
CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Hsiao Chih Jen <i>(Chairman/Managing Director)</i>	No. 11, Jalan Setia Bakti 5 Bukit Damansara 50490 Kuala Lumpur Malaysia	Chairman/ Managing Director	Taiwanese / Permanent Resident of Malaysia
Hsiao Chih Chien <i>(Executive Director)</i>	No. 13, Jalan Setia Bakti 5 Bukit Damansara 50490 Kuala Lumpur Malaysia	Company Director	Taiwanese / Permanent Resident of Malaysia
Hsiao Chih Che <i>(Executive Director)</i>	2F #41, Lane 313 Fu Sing N. Road Taipei, Taiwan	Company Director	Taiwanese
Ng Shwu Ching <i>(Executive Director)</i>	No. 19, Jalan 1/149K Bandar Baru Sri Petaling 57000 Kuala Lumpur Malaysia	Company Director	Malaysian
Dato' Wong Pui Lam <i>(Independent Non-Executive Director)</i>	B-20-4 Abadi Villa Condo No. 4, Jalan 2/109C Taman Abadi Indah Off Jalan Kelang Lama 58100 Kuala Lumpur Malaysia	Lawyer	Malaysian
Chong Yew Kiang <i>(Independent Non-Executive Director)</i>	177 Jalan SS 22/27 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan Malaysia	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chong Yew Kiang	Chairman of Committee	Independent Non-Executive Director
Dato' Wong Pui Lam	Member of Committee	Independent Non-Executive Director
Ng Shwu Ching	Member of Committee	Executive Director

CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
888 Happy Garden
Jalan Kuchai Lama
58200 Kuala Lumpur

Saw Bee Lean (MAICSA 0793472)
91 Jalan SS22/39
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan

REGISTERED OFFICE

Level 7, Setia 1
15 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03 - 2095 7188

HEAD OFFICE

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

**AUDITORS AND REPORTING
ACCOUNTANTS**

KPMG (AF 0758)
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03 – 2095 3388

SOLICITORS

Soo Thien Ming & Nashrah
Wisma Selangor Dredging
10th Floor, South Block
142-A, Jalan Ampang
50450 Kuala Lumpur
Tel: 03 – 2161 2588

ISSUING HOUSE

Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03 – 2693 2075

CORPORATE DIRECTORY (Cont'd)

REGISTRAR

PFA Registration Services Sdn Bhd (19234-W)
Level 13 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03 – 7725 4888

VALUER

Henry Butcher Malaysia Sdn Bhd (160636-P)
No. 25 Jalan Yap Ah Shak
Off Jalan Dang Wangi
50300 Kuala Lumpur
Tel: 03 – 2694 2212

INDEPENDENT MARKET RESEARCHER

Infocredit D&B (Malaysia) Sdn Bhd (527570-M)
Level 9-3A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 03 – 2718 1000

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad (13491-P)
Lot 1.3.9 – 1.3.13
3rd Floor, Pearl Point Shopping Mall
Batu 5, Jalan Klang Lama
58000 Kuala Lumpur
Tel: 03 – 7981 2007

United Overseas Bank (Malaysia) Bhd (271809-K)
Bangunan UOB Medan Pasar
10-12 Medan Pasar
P.O. Box 11378
50744 Kuala Lumpur
Tel: 03 – 2772 8000

ADVISER AND UNDERWRITER

Hwang-DBS Securities Berhad (14389-U)
Suite 23A-01, 23A Floor
Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 03 – 2143 7888

LISTING SOUGHT

Second Board of Bursa Securities

1. INFORMATION SUMMARY

This is a summary of the salient information in the Prospectus. It does not contain all the information that may be important to you. You should read and understand the entire Prospectus carefully before you decide whether to invest in our Shares.

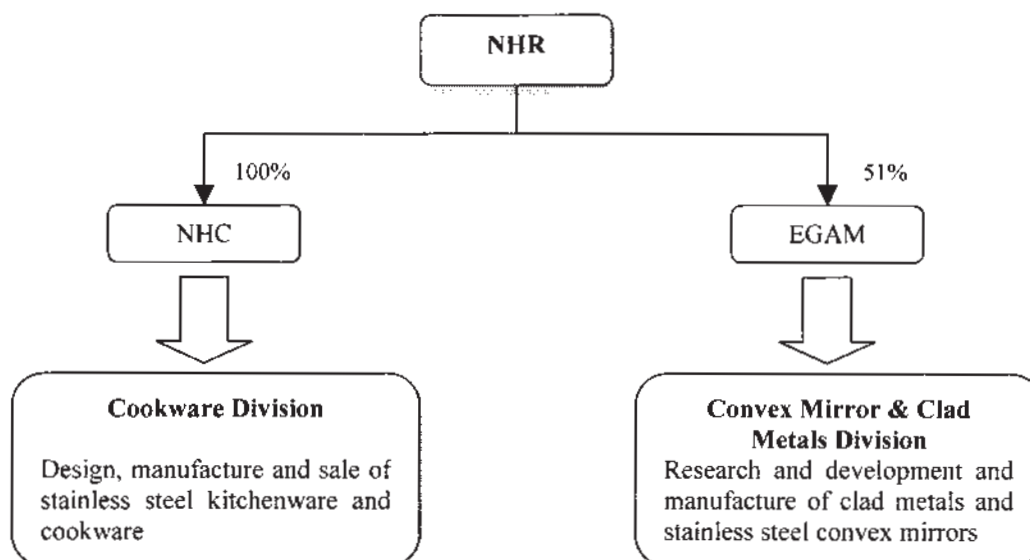
1.1 History and Business

We were incorporated in Malaysia as a public limited company on 22 May 2004 under the Act. We were established to become the investment holding company of NHC and EGAM in conjunction with our listing on the Second Board of Bursa Securities. The principal activities of our subsidiaries are as follows:

Subsidiaries	Date/ Country of incorporation	Effective equity interest %	Issued & paid-up capital RM'000	Principal activities
NHC	16.08.1989 Malaysia	100	13,765	Design, manufacture and sale of stainless steel kitchenware and cookware
EGAM	20.04.2001 Malaysia	51	5,000	Research and development and manufacture of clad metals and stainless steel convex mirrors

Further information on our subsidiaries is set out in Section 4.5 of this Prospectus.

