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NI HSIN RESOURCES BERHAD

(Company No.: 653353-W)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**
(The figures have not been audited)

	Note	CURRENT QUARTER 3 MONTHS ENDED			CUMULATIVE QUARTER 6 MONTHS ENDED		
		30.06.2017 RM'000	30.06.2016 RM'000	Changes (%)	30.06.2017 RM'000	30.06.2016 RM'000	Changes (%)
Revenue	A12	10,117	10,548	-4%	20,534	20,072	2%
Cost of sales		(7,272)	(7,665)		(14,637)	(14,441)	
Gross Profit		<u>2,845</u>	<u>2,883</u>	-1%	<u>5,897</u>	<u>5,631</u>	5%
Other operating income		844	76		970	204	
Operating expenses		(3,142)	(7,868)		(6,137)	(10,642)	
Operating profit/(loss)	A13	<u>547</u>	<u>(4,909)</u>	111%	<u>730</u>	<u>(4,807)</u>	115%
Finance income		2	2		3	3	
Finance costs		(12)	(20)		(27)	(24)	
Profit/(Loss) before taxation		<u>537</u>	<u>(4,927)</u>	111%	<u>706</u>	<u>(4,828)</u>	115%
Income tax expenses	B5	(112)	(95)		(212)	(139)	
Profit/(Loss) for the period		<u>425</u>	<u>(5,022)</u>	108%	<u>494</u>	<u>(4,967)</u>	110%
Other comprehensive income/(expense), net of tax							
<u>Item that will not be reclassified subsequently to profit or loss:</u>							
Revaluation of property, plant and equipment		-	13,831		-	13,831	
<u>Item that may be subsequently reclassified to profit or loss:</u>							
Foreign currency translation differences for foreign operations		15	-		14	8	
Fair value of available-for-sale financial assets - Reclassification adjustment for gain on disposal included in profit or loss		(122)	-		(122)	-	
Total comprehensive income/(expense) for the period		<u>318</u>	<u>8,809</u>	-96%	<u>386</u>	<u>8,872</u>	-96%
Profit/(Loss) attributable to:							
Owners of the Company		426	(4,964)		509	(4,909)	
Non-controlling interests		(1)	(58)		(15)	(58)	
Profit for the period		<u>425</u>	<u>(5,022)</u>		<u>494</u>	<u>(4,967)</u>	
Total comprehensive income/(expense) attributable to:							
Owners of the Company		319	8,867		401	8,930	
Non-controlling interests		(1)	58		(15)	(58)	
Total comprehensive income/(expense) the period		<u>318</u>	<u>8,809</u>		<u>386</u>	<u>8,872</u>	
Earnings per share (sen)							
- Basic	B12	0.20	(2.26)		0.23	(2.23)	
- Diluted	B12	0.17	(1.91)		0.21	(1.89)	

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

NI HSIN RESOURCES BERHAD
(Company no. 653353-W)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

(The figures have not been audited)

	Note	AS AT 30.06.2017 RM'000	AS AT 31.12.2016 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	47,899	49,267
Investment property		1,293	1,306
Goodwill		5,105	5,105
Deferred tax asset		35	35
Other investment		2,103	-
		<u>56,435</u>	<u>55,713</u>
Current assets			
Inventories		18,713	18,639
Receivables, deposits and prepayments		5,103	5,575
Derivative financial assets	B11	-	-
Current tax assets		584	804
Cash and cash equivalents		5,251	4,113
		<u>29,651</u>	<u>29,131</u>
TOTAL ASSETS		<u>86,086</u>	<u>84,844</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		49,491	47,671
Reserves		25,368	26,848
Equity attributable to owners of the Company		74,859	74,519
Non-controlling interest		(90)	(75)
Total equity		<u>74,769</u>	<u>74,444</u>
Non-current liabilities			
Deferred tax liability		3,783	3,810
Borrowings	B7	-	-
		<u>3,783</u>	<u>3,810</u>
Current liabilities			
Payables and accruals		6,050	6,336
Borrowings	B7	1,484	254
Current tax liabilities		-	-
Derivative financial liabilities	B11	-	-
		<u>7,534</u>	<u>6,590</u>
Total liabilities		<u>11,317</u>	<u>10,400</u>
TOTAL EQUITY AND LIABILITIES		<u>86,086</u>	<u>84,844</u>
Net Assets per share attributable to owners of the Company (RM)		0.34	0.34

