

Financial Year End	31/12/2011
Reporting Period Ending	30/06/2011
Reporting Quarter	2Q-2011

**MALAYSIA EQUITY  
NI HSIN RESOURCES BHD**

**RESULTS REPORT**

<b>Recommendation</b>	<b>BUY</b>
Target Price (MYR)	0.23
Current Price (MYR)	0.12

YTD 1H FY11 revenue rose 2.7% vs 1H FY10. The convex mirror segment grew more than 18% over the same period, continuing its good performance. Though operating margins are still slightly negative YTD 1H FY11, losses are getting smaller, and we may see a small profit for the full year. In light of the significant slowdown in the Japanese economy over 1H 2011, these results are reasonably good. NHR is looking to Europe for new distributors and customers, and is currently making fairly large promotional and marketing investments. These investments may take two to three quarters to bear fruit.

<b>Industry Group</b>	Housewares
<b>Industry Sub Group</b>	Housewares

**Key Company Statistics**

Bloomberg Ticker	NHR MK
Bursa Stock Code	7215
Issued Share Capital (mn)	236.6
Market Capitalisation (MYR mn)	27.2
52 week High (MYR)	0.22
52 week Low (MYR)	0.10
Average Volume (3 month) '000	103.7
1 Yr Return (%)	-43.9

**INVESTMENT RISKS**

Risks to our recommendation and target price include: i) increases in the MYR exchange rate, ii) rising promotional costs, iii) a sharp slowdown in the general level of economic activity in the economies of the company's trading partners, e.g. Japan, Taiwan, Singapore and South Korea, and iv) continued rises in stainless steel prices would be an additional concern.

**Major Shareholders (%)**

Hsiao Tsai Sheng	11.7
Hsiao Liu Lee	11.7
Hsiao Chih-Che	11.7

**RECOMMENDATION**

Ni Hsin Resources Bhd is facing a number of challenges, however the current share price has discounted many of the headwinds. In addition, management has put in place a number of initiatives that are likely to result in improved sales and higher factory utilisation. We rate the shares a BUY with a fair value of MYR 0.23.

**FTSE-BURSA INDEX MEMBERSHIP**

FBM KLCI	FBM70	FBMEMAS	FBMHIJRAH
No	No	No	No

The company's up to date manufacturing assets alone are worth some MYR 0.15 per share. Thus there is not a great deal of downside for the shares at current levels. The balance sheet is very clean, and management has been able to operate the company at minimal losses given the severe damage to the Japanese economy. Moreover, should stainless steel prices come off, or capacity utilisation increase in the quarters ahead, net margins would likely double or triple from their current levels.

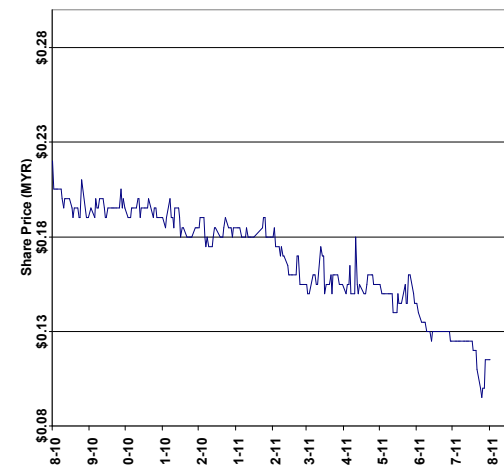
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**COMPANY PROFILE**

Ni Hsin Resources Bhd ("NHR") is one of the leading cookware manufacturers listed in Malaysia. The company has its roots in Taiwan, and was incorporated in Malaysia in 1989 and listed in 2005. About 20% of total revenue is realised in Malaysia, with Japan, Taiwan, Singapore, and South Korea accounting for the lion's share of the company's substantial export revenue. Revenue this quarter comprised 53% cookware products, 20% convex mirror and 27% clad metals.

**SHARE PRICE LAST 12 MONTHS (MYR)**



**ANNUAL RESULTS AND METRICS (MYR mn)**

FY Dec	2009	2010	2011F	2012F
Revenue	47.3	36.0	35.6	39.2
Revenue g (%)	-16.2	-24.0	-1.0	10.0
Net Profit	5.1	-0.3	0.1	3.2
Net Profit g (%)	-17.6	na	na	>100
Dividends	3.6	1.2	0.0	1.2
Owners' Equity	59.0	57.4	57.5	59.5
Total Liabilities	9.8	8.1	9.8	9.9
Debt/Equity (%)	16.7	14.1	17.0	16.6
EPS (sen)	2.2	-0.1	0.1	1.3
P-S (x)	1.1	1.2	0.8	0.7
P-E (x)	10.4	na	212.6	8.6
P-BV (x)	0.9	0.8	0.5	0.5
ROE %	8.7	-0.6	0.2	5.3