Our corporate structure as at the date of this Prospectus is depicted as follows:



An overview of our business is provided in Section 4.4 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.2 Promoters, Substantial shareholders, Directors and Key Management

The beneficial interests, direct and indirect, of our Promoters, substantial shareholders, Directors and key management in the Shares of our Company after the IPO are as follows:

Promoters / Substantial Shareholders	Designation	^Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Hsiao Chih Jen	Chairman / Managing Director	24,747,171	11.00	-	-
Hsiao Chih Chien	Executive Director	24,747,171	11.00	-	-
Hsiao Chih Che	Executive Director	24,747,166	11.00	-	-
Hsiao Tsai Sheng	-	24,747,166	11.00	-	-
Hsiao Liu Lee	-	24,747,166	11.00	-	-
Directors					
Hsiao Chih Jen	Chairman / Managing Director	24,747,171	11.00	-	-
Hsiao Chih Chien	Executive Director	24,747,171	11.00	-	-
Hsiao Chih Che	Executive Director	24,747,166	11.00	-	-
Ng Shwu Ching	Executive Director	800,000	0.36	-	-
Dato' Wong Pui Lam	Independent Non-Executive Director	100,000	0.04	-	-
Chong Yew Kiang	Independent Non-Executive Director	100,000	0.04	-	-
Key Management					
Phuah Yew Hock	Management Information System Manager	300,000	0.13	-	-
Lee Boon Hian	Sales & Marketing Manager	289,000	0.13	-	-
Lim Kam Ten	Sales & Marketing Manager	280,000	0.12	-	-
Chia Hoon Ang	Quality Assurance Manager	70,000	0.03	-	-
Low Meng Chai	Production Manager	150,000	0.07	-	-
Ng Chin Chuan	Production Engineering Assistant Manager	280,000	0.12	-	-
Hoo Yoke Fong	Human Resource & Administration Assistant Manager	300,000	0.13	-	-
Hsiao Tung Hsin	R&D Manager	600,000	0.27	-	-
Hsiao Tung Min	General Manager	421,000	0.19	-	-
Ng Lee Choo	Administration Manager	421,000	0.19	-	-

Note:

^ Assuming full subscription of the Public Issue Shares reserved for our Directors, eligible employees and business associates pursuant to the Public Issue.

Further information on our Promoters, substantial shareholders, Directors and key management is provided in Section 5 of this Prospectus.

1. INFORMATION SUMMARY *(Cont'd)*

1.3 Financial Highlights

1.3.1 Historical Financial Information

The following table is extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes thereto. It is a summary of our proforma consolidated results for the past five (5) financial years ended 31 December 2000 to 31 December 2004, and is provided for illustration purposes based on the audited financial statements of our subsidiaries, prepared on the assumption that our existing group structure had been in existence throughout the financial years under review:

	<----- Financial year ended 31 December ----->				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	40,547	29,258	24,612	41,473	38,258
EBITDA	10,693	5,005	4,089	12,252	13,056
Depreciation	(2,498)	(2,554)	(2,797)	(2,818)	(3,336)
Interest expense	(489)	(356)	(180)	(224)	(315)
Interest income	524	367	56	149	106
Operating profit	8,230	2,462	1,168	9,359	9,511
Share of profit/(loss) of an associate	6	(50)	(47)	(8)	-
PBT	8,236	2,412	1,121	9,351	9,511
Tax expense*	(1,615)	(560)	(88)	(1,208)	(1,999)
PAT	6,621	1,852	1,033	8,143	7,512
MI	-	(28)	(393)	(1,918)	(1,379)
PAT after MI	6,621	1,824	640	6,225	6,133
No. of ordinary shares assumed in issue ¹ ('000)	202,485	202,485	202,485	202,485	202,485
Gross EPS ² (sen)	4.1	1.2	0.4	3.7	4.0
Net EPS ² (sen)	3.3	0.9	0.3	3.1	3.0

Notes:

- * Tax expense has been adjusted for over/under provision in the respective years.
- 1. Based on the number of ordinary shares assumed in issue after the Acquisitions.
- 2. The gross and net EPS have been calculated by dividing PBT after MI and PAT after MI respectively for the financial years by the number of ordinary shares assumed in issue.
- 3. There were no exceptional or extraordinary items during the financial years under review.

1. INFORMATION SUMMARY *(Cont'd)*

1.3.2 Proforma Consolidated Balance Sheets

Our proforma consolidated balance sheets as at 31 December 2004, assuming that the IPO and ESOS had been completed as at that date, together with the detailed assumptions underlying its preparation are set out in Section 9.10 of this Prospectus. The following table shows a summary of our proforma consolidated balance sheets made up to 31 December 2004:

	Audited as at 31.12.2004 RM'000	After Proforma I RM'000	After Proforma II RM'000	After Proforma III RM'000
Property, plant and equipment	-	36,353	39,968	39,968
Current assets				
Inventories	-	14,887	14,887	14,887
Trade and other receivables	581	7,911	7,330	7,330
Tax recoverable	-	56	56	56
Cash and bank balances	*	1,765	4,080	15,218
	581	24,619	26,353	37,491
Current liabilities				
Trade and other payables	581	3,965	3,384	3,384
Borrowings	-	5,245	5,245	5,245
Taxation	-	638	638	638
	581	9,848	9,267	9,267
Net current assets	*	14,771	17,086	28,224
	*	51,124	57,054	68,192
Financed by:				
Capital and reserves				
Share capital	**	40,497	45,000	51,750
Share premium	-	-	1,427	5,815
Reserves	-	525	525	525
Shareholders' funds	*	41,022	46,952	58,090
Minority shareholders' interests	-	6,112	6,112	6,112
Long term and deferred liabilities				
Borrowings	-	144	144	144
Deferred taxation	-	3,846	3,846	3,846
	*	51,124	57,054	68,192
NTA per share (RM)	1.00	0.20	0.21	0.22

Notes:

* RM2.00.

** Issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Proforma I : Incorporates Sub-Division of Shares, Distribution of Dividend, Incorporation of Revaluation Surplus and Acquisitions

Proforma II : Incorporates Proforma I, IPO and utilisation of proceeds

Proforma III : Incorporates Proforma II and assuming full exercise of ESOS options

1. INFORMATION SUMMARY *(Cont'd)*

1.3.3 Auditors' Qualification

The audited financial statements of our Company for the period from 22 May 2004 to 31 December 2004 have not been subjected to any auditors' qualification.

The audited financial statements of NHC for the past five (5) financial years ended 31 December 2000 to 31 December 2004 have not been subjected to any auditors' qualification.

The audited financial statements of EGAM for the period from 20 April 2001 to 31 December 2001 and three (3) financial years ended 31 December 2004 have not been subjected to any auditors' qualification.

1.3.4 Forecast

Set out below is a summary of our profit forecast for the financial year ending 31 December 2005. You should review the financial forecast taking into account the assumptions underlying the forecast contained in Section 9.5 of this Prospectus.