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

NI HSIN RESOURCES BERHAD
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(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

(The figures have not been audited)

	Non-distributable							Other Reserve RM'000	Distributable Retained Profits / (Accumulated losses) RM'000	Total RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Fair value Reserve RM'000	Share Option Reserve RM'000	Revaluation Reserve RM'000					
At 1 January 2016	47,320	1,820	(4,443)	49	202	-	-	9,206	4,499	58,653	-	58,653
Foreign currency translation differences for foreign operations	-	-	-	8	-	-	-	-	-	8	-	8
Revaluation of property	-	-	-	-	-	-	13,831	-	-	13,831	-	13,831
Total other comprehensive income/(expense) for the period	-	-	-	8	-	-	13,831	-	-	13,839	-	13,839
Profit for the period	-	-	-	-	-	-	-	-	(4,909)	(4,909)	(58)	(4,967)
Total comprehensive income/ (expense) for the period	-	-	-	8	-	-	13,831	-	(4,909)	8,930	(58)	8,872
<i>Contributions by and distributions to owners of the Company</i>												
Own shares acquired	-	-	(1,565)	-	-	-	-	-	-	(1,565)	-	(1,565)
Share-based payment transactions	-	-	-	-	-	5,034	-	-	-	5,034	-	5,034
Warrant exercised	351	-	-	-	-	-	-	-	-	351	-	351
Ownership interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	30	30
Total transactions with the owners of the Company	351	-	(1,565)	-	-	5,034	-	-	-	3,820	-	3,820
At 30 June 2016	47,671	1,820	(6,008)	57	202	5,034	13,831	9,206	(410)	71,403	(28)	71,375
At 1 January 2017	47,671	1,820	(6,228)	80	202	5,034	17,149	9,206	(415)	74,519	(75)	74,444
Adjustments for effects of Companies Act 2016 (Note a)	1,820	(1,820)	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	-	-	14	-	-	-	-	-	14	-	14
Fair value of available-for-sale financial assets	-	-	-	-	(122)	-	-	-	-	(122)	-	(122)
Total other comprehensive income/(expense) for the period	-	-	-	14	(122)	-	-	-	-	(108)	-	(108)
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	509	509	(15)	494
Total comprehensive income/ (expense) for the period	-	-	-	14	(122)	-	-	-	509	401	(15)	386
<i>Contributions by and distributions to owners of the Company</i>												
Own shares acquired	-	-	(61)	-	-	-	-	-	-	(61)	-	(61)
Total transactions with the owners of the Company	-	-	(61)	-	-	-	-	-	-	(61)	-	(61)
At 30 June 2017	49,491	-	(6,289)	94	80	5,034	17,149	9,206	94	74,859	(90)	74,769

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM1,820,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

(The figures have not been audited)