MALAYSIA EQUITY  
NI HSIN RESOURCES BHD

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

FY Dec	2Q-11	2Q-10	Q-o-Q %chg	YTD FY11	YTD FY10	Y-o-Y %chg	
Revenue	9.2	8.7	5.7	16.9	16.4	2.7	
Operating Profit	0.0	0.1	na	-0.5	0.5	na	Revenue up 2.7 % 1H2011 vs. 1H2010 Convex mirror sales rose 18.2% over the same period.
Other Income	0.2	0.1	35.0	0.2	0.4	-57.2	
Share of Associates	0.0	0.0	na	0.0	0.0	na	
Depreciation/Amort'n	-0.8	-0.8	0.0	-0.8	-0.8	0.0	
Finance Costs	0.0	0.0	na	-0.1	0.0	na	
Pre Tax Profit	0.0	0.1	na	-0.6	0.5	na	
Tax	-0.2	-0.2	14.0	-0.4	-0.4	-5.9	
Minority Interest	0.0	0.0	na	0.0	0.0	na	
Net Profit to S'holders	-0.2	0.0	na	-1.0	0.1	na	
Dividends	0.0	1.2	na	0.0	0.0	na	
EPS (sen)	-0.1	0.0	na	-0.4	0.0	na	
DPS (sen)	0.0	0.5	na	0.0	0.0	na	
Operating Margin (%)	0.2	1.5	-84.2	-3.1	3.3	na	Operating margins pinched by rising marketing costs; but losses are shrinking and sales increasing despite difficult conditions.
Net Margin (%)	-2.2	-0.5	na	-5.9	0.6	na	
Effective Tax Rate (%)	na	na	na	na	80.7	na	
NTA/share (RM)				0.24	0.25	-2.6	

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

Current FY Ending	Ni Hsin Resources Bhd Dec-11	Cam Resources Bhd Dec-11
Revenue	35.6	69.8
Net Profit	0.1	4.4
Owners' Equity	57.5	89.1
Dividends	0.0	0.0
Market Cap	27.2	41.3
P-S (x)	0.8	0.6
P-E (x)	212.6	9.4
P-BV (x)	0.5	0.5
Div Yield (%)	0.0	0.0
Net Margins (%)	0.4	6.3
ROE (%)	0.2	4.9
Payout Ratio (%)	0.0	0.0

\*Consensus data used for peers where available

MALAYSIA EQUITY  
NI HSIN RESOURCES BHD**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Dec	2009	2010	2011F	2012F
Revenue	47.3	36.0	35.6	39.2
Operating Profit	6.9	0.0	1.1	4.4
Other Income	1.0	0.7	0.6	0.6
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-3.0	-3.0	-3.0	-3.0
Finance Costs	-0.3	-0.1	-0.2	-0.2
Pre Tax Profit	6.7	0.0	0.9	4.2
Tax	-1.6	-0.3	-0.8	-1.1
Minority Interest	0.0	0.0	0.0	0.0
Net Profit to Shareholders	5.1	-0.3	0.1	3.2
Operating Margin (%)	14.6	0.1	3.0	11.2
PBT Margin (%)	14.2	0.0	2.6	10.8
Net Margin (%)	10.8	-0.9	0.4	8.1
Effective Tax Rate (%)	23.9	25.0	86.0	25.0

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

FY Dec	2009	2010	2011F	2012F
Total Assets	68.8	65.5	67.3	69.4
Fixed Assets	34.5	34.3	33.8	35.1
Current Assets	29.2	26.1	28.5	29.2
Other LT Assets	5.1	5.1	5.0	5.0
Current Liabilities	7.2	5.9	7.5	7.6
LT Liabilities	2.7	2.2	2.2	2.3
Total Liabilities	9.8	8.1	9.8	9.9
Share Capital	47.3	47.3	47.3	47.3
Minority Interest	0.0	0.0	0.0	0.0
Owners' Equity	59.0	57.4	57.5	59.5
Total Equity	59.0	57.4	57.5	59.5
Total Liabilities & Equity	68.8	65.5	67.3	69.4