(i) Consolidated Profit Forecast

Financial year ending 31 December 2005	RM'000
Revenue	<u>50,788</u>
Consolidated PBT	12,150
Less: Tax expense	<u>(1,399)</u>
Consolidated PAT	10,751
Less: MI	<u>(2,424)</u>
Consolidated PAT after MI	<u>8,327</u>

Based on the enlarged issued and paid-up share capital:

Net EPS ¹ (sen)	3.7
Net PE Multiple based on the issue price of RM0.33 per Share (times)	8.9

Based on weighted average number of shares in issue ²:

Net EPS ³ (sen)	4.9
Net PE Multiple based on the issue price of RM0.33 per Share (times)	6.7

Notes:

- 1. Based on the consolidated PAT after MI and the enlarged issued and paid-up share capital of 225,000,010 Shares.*
- 2. On the assumption that the Public Issue will be completed in July 2005.*
- 3. Based on the consolidated PAT after MI and the weighted average number of shares in issue of 171,426,000 Shares.*

Further information on our consolidated profit forecast is set out in Section 9.5 of this Prospectus.

1. INFORMATION SUMMARY *(Cont'd)*

(ii) Dividend Forecast

Financial year ending 31 December 2005

Gross dividend per Share (%)	6.9
Net dividend per Share (%)	5.0
Gross dividend yield based on the issue price of RM0.33 per Share (%)	4.2
Net dividend yield based on the issue price of RM0.33 per Share (%)	3.0
Net dividend cover based on enlarged number of shares in issue (times)	3.7

Further information on our dividend forecast is set out in Section 9.9 of this Prospectus.

1.4 Risk Factors

There are a number of risk factors (which may not be exhaustive), both specific to our Group and relating to the general business environment, which may impact the operating performance and financial position of our Group and affect the achievability of our forecast. To appreciate the risk factors associated with an investment in us, you should read this entire Prospectus carefully. The following is only a summary of the risk factors. Details of the key risk factors are set out in Section 3 of this Prospectus:

- (i) We are exposed to business risks.
- (ii) We are dependent on a few major customers and loss of our major customers may adversely affect us.
- (iii) Our business operations may be affected by the economic conditions in the countries which we have a presence.
- (iv) We face competition from overseas players.
- (v) Our cookware revenue is subject to seasonality due to market demand and supply conditions.
- (vi) We may be affected by the shortage or increase in prices of raw materials.
- (vii) Certain of our shareholders have interests in companies engaged in similar business.
- (viii) We may be subject to the risk of termination of our Trademark License Agreement.
- (ix) We are exposed to foreign exchange fluctuations.
- (x) We may be affected by severe business disruption and inadequate insurance coverage.
- (xi) We are dependent on our ability to retain key personnel.
- (xii) Control by our Promoters / substantial shareholders may limit your ability to influence the outcome of certain matters requiring the approval of shareholders.
- (xiii) There has been no prior trading market for our Shares within or outside Malaysia and a market for our Shares may not develop.
- (xiv) There is no assurance that our profit forecast will be realised.
- (xv) Our actual results may differ from information contained in the forward looking statements of this Prospectus.

1. INFORMATION SUMMARY *(Cont'd)*

(xvi) We are exposed to the risk of failure / delay in our listing exercise.

1.5 Principal Statistics relating to the Public Issue

(i)	Share Capital	RM
	<i>Authorised:</i>	
	500,000,000 ordinary shares of RM0.20 each	<u>100,000,000</u>
	<i>Issued and fully paid-up:</i>	
	202,485,010 ordinary shares of RM0.20 each	40,497,002
	<i>To be issued pursuant to the Public Issue:</i>	
	22,515,000 new ordinary shares of RM0.20 each	<u>4,503,000</u>
		45,000,002
	<i>To be issued pursuant to the full exercise of ESOS options:</i>	
	33,750,000 new ordinary shares of RM0.20 each	6,750,000
	Enlarged issued and paid-up capital	<u><u>51,750,002</u></u>
(ii)	Issue / Offer Price per Public Issue Share / Offer Share	0.33
(iii)	Proforma Consolidated NTA	
	Proforma Consolidated NTA as at 31 December 2004 (after taking into account the Public Issue and estimated share issue expenses of RM1.5 million) (RM'000)	46,952
	Proforma Consolidated NTA per share (based on the enlarged share capital of 225,000,010 Shares) (RM)	0.21
(iv)	Classes of shares and ranking	
	We only have one (1) class of shares, namely ordinary shares of RM0.20 each, all of which rank equally with one another. The Public Issue Shares will rank <i>pari passu</i> in all respects with our existing issued and paid up ordinary shares including voting rights and dividends and/or distributions that may be declared subsequent to the date of allotment thereof.	

1.6 Utilisation of Proceeds

The gross proceeds of approximately RM7.4 million from the Public Issue accruing to our Company will be utilised in the following manner:

	RM'000	Timeframe for utilisation of proceeds from the date of listing of our Shares
Capital expenditure	3,615	Within 1 ½ years
Working capital	2,315	Within 1 year
Estimated share issue expenses	<u>1,500</u>	Within 6 months
	<u><u>7,430</u></u>	

Further information on the utilisation of proceeds is provided in Section 2.6 of this Prospectus.

1. INFORMATION SUMMARY *(Cont'd)*

1.7 Working Capital

Our Directors are of the opinion that after taking into account the cash flow position including the proceeds from the Public Issue and the banking facilities available, we have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

1.8 Borrowings

As at 31 May 2005, the total bank borrowings of our Group comprising trade financing and hire purchase facilities, all of which are domestic borrowings and interest bearing, are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Trade financing facilities	3,181	-	3,181
Hire purchase	291	23	314
Total	3,472	23	3,495

Save as disclosed above, we do not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debt outstanding, guarantees or other borrowings on that date.

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past financial year ended 31 December 2004 or the subsequent period thereof, immediately preceding the date of this Prospectus.

1.9 Material Litigation

As at 31 May 2005, neither our Company nor subsidiaries are engaged in any litigation, either as plaintiff or defendant, which has a material effect on our financial position. Our Directors do not know of any proceedings pending or threatened against our Company and subsidiaries or any facts that are likely to give rise to any proceedings which might materially and adversely affect the position or business of our Group.

1.10 Material Capital Commitments

Save as disclosed below, as at 31 May 2005, we have not contracted any capital commitments, which, upon becoming enforceable, may have a material impact on our profit or net assets value:

Purchase of machinery	RM'000 375
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1.11 Contingent Liabilities

Save as disclosed below, as at 31 May 2005, our Directors are not aware of any contingent liabilities, which, upon becoming enforceable, may have a material impact on our profit or net assets value:

	RM'000
- Corporate guarantee given by NHC to licensed bank for credit facilities granted to EGAM	3,300
- Performance guarantee given by NHC to a supplier	220
	3,520

2. PARTICULARS OF THE IPO

2.1 Introduction

This Prospectus is dated 30 June 2005.