	6 MONTHS ENDED	
	30.06.2017	30.06.2016
	RM'000	RM'000
Cash flows from operating activities		
Profit/ (Loss) before tax	706	(4,828)
Adjustments:		
Depreciation on property, plant and equipment	1,314	1,356
Depreciation on investment property	13	13
Gain on disposal of property, plant and equipment	(9)	-
Write off of property, plant and equipment	-	24
Write-down of inventories	-	-
Interest paid	27	24
Interest received	(3)	(3)
Net loss on foreign exchange	97	74
(Gain)/ loss on disposal of quoted or unquoted investments	(606)	-
(Gain)/ loss on disposal of available-for-sale financial assets	(86)	-
Share-based payment transaction	-	5,034
Net loss/ (gain) in fair value of financial instruments measured at fair value	-	-
Operating profit before changes in working capital	<u>1,453</u>	<u>1,694</u>
Changes in working capital:		
Decrease/(Increase) in operating assets	197	(154)
(Increase)/Decrease in operating liabilities	(243)	(566)
Cash generated from operations	<u>1,407</u>	<u>974</u>
Income taxes paid	(450)	(475)
Income taxes refunded	431	450
Interest paid	(27)	(24)
Interest received	3	3
Net cash generated from operating activities	<u><u>1,364</u></u>	<u><u>928</u></u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(217)	(833)
Acquisition of other investments	(3,656)	-
Proceeds from disposal of property, plant and equipment	281	-
Acquisition of non-controlling interests	-	30
Proceeds from disposal of other investments	2,159	-
Proceeds from disposal of available-for-sale financial assets	156	-
Net cash used in investing activities	<u><u>(1,277)</u></u>	<u><u>(803)</u></u>
Cash flows from financing activities		
Net proceeds of bankers' acceptances	1,440	1,420
Net repayment of hire purchase	(43)	(41)
Proceeds from treasury shares	-	-
Repurchase of treasury shares	(61)	(1,565)
Proceeds from exercise of warrants	-	351
Dividends paid	-	-
Net cash generated from financing activities	<u><u>1,336</u></u>	<u><u>165</u></u>
Net increase in cash and cash equivalents	1,423	290
Effect of exchange rate fluctuations on cash held	(118)	(58)
Cash and cash equivalents at 1 January	<u>3,946</u>	<u>5,761</u>
Cash and cash equivalents at 31 March	<u><u>5,251</u></u>	<u><u>5,993</u></u>

Notes:

Cash and cash equivalent at the end of the financial period comprise the following :

	RM'000	RM'000
Deposits with licensed bank	1,191	185
Bank and Cash balances	4,060	5,808
Bank overdraft (included within short term borrowings in Note B7)	-	-
	<u><u>5,251</u></u>	<u><u>5,993</u></u>

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134: INTERIM FINANCIAL REPORTING

A1 BASIS OF PREPARATION

This condensed consolidated financial statements, other than for financial instruments, freehold land and buildings, have been prepared under the historical cost convention. Certain financial instruments are carried at fair value in accordance with Malaysian Financial Reporting Standard ("MFRS") 9 Financial Instruments.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2016, except for the following:

(a) Adoption of the Amendments to MFRS during the current financial year

Effective for annual periods commencing on or after 1 January 2017

Amendments to MFRS 107 Statement of Cash Flows - *Disclosure Initiative*

Amendments to MFRS 112 Income Taxes - *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to MFRS 12 Disclosure of Interests in Other Entities (*Annual Improvements to MFRSs 2014 - 2016 Cycle*)

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group, except for the Amendments to MFRS 107 Statement of Cash Flows - Disclosure Initiative.

These amendments to MFRS 107 Statement of Cash Flows require the entity to disclose a reconciliation between the opening and closing balances for liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. The adoption of these amendments does not require additional disclosure in the condensed report, but such disclosure will be required in the annual financial statements.

Standards issued but not yet effective

At the date of authorisation of the condensed consolidated interim financial statements, the following Standards, Amendments and Annual improvements to Standards were issued by the MASB but are not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 January 2018

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 140 Investment Property - *Transfers of Investment Property*

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (*Annual Improvements to MFRSs 2014 - 2016 Cycle*)

Amendments to MFRS 128 Investments in Associates and Joint Ventures (*Annual Improvements to MFRSs 2014 - 2016 Cycle*)

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments

A2 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(a) Adoption of the Amendments to MFRS during the current financial period (Cont.)

Effective for financial periods beginning on or after 1 January 2018 (Cont.)

IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods commencing on or after 1 January 2019

MFRS 16, *Leases*

The Group will adopt the above pronouncements when they become effective in the respective financial periods. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

(b) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium account will become part of the Company's share capital.

During the period, the Company had transferred a total of RM1,820,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

A3 AUDITORS' REPORT ON PRECEDING FINANCIAL STATEMENTS

There was no qualification on the audited financial statements for the Company or its subsidiaries for the financial year ended 31 December 2016.