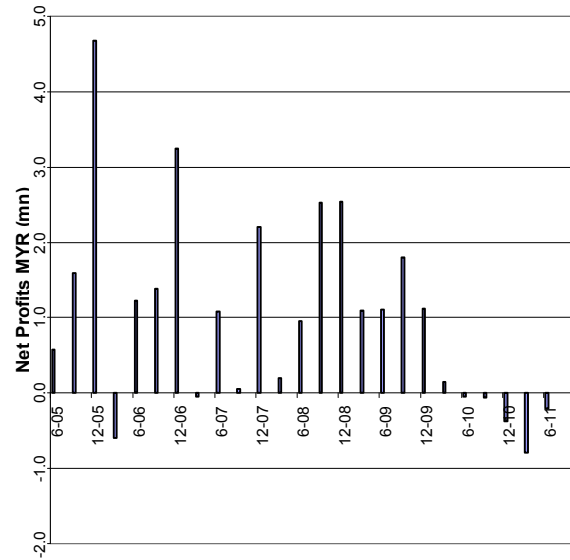
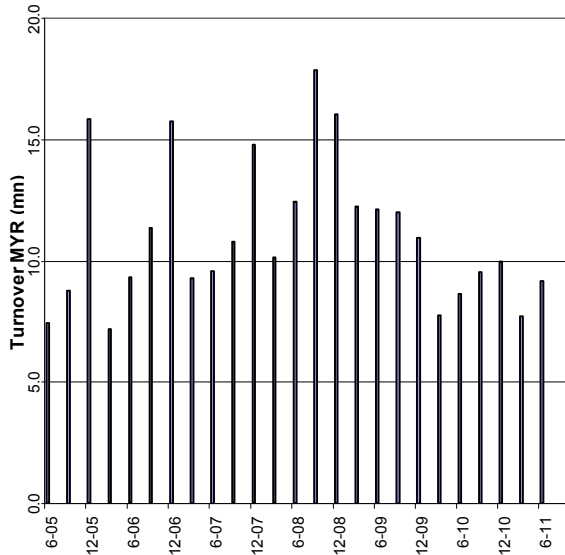
**PER SHARE DATA (All figures in sen unless otherwise indicated)**

FY Dec	2009	2010	2011F	2012F
Revenue	20.0	15.2	15.0	16.6
Cash Flow	3.5	1.1	1.3	2.6
Earnings	2.2	-0.1	0.1	1.3
Dividends	1.5	0.5	0.0	0.5
Book Value	24.9	24.3	24.3	25.1
Payout (%)	70.4	na	0.0	36.7
P-S (x)	1.1	1.2	0.8	0.7
P-CF (x)	6.5	16.4	8.7	4.4
P-E (x)	10.4	na	212.6	8.6
P-BV (x)	0.9	0.8	0.5	0.5
Dividend Yield (%)	6.8	2.7	0.0	4.3
ROE (%)	8.7	-0.6	0.2	5.3
Total Debt/Equity (%)	16.7	14.1	17.0	16.6

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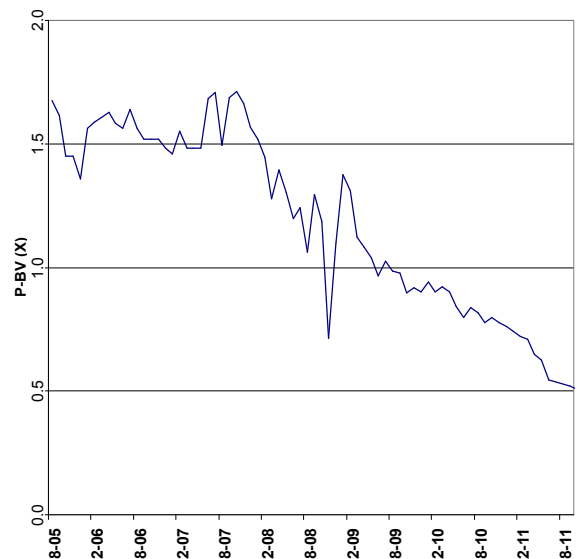
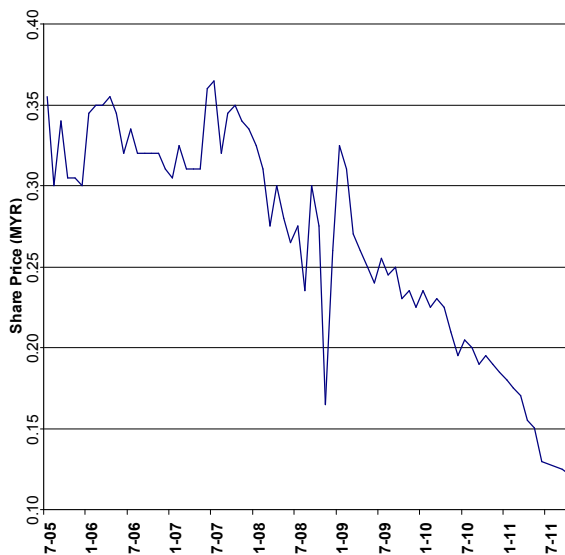
REVENUE - QUARTERLY LAST 6 YEARS (MYR mn)

NET PROFIT - Q'TERLY LAST 6 YRS (MYR mn)



SHARE PRICE - MONTHLY - LAST 6 YEARS (MYR)

P-BV (X) - MONTHLY - LAST 6 YEARS





## ANALYST'S DISCLOSURE

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

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

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

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

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

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

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J Charles Wilson  
Head of Research

## ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	Fair Value	Price At Recommendation Date	% Price Change Since Prior Recommendation
NHR MK Equity	24-Feb-11	HOLD	0.17	0.17	
NHR MK Equity	11-Apr-11	BUY	0.27	0.15	-11.8%
NHR MK Equity	19-May-11	BUY	0.23	0.15	0.0%
NHR MK Equity	16-Aug-11	BUY	0.23	0.12	-23.3%

## QUESTIONS?

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