This Prospectus has been registered with the SC. We have also lodged a copy of this Prospectus, together with the Application Form, with the Registrar of Companies who takes no responsibility for its contents.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Second Board of Bursa Securities is not to be taken as an indication of our merits, the merits of our Shares or the IPO.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with the Depository. Any dealings in our Shares will be carried out in accordance with the aforesaid Act and the Rules of the Depository.

We have obtained approval-in-principle from Bursa Securities on 23 August 2004 for the admission of our Company to the Official List of the Second Board of Bursa Securities and for the listing of and quotation for our entire enlarged issued and paid-up ordinary shares, including the Public Issue Shares which are the subject of this Prospectus, on the Second Board of Bursa Securities. Our Shares will be admitted to the Official List of the Second Board of Bursa Securities and official quotation will commence upon receipt of confirmation from the Depository that all the CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants.

Pursuant to the Listing Requirements, at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of listing. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our listing on the Second Board of Bursa Securities. In such an event, we will return in full, without interest, monies paid in respect of all applications.

You must have a CDS account when applying for IPO Shares. In the case of an application by way of Application Form, you must state your CDS account number in the space provided in the Application Form. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for the IPO Shares. In the case of an application by way of ESA, you can make an ESA only if you have a CDS account and you shall furnish your CDS account number to the Participating Financial Institution by keying in your CDS account number if the instruction on the ATM screen at which you enter your ESA requires you to do so. In the case of an application by way of Internet Share Application, you can make an application only if you have a CDS account and an existing account with access to the Internet financial services facilities with Internet Participating Financial Institution and you shall furnish your CDS account number to the Internet Participating Financial Institution by way of keying in your CDS account into the online application form. A corporation or institution cannot apply for the Public Issue Shares by way of ESA or Internet Share Application.

We have not authorised any person to give any information or represent us in relation to the IPO. Bear in mind also that this Prospectus shall not represent or imply that there has been no change in our Company's affairs since the issuance of this Prospectus.

2. PARTICULARS OF THE IPO (Cont'd)

The distribution of this Prospectus and the sale of the IPO Shares are subject to Malaysian laws. We and Hwang-DBS take no responsibility for the distribution of this Prospectus and/or sale of the IPO Shares outside Malaysia. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any IPO Share in any jurisdiction in which such offer is not authorised or lawful or to any person to whom it is unlawful to make such offer.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INITIAL PUBLIC OFFERING AND AN INVESTMENT IN US. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2.2 Indicative Timetable

The indicative timing of events leading to the listing of and quotation for our Shares on the Second Board of Bursa Securities is set out below:

Event	Tentative Date
Opening date of Application	30 June 2005
Closing date of Application	*18 July 2005
Balloting of Application	20 July 2005
Allotment of Shares	22 July 2005
Despatch of Notices of Allotment	27 July 2005
Listing of and quotation for our Shares on the Second Board of Bursa Securities	28 July 2005

* *This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. Our Directors, the Offerors and the Underwriter may mutually decide, at their discretion, to extend the closing date of the Application to any later date or dates. If the closing date of the Application is extended, the dates for the allotment of Shares and the listing of and quotation for our Shares on the Second Board of Bursa Securities would be extended accordingly. We will notify the public via an advertisement in a widely circulated Bahasa Malaysia and English newspaper if the closing date of the Application is extended.*

2.3 Purposes of the IPO

The purposes of the IPO are as follows:

- (a) To enable us to gain access to the capital market to raise funds for our future expansion and continued growth;
- (b) To provide an opportunity for our Directors, eligible employees and business associates and Malaysian public to participate in our continuing growth by way of equity participation; and
- (c) To achieve listing status for our Company, which is expected to enhance our business profile and future prospects.

2. PARTICULARS OF THE IPO (Cont'd)

2.4 Details of the IPO

Offer for Sale

The 67,500,000 Offer Shares, representing 30% of our enlarged share capital, have been reserved for Bumiputera investors approved by the MITI at an offer price of RM0.33 per Share, payable in full upon application based on the terms and conditions of this Prospectus. The Offerors are as follows:

	No. of Offer Shares
Hsiao Tsai Sheng	13,500,000
Hsiao Liu Lee	13,500,000
Hsiao Chih Jen	13,500,000
Hsiao Chih Chien	13,500,000
Hsiao Chih Che	13,500,000
Total	<u>67,500,000</u>

Public Issue

The Public Issue of 22,515,000 new Shares is an invitation by our Company to our Directors, eligible employees and business associates of our Group and the Malaysian public to apply for the Public Issue Shares at an issue price of RM0.33 per Share, payable in full upon application based on the terms and conditions of this Prospectus.

The Public Issue Shares totalling 22,515,000 Shares shall be allocated in the following manner:

(a) **Directors, Eligible Employees and Business Associates**

7,515,000 new Shares representing approximately 3.3% of our enlarged share capital are reserved for application by our Directors, eligible employees and business associates.

Of the said 7,515,000 new Shares, we have allocated 1,000,000 Shares to three (3) Directors and 5,715,000 Shares to seventy-one (71) eligible employees of our Group.

The allocation of the Shares to our Directors and eligible employees, as approved by our Board, is generally based on seniority in ranking, length of service and contribution to the success of our Group.

The details on the allocation of the Shares to our eligible Directors are as follows:

	No. of Shares allotted
Ng Shwu Ching	800,000
Dato' Wong Pui Lam	100,000
Chong Yew Kiang	100,000
	<u>1,000,000</u>

The remaining 800,000 new Shares are allocated to a total of ten (10) business associates of our Group.

The allocation of the Shares to our business associates, as approved by our Board, is generally based on length of relationship, value of transactions for the financial year ended 31 December 2004 and significance of contribution to the success of our Group.

2. PARTICULARS OF THE IPO (Cont'd)

(b) Malaysian Public

15,000,000 new Shares representing approximately 6.7% of our enlarged share capital are available for application by Malaysian citizens, companies, co-operatives, societies and institutions by way of balloting, of which at least 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Public Issue Shares under paragraph (b) above are fully underwritten at an underwriting commission of 2%. Any Public Issue Shares under paragraph (a) not subscribed by our Directors, eligible employees and business associates will be made available for subscription by the Malaysian public, and such unsubscribed Public Issue Shares are underwritten at an underwriting commission of 2%. The Offer Shares reserved for Bumiputera investors are not underwritten.

The IPO Shares will rank *pari passu* in all respects with our other existing issued and paid-up ordinary shares including voting rights and dividends and all dividends that may be declared subsequent to the date of the allotment of the IPO Shares.

Each shareholder shall be entitled to vote at any general meeting of our Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held.