A4 SEASONAL OR CYCLICAL FACTORS

The Cookware Division's revenue is subject to seasonality due to market demand and supply conditions. Historically, demand for the premium cookware and kitchenware generally increases in the second half of the year due mainly to the seasonal nature of consumer spending behaviour in the export markets, where the shopping seasons normally peak in the final quarter of the year during festive periods such as Christmas and New Year.

A5 CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter ended 30 June 2017.

A6 UNUSUAL ITEMS DUE TO THE NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows during the current quarter and financial period ended 30 June 2017.

A7 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates that have a material effect on the results for the current quarter and financial period ended 30 June 2017.

A8 ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, warrant exercise for the current quarter and financial period ended 30 June 2017.

(a) Share Buy-backs

At the Annual General Meeting of the Company held on 23 June 2017, the shareholders of the Company had renewed a mandate for the Company to purchase and/or hold up to maximum of 10% of the issued share capital of the ordinary shares of the Company as may be determined by the Directors of the Company. The mandate will expire upon the conclusion of the next Annual General Meeting.

As at 30 June 2017, the total number of shares bought back and held as treasury shares were 21,123,500 ordinary shares, representing 8.86% of the total issued share capital of the Company. The shares purchased are being held as treasury shares. None of the treasury shares were cancelled or resold during current quarter and financial period ended 30 June 2017.

During the financial period, the Company bought back its issued shares from the open market as follows:

Month	No. of shares purchased	Minimum price (RM)	Maximum price (RM)	Average price (RM)	Total amount paid [#] (RM)
June	250,300	0.244	0.244	0.244	61,517.86

[#] Inclusive of Goods and Services Tax (GST), commission, stamp duty and other charges.

(b) Warrants

On 22 January 2015, the Company undertook a bonus issue of up to 115,478,803 free warrants on the basis of one warrant for every two existing ordinary shares in the Company.

During the financial period to-date, there were no warrants exercised by registered warrant holders to new ordinary shares.

As at 30 June 2017, the total warrants outstanding were 113,725,203.

A9 PROPERTY, PLANT AND EQUIPMENT

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

A10 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the current quarter and financial period ended 30 June 2017.

A11 DIVIDEND PAID

No dividend was paid during the current quarter and financial period ended 30 June 2017.

A12 SEGMENTAL INFORMATION

The Group is principally engaged in the design, manufacture and sale of stainless steel kitchenware, cookware, convex mirror and research and development and manufacture of clad metals. The segmental results of the Group for the financial period under review based on activities are as follows:

RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Segment Revenue	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Revenue from:				
Cookware	5,274	5,473	9,833	10,303
Convex mirror	3,833	2,851	7,344	5,702
Clad metals	3,011	4,575	6,938	7,652
Others	-	-	-	-
Total revenue including inter-segment sales	12,118	12,899	24,115	23,657
Elimination of inter-segment sales	(2,001)	(2,351)	(3,581)	(3,585)
Total	10,117	10,548	20,534	20,072
Results from:				
Cookware	(444)	25	(387)	148
Convex mirror	836	711	1,220	1,290
Clad metals	(140)	(151)	(317)	(521)
Others	(1)	(1)	(10)	(2)
	251	584	506	915
Elimination of inter-segment results	(158)	(2)	(86)	34
Total result	93	582	420	949
Unallocated corporate income/(expenses)	454	(5,491)	310	(5,756)
Finance income	2	2	3	3
Finance costs	(12)	(20)	(27)	(24)
Income tax expense	(112)	(95)	(212)	(139)
Profit for the period	425	(5,022)	494	(4,967)

Segment Assets

The total of segment assets is measured based on all assets excluding deferred tax assets, cash and short term deposits.

	As at 30.06.2017	As at 30.06.2016
	RM'000	RM'000
Cookware	60,168	55,411
Convex mirror	6,834	6,487
Clad metals	17,464	15,934
Others	-	-
	84,466	77,832
Elimination of inter-segment assets	(4,250)	(3,248)
Total segment assets	80,216	74,584
Unallocated corporate assets	5,870	6,637
Total assets	86,086	81,221

Segment Liabilities

The total of segment liabilities is measured based on all assets excluding deferred tax liabilities, provision for taxation and bank borrowings.

