary course of business of the Company and its subsidiaries on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company; and

   (b) the disclosure of the breakdown of the aggregate value of the recurrent related transactions conducted pursuant to the Proposed Shareholders' Mandate in the Annual Report of the Company based on the following information:

      (i) the type of recurrent related party transactions entered into; and

      (ii) the names of the related parties involved in each type of the recurrent related party transactions entered into and their relationship with the Company.

Notice of Annual General Meeting
(continued)

7. **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 such authority shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate will be approved, at which time it will lapse, unless by a resolution passed at the AGM, 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 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) 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 the Proposed Shareholders' Mandate." **Ordinary Resolution 7**

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

"THAT subject to the Act, the Articles of Association of the Company, the Main Market Listing Requirements of 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 Company's aggregate retained profits as at 31 December 2017 to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit 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 total number of issued shares of the Company.

THAT an amount not exceeding the Company's retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

THAT the shares purchased by the Company pursuant to the Proposed Renewal of Share Buy-Back Authority may be dealt with by the Directors in all or any of the following manner:

(a) cancel the shares so purchased; or

(b) retain the shares so purchased as treasury share; or

(c) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(d) distribute the treasury shares as dividends to shareholders and/or resell on the Bursa Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the forthcoming AGM 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 next AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

Notice of Annual General Meeting
(continued)

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

   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 Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authorities." **Ordinary Resolution 8**

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

Selangor Darul Ehsan
Date: 3 April 2018

NOTES:

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

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

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the 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 appointed for holding the Meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Fourteenth Annual General Meeting will be put to vote by way of poll.

8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 21 March 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

9. The Audited Financial Statements in Agenda 1 is meant for discussion only as approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this agenda is not put forward for voting by shareholders of the Company.

Notice of Annual General Meeting
(continued)

10. EXPLANATORY NOTES ON SPECIAL BUSINESS

(i) Ordinary Resolution No. 6 - Authority under Section 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares

The Company had, during its Thirteenth Annual General Meeting ("AGM") held on 23 June 2017, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 76 of the Companies Act 2016. The Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 6 proposed under item 6 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares timely in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for purpose of funding the working capital or future investments of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

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

(ii) Ordinary Resolution No. 7 - 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

Please refer to the Circular to Shareholders dated 3 April 2018 for further information.

(iii) Ordinary Resolution No. 8 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

Please refer to the Circular to Shareholders dated 3 April 2018 for further information.

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

PROXY FORM

NI HSIN

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/members* 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 Fourteenth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Thursday, 28 June 2018 at 9.30 a.m. or at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

No.	Ordinary Resolution	For	Against
Resolution 1	To approve the payment of Directors' fees and benefits payable to the Directors up to an aggregate amount of RM900,000.00 from 1 January 2018 until the next Annual General Meeting ("AGM") of the Company		
Resolution 2	Re-election of Ms Ng Shwu Ching as Director who is retiring pursuant to Article 90 of the Articles of Association of the Company		
Resolution 3	Re-election of Datuk Tan Choon Hwa as Director who is retiring pursuant to Article 90 of the Articles of Association of the Company		
Resolution 4	Re-election of Encik Sofiyan Bin Yahya as Director who is retiring pursuant to Article 97 of the Articles of Association of the Company		
Resolution 5	Re-appointment of Messrs KPMG PLT as Auditors of the Company and authority to the Directors to fix the Auditors' remuneration		
Resolution 6	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares		
Resolution 7	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 8	Proposed Renewal of Authority for the Company to Purchase its Own Ordinary Shares		

**Strike out whichever is not desired.*

[Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.]

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

....
Signature/Common Seal of Member/(s)

Number of shares held: ....

Date: ....

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, participate, speak and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy or proxies and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the 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 appointed for holding the Meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Fourteenth Annual General Meeting will be put to vote by way of poll.
8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 21 March 2018 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2018.

Fold this flap for sealing

Then fold here

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, Malaysia

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傳統中鍊出經典
平實中綻放光彩

NI HSIN

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

NI HSIN

To: All Shareholders of Ni Hsin Resources Berhad

Dear Sir/Madam,

ERRATA TO THE ANNUAL REPORT 2017

With reference to the Annual Report 2017, please be informed that the following part of the Notice of the Fourteenth Annual General Meeting and Proxy Form which is highlighted in bold herein is by this Errata amended, corrected and taken to read as shown herein:

Notice of the Fourteenth Annual General Meeting (Page 101) and Proxy Form

NOTES:

8. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at **19 June 2018** and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

All other information remains unchanged. We apologise for the error and any inconvenience this may cause.

Date: 3 April 2016

NI HSIN RESOURCES BERHAD (653353-W)
45, Jalan Taming Dua, Taman Taming Jaya,
43300 Seri Kembangan,Selangor, Malaysia.
Tel: (603) 8961 6815 Fax: (603) 8961 3941
Homepage:www.ni-hsin.com.my
E-mail: info@ni-hsin.com.my