Subject to any special rights attaching to any shares which may be issued by our Company in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and the whole of any surplus in the event of the liquidation of our Company in accordance with our Articles of Association.

2.5 Pricing of the IPO Shares

The Issue / Offer Price of RM0.33 per Share was determined and agreed upon by us, the Offerors and Hwang-DBS as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) our forecast net EPS of 3.7 sen for the year ending 31 December 2005, computed based on our enlarged issued and paid-up share capital of 225,000,010 Shares, and the forecast net PE Multiple of approximately 8.9 times;
- (ii) our operating and financial history as described in Section 4 and Section 9 of this Prospectus;
- (iii) the industry review, future plans, strategies and prospects of our Group as described in Section 4.6 and Section 4.9 of this Prospectus; and
- (iv) our proforma consolidated NTA per Share of NHR as at 31 December 2004 of 21 sen (after the IPO but before the exercise of ESOS options).

2.6 Proceeds of the IPO and Utilisation of Proceeds

The Offer for Sale is expected to raise proceeds of approximately RM22.3 million while the Public Issue is expected to raise proceeds of approximately RM7.4 million.

The proceeds of the Offer for Sale of approximately RM22.3 million will accrue entirely to the Offerors. The Offerors shall bear all expenses such as stamp duty (if any), registration and share transfer fees relating to the Offer Shares.

2. PARTICULARS OF THE IPO (Cont'd)

The gross proceeds of approximately RM7.4 million from the Public Issue will accrue to our Company and will be utilised in the following manner:

	Notes	RM'000	Timeframe for utilisation of proceeds from the date of listing of our Shares
Capital expenditure	(a)	3,615	Within 1 ½ years
Working capital	(b)	2,315	Within 1 year
Estimated share issue expenses	(c)	1,500	Within 6 months
		<u>7,430</u>	

(a) Capital expenditure

An amount of approximately RM3.6 million from the Public Issue has been earmarked for capital expenditure purposes, comprising mainly acquisition of machinery and equipment to enhance our operating efficiency and increase productivity. The estimated cost of purchase of the new/additional production plant and machinery are as follows:

	No. of units	Estimated cost RM'000
Casting production line (set)	1	1,500
Polishing machine	1	800
Washing machine	1	700
Moulds and factory equipment		215
Office equipment, furniture and fittings		400
Total		<u>3,615</u>

(b) Working capital

In anticipation of increase in sales volume in line with our expansion plan, we propose to allocate approximately RM2.3 million to meet our working capital requirements such as purchases of raw materials and cookware parts, staff salaries, marketing and promotional expenses, travelling and other operating expenses. This will result in interest savings compared to utilising banking facilities to fund our working capital requirements.

(c) Estimated share issue expenses

The share issue expenses relating to the Public Issue shall be borne by us whilst those expenses relating to the Offer for Sales shall be borne by the Offerors. The estimated share issue expenses relating to the Public Issue are as follows:

	RM'000
Professional fees	700
Fees to the authorities	107
Advertisement and printing of prospectus	200
Underwriting commission and brokerage	198
Issuing house	85
Contingencies	210
Total estimated share issue expenses	<u>1,500</u>

2. PARTICULARS OF THE IPO (Cont'd)

2.7 Brokerage and Underwriting Commission

We will pay brokerage relating to the Public Issue Shares at the rate of 1% of the Issue Price of RM0.33 per Public Issue Share in respect of successful applications bearing the stamp of Hwang-DBS, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

We will pay the Underwriter an underwriting commission at the rate of 2% of the Issue Price of RM0.33 per Public Issue Share for the underwriting of up to 22,515,000 Public Issue Shares.

2.8 Salient Terms of the Underwriting Agreement

We have entered into an Underwriting Agreement with Hwang-DBS as the Underwriter on 2 June 2005. The Underwriting Agreement contains certain clauses as extracted below which may allow the Underwriter to withdraw from its obligations under the Underwriting Agreement. Unless otherwise stated, all capitalised terms have the same meanings as defined in the Underwriting Agreement.

- (i) The obligations of the Underwriter under the Agreement are conditional upon:
- (a) the Company receiving the approvals from the SC, FIC, MITI and/or any other relevant authority or authorities for the Public Issue, which is unconditional or subject to such conditions which are acceptable to the Underwriter, prior to the date of issuance of the Prospectus;
 - (b) the Company receiving the approval-in-principle of Bursa Securities for the listing of and quotation for the entire issued and paid-up capital of the Company on the Second Board of Bursa Securities, which is unconditional or subject to such conditions which are acceptable to the Underwriter on or prior to the Closing Date;
 - (c) the acceptance for registration by the SC and the lodgement with the Registrar of Companies of the Prospectus and such other documents as may be required on or prior to the date of issuance of the Prospectus;
 - (d) there have not been on or prior to the Closing Date, in the opinion of the Underwriter:
 - (i) any adverse change or any development reasonably likely to result in any adverse change in the condition (financial or otherwise) or the earnings, affairs or business prospects of the Group, which is material in the context of the Public Issue from that set forth in the Prospectus or affect the success of the IPO and the issuance of the Issue Shares;
 - (ii) the occurrence of any event which makes any of the representations and warranties contained in Clause 3 in the opinion of the Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting; or
 - (iii) the occurrence of any breach of the undertakings contained in Clause 3;

2. PARTICULARS OF THE IPO (Cont'd)

- (e) the delivery to the Underwriter prior to the date of the registration of the Prospectus with the SC of:
 - (i) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving the Agreement, the Prospectus, and authorising the execution of the Agreement and the issuance of the Prospectus;
 - (ii) a certificate, in the form or substantially in the form contained in Schedule 2, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2(d);
 - (f) the delivery to the Underwriter on the Closing Date, of such reports and confirmations dated the Closing Date from the board of directors of the Company (the "Directors") as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Agreement that will adversely affect the performance or financial position of the Group;
 - (g) the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13;
 - (h) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
 - (i) the Company having complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
 - (j) the Composite Index of Bursa Securities at the close of each market day subsequent to the date of the Agreement and prior to the date of despatch of the Prospectus, is not lower than 750 points; and
 - (k) the trading of securities on Bursa Securities is not suspended or restricted for three (3) consecutive Market Days.
- (ii) If any of the conditions set out in Clause 2.2 is not satisfied by the date of issuance of the Prospectus or Closing Date (whichever applicable), the Underwriter shall thereupon be entitled, subject as mentioned below, to terminate the Agreement by notice in writing to the Company and in such event, the liabilities of the Company and the Underwriter concerned hereto shall become null and void and none of the Parties shall have a claim against each other save that each party shall return any moneys paid in advance to the other or others under the Agreement (if any) free of interest within forty-eight (48) hours of the receipt of such notice. Notwithstanding the termination of the Agreement as aforesaid, the Company shall remain liable for the payment of all costs and expenses referred to in Clause 13 which are incurred prior to or in connection with such termination.