	As at 30.06.2017	As at 30.06.2016
	RM'000	RM'000
Cookware	4,803	4,350
Convex mirror	1,534	898
Clad metals	4,210	4,582
Others	171	38
	10,718	9,868
Elimination of inter-segment liabilities	(3,184)	(2,933)
Total segment liabilities	7,534	6,935
Unallocated corporate liabilities	3,783	2,911
Total liabilities	11,317	9,846

A13 OPERATING PROFIT/(LOSS)

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) is arrived at after charging and (crediting):				
Finance income	(2)	(2)	(3)	(3)
Other income including investment income	-	-	-	-
Rental income	(57)	(40)	(114)	(81)
Depreciation on property, plant and equipment	628	666	1,314	1,356
Depreciation on investment property	6	6	13	13
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Provision for and write off of property, plant and equipment	-	20	-	24
(Gain)/ loss on disposal of quoted or unquoted investments	(606)	-	(606)	-
(Gain)/ loss on disposal of property, plant and equipment	(2)	-	(9)	-
(Gain)/ loss on disposal of available-for-sale financial assets	(86)	-	(86)	-
Impairment of assets	-	-	-	-
Net (gain)/ loss on foreign exchange - unrealised	48	(234)	97	74
Net (gain)/ loss on foreign exchange - realised	(109)	(50)	(260)	(155)
Net gain in fair value of financial instruments measured at fair value	-	-	-	-
Share-based payments	-	5,034	-	5,034
Exceptional items	-	-	-	-

A14 FINANCE COSTS

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts	1	5	9	5
Bankers' acceptances	10	13	16	15
Finance lease liability	1	2	2	4
	12	20	27	24

A15 SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarter that have not been reflected in the financial statements for the financial period under review.

A16 CONTINGENT ASSETS AND LIABILITIES

Save as disclosed below, the Company is not aware of any other contingent liabilities as at 30 June 2017:

	30.06.2017
	RM'000
- Corporate guarantee given by the Company to licensed banks for credit facilities granted to subsidiaries	26,140
	<u>26,140</u>

A17 CAPITAL COMMITMENT

There were no capital commitment not provided to the end of the quarter that have not been reflected in the financial statements for the financial period under review.

A18 SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions which involve the former directors of the Group for the financial period ended 30 June 2017 are as follows:

	Transaction value for 6 months ended 30.06.2017 RM'000	Balance outstanding as at 30.06.2017 RM'000
With a company in which the Company's former directors, Hsiao Chih Jen, Hsiao Chih Chien and Hsiao Chih Che, have substantial financial interests		
Sun New Stainless Steel Industry Ltd.		
Sales	(1,156)	-
Purchases	74	-
Ni Hsin International Trade (Shanghai) Co. Ltd.		
Sales	-	-
Purchases	-	-
Standardworld Holding Ltd.		
Royalty fee payable	-	-
Marketing fee	385	(192)
With a company in which the Company's former directors, Hsiao Chih Jen and Hsiao Tung Min, have substantial financial interests		
Everpro Sdn. Bhd.		
Sales	(1,660)	923
Purchases	-	-
Rental income	(114)	-
With a company in which the Company's former director, Hsiao Chih Chien, has substantial financial interests		
I.D.M. Creative Development Co. Ltd.		
Sales	(336)	131
Purchases	109	-
With a company in which the Company's former director, Hsiao Chih Chien, is deemed interested by virtue of him being the father of Hsiao Tung Wei, who has substantial financial interests		
Buffalo Cookware Australia Pty Ltd		
Sales	(149)	-
With a company in which the Company's former directors, Hsiao Chih Jen and Hsiao Chih Chien, is deemed interested by virtue of him being the father of Hsiao Tung Min and Hsiao Tung Wei, who has substantial financial interests		
Buffalo GSB Sdn. Bhd.		
Sales	-	-