2. PARTICULARS OF THE IPO *(Cont'd)*

- (iii) Notwithstanding the foregoing Clause 2.3, the Underwriter may at its discretion waive compliance with any of the provisions of Clause 2.2 and proceed with the terms and conditions of the Agreement without prejudicing its rights under the Agreement. Any such waiver shall not preclude the Underwriter from insisting on the Company's compliance with such waived condition at a subsequent time.
- (iv) Notwithstanding anything therein contained, the Underwriter may at any time be entitled to terminate its obligations under this Agreement with a notice in writing delivered to the Company given on the occurrence of all or any of the matters stated in Clause 9.1 thereof on or before the Closing Date:
- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by Closing Date, whichever is earlier; or
 - (b) there is failure on the part of the Company to perform any of its obligations herein contained; or
 - (c) there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
 - (d) there shall have occurred, happened or come into effect any Government requisition or other occurrence of any nature whatsoever which adversely affects or will adversely affect the business or condition (financial or otherwise) of the Group; or
 - (e) there shall have occurred, happened or come into effect any of the following circumstances:
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (ii) any new law or regulation or any change in existing law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority; or
 - (iii) any event or series of events beyond the reasonable control of the Parties (including without limitation acts of government, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war, terrorism or accidents);

2. PARTICULARS OF THE IPO (Cont'd)

which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business, operations or condition (financial or otherwise) of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares (whether in the primary or in respect of dealings on the secondary market), or which is likely to have the effect of making the Agreement or a portion thereof incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting thereof; or

- (f) there is any imposition of any moratorium, suspension or restriction on trading in securities generally in Bursa Securities; or
- (g) the Composite Index of Bursa Securities drops below 750 points for three (3) consecutive Market Days.
- (v) Upon such notice(s) being given under Clause 9.1, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Agreement shall be of no further force or effect and no Party shall be under any liability to any other Party in respect of the Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 3 and under Clause 13 for the payment of the costs and expenses already incurred up to the date on which such notice was given and under Clause 13 for the payment of any taxes, duties or levies and for any antecedent breach.
- (vi) In the event that a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus, the Underwriter may at any time before the allotment of the Issue Shares terminate its obligations under this Agreement if in its reasonable opinion, there shall have been events which have occurred as detailed in Clause 9.1 hereof.

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3. RISKS FACTORS

Before investing in our Shares, you should pay particular attention to the fact that we, and to a large extent our activities, are subject to the legal, regulatory and business environment in Malaysia. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks and investment consideration set out below. The risks and investment considerations set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

(i) We are exposed to business risks

We are not insulated from general business risk as well as certain risks inherent in the industry in which we operate. For example, we may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply and increase in labour costs, changes in law and tax legislation affecting the industry, increase in costing for new plant and machinery, changes in business and credit conditions and fluctuations in foreign exchange rates.

Any adverse development in the political situations and economic uncertainties in Malaysia and/or other countries which we have business presence, directly or indirectly, could materially and adversely affect our financial performance. These include risks of war, global economic downturn, expropriation, nationalisation, unfavourable change in government policy and regulations such as foreign exchange rates and methods of taxation and currency exchange controls.

Although we seek to limit these business risks through, inter alia, prudent management policies, maintaining good business relationships with our customers and suppliers, having various suppliers, expansion of our client base in both local and export markets, careful contractual terms and effective human resource management, no assurance can be given that any change in any of these factors will not have a material adverse effect on our business.

(ii) We are dependent on a few major customers and loss of our customers may adversely affect us

We are principally involved in the high-end stainless steel cookware manufacturing industry whereby our target market entails direct consumer market and OEM/ODM customers. For the financial year ended 31 December 2004, approximately 55% and 27% of our revenue were derived from the sales to OEM/ODM customers and direct consumer market respectively. Sales to our ten (10) largest customers accounted for approximately 68% of our total revenue in 2004.

Although we believe that we have built a good rapport with them, there can be no assurance that these customers would continue to procure products from us. 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 strong R&D and integrated manufacturing capabilities to offer exclusive product design to our OEM/ODM customers. We face stringent production and operational audits by our OEM/ODM customers as they require a reliable manufacturer to protect their products' brandname. These OEM/ODM customers would visit our R&D and manufacturing facilities and conduct stringent quality tests on the sample products before accepting us as their OEM/ODM partner. Once accepted as their OEM/ODM partner, we usually maintain long term relationships with our customers.

3. RISKS FACTORS (Cont'd)

Our Directors believe that our design and manufacturing capabilities enable us to establish mutually beneficial long term business relationships with our customers as our customers could concentrate on brand building and marketing, thus alleviating their design and manufacturing problems.

Furthermore, 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, broaden our products range and develop a more diversified market, both locally and overseas, to lessen our dependency on any particular customer. Further details on our marketing and business development plans are set out in Section 4.9 of this Prospectus.

(iii) Our business operations may be affected by the economic conditions in the countries which we have a presence

We export our products to countries such as USA, Japan, South Korea, Taiwan, Hong Kong, the Philippines, Indonesia, Canada and Europe. For the financial year ended 31 December 2004, approximately 92% of our revenue was made up of export sales, as follows:

Country	Revenue	
	RM'000	%
Japan	18,436	48
Taiwan	4,396	11
Hong Kong	3,427	9
USA & Canada	2,934	8
South Korea	1,876	5
Europe	1,554	4
Others	2,688	7
Export sales	<u>35,311</u>	<u>92</u>
Local sales	<u>2,947</u>	<u>8</u>
Total	<u>38,258</u>	<u>100</u>

The economic conditions of the countries to where we export would affect our business performance. However, we believe that the diversity of the countries to where we export would minimise the impact of an economic downturn in any particular country. Nevertheless, as in any other businesses, we would not be spared from a global economic downturn.

Our performance was adversely affected by the unexpected global economic turmoil during the financial years ended 31 December 2001 and 31 December 2002, which arose from the after-effects of the Internet dot-com crash in 2000, terrorist attacks in September 2001 and Afghanistan war in 2002. The continuous global economic turmoil caused unpredicted decline in economic performance in our overseas markets.