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 OPERATING SEGMENTS REVIEW

Operating Environment

The second quarter of 2017 begins with considerable political risk in the world. Elections in Europe, conflict in the Middle East, tensions on the Korean peninsula, and uncertainty about trade policy in the United States have led to a high degree of financial market volatility. The economic situation in the Eurozone looks paradoxical. Quite a few political risks continue to threaten Europe's political and economic stability. On the other hand, financial markets seem unaffected by these risks, and the recovery in the Eurozone continues. Japan's economy appears to be doing better in Q2 2017. Exports, in particular, are playing a role in reviving growth, especially given the suppressed value of the yen. Yet, domestic demand continues to be weak. Moreover, Japanese having invested heavily in the United Kingdom as a gateway to Europe, are worried that Brexit now poses a sizable risk to that investment. In Malaysia, a slowdown in export growth, a weak ringgit, and rising interest rates in the United States, along with fiscal consolidation putting a brake on government consumption, are likely to persist over the medium term. As a result, growth prospects for Malaysia in 2017 remain subdued. (Source: Deloitte University Press). The Group continues to operate under challenging market conditions in its local and export markets compared with the previous financial year.

Quarter Ended 30 June 2017 ("Q2 2017") vs Quarter Ended 30 June 2016 ("Q2 2016")

The Group's revenue and Profit Before Taxation ("PBT") were approximately RM10.12 million and RM0.54 million respectively for Q2 2017. Revenue in Q2 2017 decreased by RM0.43 million or 4.1% compared with the revenue in Q2 2016, mainly due to decrease in sales of cookware and clad metals. However, the Group's gross profit ("GP") margin for Q2 2017 increased slightly to 28.1%, compared with GP margin of 27.3% achieved in Q2 2016. Other operating income has increased by RM0.77 million to RM0.84 million in Q2 2017 mainly due to gain on disposal of quoted investments by the Company of RM0.61 million and gain on disposal of available-for-sale financial asset of RM0.09 million. Operating expenses in Q2 2017 decreased by RM4.73 million compared with Q2 2016 mainly due to recognition of the Employees' Share Option Scheme ("ESOS") fair value of RM5.03 mil in Q2 2016. The Group recorded a PBT of RM0.54 million in Q2 2017 compared with a Loss Before Tax ("LBT") of RM4.93 million in Q2 2016. Consequently, the Group achieved a Profit After Taxation ("PAT") of RM0.43 million for Q2 2017 compared with a Loss After Tax ("LAT") of RM5.02 million for Q2 2016.

6 Months Period Ended 30 June 2017 ("6M2017") vs 6 Months Period Ended 30 June 2016 ("6M2016")

The Group's performance by each Division for the financial period is as follows:

(i) Cookware Division

The Cookware Division's revenue for 6M2017 decreased by RM0.44 million or 4.2% to RM9.83 million compared with the revenue achieved in 6M2016 of RM10.27 million, as sales to the Group's key export markets declined during the 6M2017. The Group experienced lower sales of premium cookware to Japan which is the Group's major export market. However, sales to the Asia Pacific countries (excluding Japan), USA and Canada improved in 6M2017. The cookware revenue by geographical market for 6M2017 is as follows:

	6 MONTHS ENDED		Increase/ (Decrease)	%
	30.06.2017	30.06.2016		
	RM'000	RM'000	RM'000	
Japan	3,325	4,483	(1,158)	-25.8%
Asia Pacific (excluding Japan)	5,173	4,660	513	11.0%
USA & Canada	1,116	856	260	30.4%
Europe	216	267	(51)	-19.1%
	<u>9,830</u>	<u>10,266</u>	<u>(436)</u>	<u>-4.2%</u>

(ii) Convex Mirror Division

The Convex Mirror Division achieved a revenue of RM6.47 million for 6M2017, an increase of RM1.16 million compared with the revenue of RM5.31 million achieved in 6M2016. The increase in revenue is attributable to higher export sales to Japan, local markets, Europe and Korea.

(iii) Clad Metal Division

Clad Metal Division's revenue decreased in 6M2017 by RM0.26 million to RM4.23 million compared with the revenue achieved in 6M2016 of RM4.49 million. Sales of clad metal reduced in 6M2017 mainly due to decreased orders from customers in Japan, USA & Canada, Indonesia and Europe but was partially offset by increased orders from customers in Thailand and local markets.