As shown in the table below, the GDP of our key export markets declined substantially in 2001 and 2002, leading to decline in consumer spending, thereby affecting our revenue and profitability:

3. RISKS FACTORS (Cont'd)

Country	2000 (%)	2001 (%)	2002 (%)	2003 (%)
Japan	2.8	0.4	-0.3	1.4
USA	3.7	0.5	2.2	3.1
Europe*	3.5	1.6	0.9	0.4
Developing Asia [^]	5.3	3.1	4.4	5.1

Notes:

* *Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal and Spain.*

[^] *Excluding India and the People's Republic of China.*

(Source: Infocredit D&B (Malaysia) Sdn Bhd)

Our Directors are of the opinion that the occurrence of an economic turmoil of such magnitude, affecting all major markets simultaneously, is uncommon. Nevertheless, our management responded to the risks of a global economic decline and had devised and implemented various strategies to minimise this risk such as customer diversification and introduction of new products such as clad metals and convex mirrors.

We would continue to minimise our risk of dependency on any country for exports by continually exploring new export markets such as Australia, Thailand, the Philippines and Indonesia. We intend to develop our premium cookware for the OEM/ODM market globally, and would continue our focus on securing more customers in existing markets whilst at the same time seek new export markets to broaden our geographical reach.

(iv) We face competition from overseas players

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

Compared with the local manufacturers, we dominate the cookware manufacturing industry in terms of exports. Based on a research conducted by Infocredit D&B (Malaysia) Sdn Bhd, the total export of stainless steel kitchenware and cookware for Malaysia in 2004 was valued at approximately RM39 million. Our cookware export revenue for 2004 contributed 74% to the total export market in Malaysia.

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

In the past, the high-end stainless steel cookware industry was mainly dominated by manufacturers in USA and Europe. Over the years, there has been an increasing trend of outsourcing to manufacturers in Asia, especially Malaysia, the People's Republic of China and South Korea, due to the lower operating costs in these countries. Thus, the possibility of increased competition from competitors in these countries may cause us to lose our market share and affect our profit margin and financial performance.

3. RISKS FACTORS (Cont'd)

Our Directors are of the view that we stand to benefit from the increasing trend of cookware retailers outsourcing the manufacturing of their products to ODM and OEM manufacturers in Asia. We differentiate ourselves from other operators in the industry by focusing on the high-end stainless steel cookware segment, and possess the necessary strengths to maintain our competitiveness. Our competitive strengths include synergistic operations in the manufacturing of our raw materials, strategic partnership with our customers via our OEM/ODM strategies, an established brandname, strong R&D capabilities, experienced management team, consistent high product quality, innovative designs, competitive pricing, prompt delivery and efficient production.

Nevertheless, as in all businesses facing competition, there can be no assurance that we will not be affected by the competitive strategies adopted by the other players within the same industry and that we will always be able to maintain or strengthen our existing market share in the future.

(v) **Our cookware revenue is subject to seasonality due to market demand and supply conditions**

Our cookware revenue is subject to seasonality. The demand for our premium cookware and kitchenware generally increases in the second half of the year due mainly to the seasonal nature of consumer spending behaviour in our export markets, where the shopping seasons normally peak in the second half of the year during festive periods such as Christmas and New Year. For the financial year ended 31 December 2004, cookware sales for the second half of the year account for approximately 62% of our yearly revenue.

We mitigate revenue fluctuation by diversifying our product offerings with the setting up of the Convex Mirror Division, which revenue is not affected by seasonality. This will, to a certain extent, cushion the impact of the cyclical nature of revenue in our Cookware Division.

(vi) **We may be affected by the shortage or increase in prices of raw materials**

Our major raw materials are stainless steel clad metals, which are manufactured in-house by EGAM. The principal raw materials for clad metals are high-grade stainless steel and aluminium. Stainless steel is sourced from Japan, via local importers whilst aluminium is sourced locally in Malaysia. 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. Our Directors and key management are confident that our long term relationship with our suppliers will enable us to obtain regular and adequate supply of raw materials at competitive prices. Thus far, we have not encountered any problem in sourcing our raw materials. In any event, our management is confident that we are able to identify additional suppliers to procure supply of raw materials should the need arise.

Although we maintain long term relationships with our major suppliers, no assurance can be given that there will be continuous and sufficient supply of raw materials.

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. This is possible as our OEM/ODM customers are cookware and appliances manufacturers who are familiar with raw material price fluctuations. Furthermore, as we manufacture our own multi-ply stainless steel clad metals, which is our principal raw material, our profit margin would not be severely affected by the increase in high-grade stainless steel prices as high-grade stainless steel forms only part of the composition of the clad metals.

3. RISKS FACTORS *(Cont'd)*

Furthermore, we normally state the validity period of the prices quoted to our customers. These prices are computed based on the latest raw material prices which have been agreed with our suppliers. Our management has extensive experience in purchasing raw materials and is well versed with the market trends of the raw materials prices and their availability.

Notwithstanding the above, there can be no assurance that any significant changes to the supply and increase in raw materials prices will not affect our future profitability.

(vii) Certain of our shareholders have interests in companies engaged in similar business

As disclosed in Section 7 of this Prospectus, certain of our Directors and Promoters/substantial shareholders have interests in companies carrying on similar business as our Group. In order to mitigate any risks of potential conflict of interest, we have entered into agreements with these companies to state the terms of business transactions which are to be carried out at arms' length basis. These Directors and Promoters/substantial shareholders have also provided written undertakings that they will not, amongst others, undertake/establish/create/acquire any business activity (other than the business as it is presently being conducted), or enter into joint venture, partnership or other form of business arrangement, which would result in a conflict of interest situation with our existing businesses without our prior approval. Our Directors and Promoters/substantial shareholders have also provided an undertaking that all related party transactions shall be subject to the review and assessment of our Audit Committee, who shall review, monitor and comment on the relevant transactions to determine whether the transactions are carried out based on arms' length basis.

With the formation of Audit Committee, which comprises a majority of Independent Directors, it will effectively help to promote transparency in all material transactions and our accountability, thereby protecting the interest of our shareholders. Our Directors and Promoters/substantial shareholders would also be required to abstain from voting if there is a related party transaction, which may pose as a conflict to the interest of our Company.

(viii) We may be subject to the risk of termination of our Trademark License Agreement

On 21 August 2003, NHC entered into a Trademark License Agreement with Standardworld, a company owned by our Directors, namely Hsiao Chih Jen, Hsiao Chih Chien and Hsiao Chih Che. Standardworld granted to NHC the exclusive license to use the "Buffalo" trademark for goods manufactured by NHC. The Trademark License Agreement shall be for a term of ten (10) years until terminated by either party by giving a six (6)-month written notice. At the expiry of the term, the license is renewable for an additional five (5)-year term each at the option and terms of Standardworld. The salient terms of the Trademark License Agreement are set out in Section 4.4.3 of this Prospectus.

The termination of the Trademark License Agreement may result in NHC no longer being able to use the "Buffalo" trademark exclusively for its cookware products. Accordingly, our successful operations in the future may be dependent on our ability to comply with the provisions of the Trademark License Agreement and the successful negotiation of its renewal upon expiry. We endeavour to fully comply with the terms of the Trademark License Agreement.

Our Directors believe that the termination of the Trademark License Agreement will not materially and adversely affect our overall performance.

3. RISKS FACTORS (Cont'd)

The Trademark License Agreement does not prevent us from establishing our own brandname. Thus, we could leverage on our R&D capabilities and in-depth technical know-how to develop a new brandname. If the Trademark License Agreement is terminated or not renewed upon expiry, we could also leverage on our R&D capabilities to manufacture cookware products exclusively for our OEM/ODM customers, who will sell and distribute our products under their brandnames. We intend to further expand our sales network by nurturing business relationship with additional OEM/ODM customers in countries such as Australia, Thailand, the Philippines and Indonesia. We will continue to seek long term partnerships with reputable cookware and consumer electronics and electrical manufacturers. We believe that our business track record with reputable overseas brands will enable us to tap into new opportunities in the cookware OEM/ODM market.

We are not overly dependent on the sales of "Buffalo" cookware as it only accounted for approximately 27% of our Group's revenue for the financial year ended 31 December 2004.

(ix) We are exposed to foreign exchange fluctuations

We are exposed to foreign exchange risk through our exports to other countries such as Japan, USA, Europe, the Philippines, Hong Kong, Taiwan, Indonesia and South Korea. Our exports to these countries are denominated in USD, which is currently pegged to RM at USD1.00 to RM3.80 and thus, we do not expect to be materially affected by fluctuation in exchange rates in the foreseeable future. Our purchases of raw materials, which are mostly imported, are also denominated in USD. As such, we have a natural hedge against foreign currency exposure. Nevertheless, there can be no assurance that the RM peg will be maintained and that any future significant fluctuations in exchange rates will not have an impact on our financial performance.

(x) We may be affected by severe business disruption and inadequate insurance coverage

We are aware that adverse consequences arising from inadequate insurance coverage could cripple our business operations. In ensuring that such risks are minimised, we review and ensure coverage for our assets on a continuous basis. At present, we have taken up fire insurance policies for our building, plant and machinery, furniture, fittings and fixtures, as well as policies to cover consequential losses arising from fire and lightning, malicious damage, theft and burglary. In addition, we have also installed adequate fire fighting systems, such as sprinkler systems, fire hydrants, hose reels and fire extinguishers, in the building premises. We exercise stringent security measures to minimise the risk of a fire breakout. We did not experience any disruption in business arising from energy disruptions which have a significant impact on our operations for the past twelve (12) months. Our management is of the view that a temporary power failure or black-out would not pose critical risks or have any material impact on our operations.

Although we have taken the necessary steps to insure our assets and to mitigate the risk of fire hazards, there can be no assurance that the insurance coverage would be adequate for the replacement cost of our assets or any consequential loss arising from the damage or loss of our assets.

3. RISKS FACTORS *(Cont'd)*

(xi) **We are dependent on our ability to retain key personnel**

As in any other businesses, we believe that our continued success will depend, to a significant extent, upon the abilities and continued efforts of our existing Managing/Executive Directors and senior management team. The loss of any of our Directors and key members of our senior management team could adversely affect our continued ability to manage the operations effectively and competitively.

Our Directors recognise the importance of our ability to attract and retain our key personnel and have in place a human resource strategy, which includes a suitable compensation package and human resource training and development program for supporting employees in all key functions of our operation. We have made continuous efforts to strategically develop a dynamic and strong management team and groom the younger members of our senior management team in assisting senior key personnel to operate and manage our activities. Our management is of the view that disruption to our operations will be minimal in the event of any departure of our Managing/Executive Directors and/or senior management.

(xii) **Control by our Promoters / substantial shareholders may limit your ability to influence the outcome of certain matters requiring the approval of shareholders**

We are controlled by our Promoters/substantial shareholders, namely Hsiao Chih Chien, Hsiao Chih Che, Hsiao Chih Jen, Hsiao Liu Lee and Hsiao Tsai Sheng, who collectively hold approximately 55% of our issued and paid up capital after the IPO. Consequently, the aforesaid shareholders may be able to influence the outcome of certain matters such as the election of directors and the approval of business ventures requiring the vote of our shareholders unless they are required to abstain from voting by laws and/or by the relevant authorities.

With the formation of Audit Committee, which comprises a majority of Independent Directors, it will effectively help to promote transparency in all material transactions and our accountability, thereby protecting the interest of our shareholders. Our Directors and Promoters/substantial shareholders would also be required to abstain from voting if there is a related party transaction, which may pose as a conflict to the interest of our Company.

(xiii) **There has been no prior trading market for our Shares within or outside Malaysia and a market for our Shares may not develop**

Prior to this IPO, there has been no public market for our Shares within or outside Malaysia. There can be no assurance that an active market for our Shares will develop upon our listing on the Second Board of Bursa Securities or, if developed, that such market will be sustained. The Issue/Offer Price has been determined after taking into consideration a number of factors, including but not limited to, our financial and operating history and conditions, the prospect of the industry in which we operate, our management team, the market prices for shares of companies involved in businesses similar to that of our Group and the prevailing market conditions. There can be no assurance that the Issue/Offer Price will correspond to the price at which our Shares will trade on Bursa Securities upon or subsequent to our listing or that active market for our Shares will develop and continue upon or subsequent to our listing. The price at which our Shares will be traded may be higher or lower than the Issue/Offer Price.

3. RISKS FACTORS (Cont'd)

(xiv) There is no assurance that our profit forecast will be realised

This Prospectus contains our consolidated profit forecast that is based on assumptions which our Directors deem to be reasonable, but which nevertheless are subject to uncertainties and are contingent in nature. Due to the subjective judgements and inherent uncertainties of our consolidated profit forecast and as events and circumstances frequently do not occur as expected, there can be no assurance that our consolidated profit forecast contained herein will be realised and actual results may be materially different from the forecast.

You are advised to read carefully the assumptions made in this Prospectus of our consolidated profit forecast as set out in Section 9.5 of this Prospectus.

(xv) Our actual results may differ from information contained in the forward looking statements of this Prospectus

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which is subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this point in time, there can be no assurance that such expectations will prove to have been correct.

(xvi) We are exposed to the risk of failure / delay in our listing exercise

Our listing exercise is also exposed to the risk that it may be delayed or aborted if any of the following events occurs:

- (a) the Bumiputera investors approved by the MITI fail to take up the portion of Offer Shares allocated to them;
- (b) the Underwriter exercises its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder; and
- (c) we are unable to meet the public spread requirement i.e. at least 25% of our total number of Shares for which listing is sought being held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of listing.

Although we will endeavour to ensure compliance of the various listing requirements, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of our listing exercise.

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