B1 OPERATING SEGMENTS REVIEW (CONT.)

6 Months Period Ended 30 June 2017 ("6M2017") vs 6 Months Period Ended 30 June 2016 ("6M2016") (Cont.)

The Group's revenue and Profit Before Taxation ("PBT") were approximately RM20.53 million and RM0.71 million respectively for 6M2017. Revenue in 6M2017 increased by RM0.46 million or 2.3% compared with the revenue in 6M2016, mainly due to increase in sales of convex mirrors. The Group's gross profit ("GP") margin for 6M2017 increased slightly to 28.7%, compared with GP margin of 28.1% achieved in 6M2016. Other operating income in 6M2017 increased by RM0.77 million compared with 6M2016 mainly due to gain on disposal of quoted investments by the Company of RM0.61 million and gain on disposal of available-for-sale financial asset of RM0.09 million. Operating expenses in 6M2017 decreased by RM4.51 million compared with 6M2016 mainly due to recognition of the Employees' Share Option Scheme ("ESOS") fair value of RM5.03 million in 6M2016. The Group recorded a PBT of RM0.71 million in 6M2017 compared with a LBT of RM4.83 million in 6M2016. Consequently, the Group achieved a PAT of RM0.49 million for 6M2017 compared with a LAT of RM4.97 million for 6M2016.

The Group's net assets per share as at 30 June 2017 remained consistent at RM0.34. The Group's non-current assets increased to RM56.44 million compared with the non-current assets of RM55.71 million as at 31 December 2016 due to net acquisition of quoted investments of RM2.10 million but was offset by depreciation charges and disposals of plant and equipment of the Group. Inventories increased to RM18.71 million as at 30 June 2017. Receivables, deposits and prepayments decreased by RM0.47 million to RM5.10 million mainly due to collections from customers. The Group's net current assets was RM22.12 million as at 30 June 2017. The Group is in a positive net cash position as at 30 June 2017 with cash and cash equivalent of RM3.77 million after deducting all borrowings of the Group.

The Group's net operating cash inflow for 6M2017 was RM1.36 million. The net cash outflow from investing activities was RM1.28 million, mainly due to acquisition of quoted investments and purchases of plant and equipment which was partially offset by the proceeds from disposal of quoted investments and proceeds from disposal of available-for-sale financial assets. Net cash inflow from financing activities was RM1.37 million, mainly attributable to proceeds from banker acceptances. The net resultant impact to the Group's cash flow was increase in cash of RM1.42 million during 6M2017. Net cash and cash equivalents amounted to RM5.25 million as at 30 June 2017.

B2 COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	3 months ended 30.06.2017	3 months ended 30.03.2017	Changes %
Revenue	10,117	10,417	-3%
Gross profit ("GP")	2,845	3,052	-7%
Operating profit	547	183	199%
Profit before taxation ("PBT")	537	169	218%
Profit for the period	425	69	516%
Profit attributable to the owners of the Company	426	83	413%

The Group experienced slightly lower revenue in Q2 2017 compared with Q1 2017. Consequently, the Group recorded lower GP in Q2 2017. However, the Group recorded a higher PBT and profit for the period in Q2 2017 due to gain on disposal of quoted investments by the Company of RM0.61 million and gain on disposal of available-for-sale financial asset of RM0.09 million.

B3 COMMENTARY ON PROSPECT

Despite the challenging economic and business environment, the Directors are confident of the quality and innovative capabilities of the Group to meet the product and service requirements of the customers. Intensive efforts are being made to further develop and expand existing markets as well as to penetrate into new markets worldwide and the Directors expect the business prospects for 2017 and beyond to be positive.

B4 VARIANCES FROM PROFIT FORECAST OR PROFIT GUARANTEE

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interests and forecast profit after tax and non-controlling interests and for the shortfall in profit guarantee are not applicable.

B5 TAXATION

	Current Quarter 3 months ended 30.06.2017 RM'000	Cumulative Quarter 6 months ended 30.06.2017 RM'000
In respect of the current period		
- Malaysian tax	157	347
- Deferred tax	<u>(45)</u>	<u>(135)</u>
	112	212
In respect of the prior year		
- Malaysian tax	-	-
- Deferred tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>112</u>	<u>212</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

The effective tax rate of the Group is higher than the statutory tax rate mainly due to the losses of a subsidiary which cannot be set off against taxable profit made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

B6 RETAINED EARNINGS

The breakdown of retained earnings of the Group as at the reporting date into realised and unrealised profits pursuant to Bursa Malaysia Securities Berhad's ("Bursa Securities") directive dated 25 March 2010 is as follows:

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Group:		
Realised	36,882	36,166
Unrealised	<u>(4,036)</u>	<u>(3,888)</u>
	32,846	32,278
Less: Consolidation adjustments	<u>(32,752)</u>	<u>(32,693)</u>
Total Group retained profits as per consolidated accounts	<u>94</u>	<u>(415)</u>

The determination of realised and unrealised profits is made based on the Guidance On Special Matter No 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

B7 GROUP BORROWINGS

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2017:

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Non-current:		
Finance lease liability	<u>-</u>	<u>-</u>
Current:		
Bank overdraft	-	167
Bankers' acceptance	1,440	-
Finance lease liability	<u>44</u>	<u>87</u>
	<u>1,484</u>	<u>254</u>
	<u>1,484</u>	<u>254</u>

All borrowings are denominated in Malaysia Ringgit.

B8 FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

As at 30 June 2017, the Group does not have any financial liabilities measured at fair value through profit or loss.

B9 CHANGES IN MATERIAL LITIGATION

The Group is not engaged in any material litigation and the Directors do not have any knowledge of any material proceeding pending or threatened against the Group.

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced that have not been completed at the date of this announcement.

B11 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign exchange risk arise in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

The relevant accounting policies and the effects of the adoption of new accounting policies are disclosed in Note A1 Basis of Preparation. There were no off-balance sheet financial instruments as at the reporting date.

Outstanding derivatives

The Group had not entered into any new type of derivatives in the current interim quarter that was not disclosed in the preceding year's annual financial statements. As at 30 June 2017, the Group does not have any outstanding derivative financial instruments.

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

There is no credit and market risk as no forward contracts are executed with a creditworthy financial institution.

B12 EARNINGS PER SHARE ("EPS")

(a) Basic

Basic EPS is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period after accounting for the share buy-backs and reissue of treasury shares.

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Basic EPS				
Profit/(Loss) attributable to owners of the Company (RM '000)	426	(4,964)	509	(4,909)
Weighted average no. of ordinary shares in issue ('000)	217,230	219,739	217,230	219,739
Basic EPS (sen)	0.20	(2.26)	0.23	(2.23)

B12 EARNINGS PER SHARE ("EPS") (CONT.)

(b) Diluted

Diluted EPS is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average diluted number of ordinary shares outstanding during the period after accounting for the share buy-backs, reissue of treasury shares and adjustments for the effect of all dilutive potential ordinary shares arising from the share warrants on issue.

	Current Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Diluted EPS				
Profit/(Loss) attributable to owners of the Company (RM '000)	426	(4,964)	509	(4,909)
Weighted average no. of ordinary shares in issue ('000)	217,230	219,739	217,230	219,739
Effect of dilution ('000)	29,821	40,625	29,821	40,625
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>247,051</u>	<u>260,364</u>	<u>247,051</u>	<u>260,364</u>
Diluted EPS (sen)	0.17	(1.91)	0.21	(1.89)

The effect of ESOS granted to the Directors and eligible employees of the Group that could potentially dilute basic earnings per share in future, but were not included in the calculation of diluted earnings per share as above because they are anti-dilutive for the financial period ended 30 June 2017.

B13 DIVIDEND

No interim dividend has been recommended for the current quarter.

B14 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 August 2017.

By order of the Board of Directors
NI HSIN RESOURCES BERHAD

RIZVI BIN ABDUL HALIM
Chairman

Date: 23 August 2017