

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7215  
**COMPANY NAME** : Ni Hsin Group Berhad (Formerly Known As Ni Hsin Resources Berhad)  
**FINANCIAL YEAR** : December 31, 2021

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("<b>Board</b>") of Ni Hsin Group Berhad (formerly known as Ni Hsin Resources Berhad) ("<b>NHG</b>" or "<b>Company</b>") assumes overall responsibility for strategic direction, future expansion, corporate governance, risk management, human resource planning and development, investments made by the Company and monitor the conduct of business of NHG and its subsidiaries ("<b>Group</b>").</p> <p>In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees which operate within their respective defined Terms of Reference ("<b>TOR</b>"). The Chairman of the respective Board Committees reports to the Board on key matters deliberated at the respective Board Committee meetings and makes recommendations to the Board for final decision, where necessary. The Board Committees include the Audit and Risk Management Committee ("<b>ARMC</b>"), Nomination Committee ("<b>NC</b>") and Remuneration Committee ("<b>RC</b>").</p> <p>The Board Charter and TOR of the respective Board Committees sets out the roles and responsibilities of the Board and Board Committees and the processes and procedures for convening their meetings. The Board Charter and TOR of the respective Board Committees are available on the Company's website.</p> <p>In discharging its responsibilities, the Board established functions which are reserved for the Board and those delegated to the Management. Key matters reserved for the Board's approval include the conflict of interest issues, material acquisitions and disposal of assets, strategic business plan, limit of authority, treasury policies, risk management policies, key human resource issues, appointment of auditors and review of financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls of the Group.</p>

	<p>The Board is involved in establishing overall business objectives, review and approve strategies and plans to pursue business objectives and monitor their progress.</p> <p>The Board approved the Group's Strategic Plan for the financial year ended 31 December 2021 at the Board Meeting held on 25 May 2021 and met quarterly to review the attainment of corporate objectives and the performance of each of the business segments, substantiated with financial and operational information and/or reports prepared by the Management.</p> <p>The Board promotes the application of sustainability practices throughout the Group, the benefits of which are believed to translate into better corporate performance. A report on sustainability activities, demonstrating the Group's commitment to the environment, community, marketplace and workplace, appears in the Sustainability Statement set out in the Annual Report 2021.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is led by Encik Sofiyan Bin Yahya (“<b>Encik Sofiyan</b>”), an experienced Independent Non-Executive Chairman who is responsible in instilling good corporate governance practices, leadership and effectiveness of the Board.</p> <p>During Board meetings, the Chairman plays an active role in ensuring that all Directors are given an opportunity to contribute to discussions, and that all matters on the agenda are addressed.</p> <p>The roles and responsibilities of the Chairman of the Board have been set forth in the Board Charter of the Company.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of exercising objective oversight over Management and therefore believes in the separation of the roles of the Chairman and Management.</p> <p>The position of Chairman is currently held by Encik Sofiyan who is responsible for orderly conduct and function of the Board while the Executive Directors, Encik Rizvi Bin Abdul Halim, Ms Ng Shwu Ching ("<b>Ms Ng</b>"), Mr Lai Kian Huat and Ms Khoo Wuan Ru are responsible for the management of the Group's businesses and overseeing the day-to-day operations.</p> <p>The roles and responsibilities of the Chairman of the Board and Executive Directors are prescribed in the Board Charter of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Board, Encik Sofiyan is not a member of ARMC, NC and RC of the Company. The Company exhibits high level of corporate governance by putting emphasis and promoting objective review by the Board on deliberations emanating from the Board committees.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The present Company Secretaries, Ms Tai Yit Chan and Ms Tan Ai Ning, both from Boardroom Corporate Services Sdn. Bhd. are suitably qualified, competent and capable of carrying out the duties required and have attended training/seminars conducted by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and/or other regulatory bodies to keep abreast of the changes to regulations and requirements.</p> <p>The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Directors' reference and briefed the Board members on these updates at Board meetings.</p> <p>The Company Secretaries also ensure that deliberations at the Board and Board Committee meetings are well captured, minutes recorded and documented.</p> <p>The Company Secretaries play an important role in the annual general meetings and extraordinary general meetings ensuring that the due processes and proceedings are in place and properly managed. During the meetings, the Company Secretaries will assist the Chairman and the Board to conduct the meetings and ensure the minutes are properly recorded, particularly questions and issues raised by the shareholders.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its functions. The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, Malaysian Code on Corporate Governance and legislation.</p> <p>The Directors have unrestricted access to the advices and services of the Company Secretaries to enable them to discharge their duties effectively.</p> <p>The roles and responsibilities of the Company Secretaries have been set forth in the Board Charter of the Company.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has unrestricted access to timely and accurate information, necessary in furtherance of their duties, which is not only quantitative but also such information deemed necessary for instance, customers' satisfaction, products and services qualities, market share, market reaction and environmental performance.</p> <p>To ensure effective functioning of the Board, the Directors are given access to information through the following means:-</p> <ul style="list-style-type: none"><li>• Management may be invited to the Board and Board Committee meetings to report or present areas within their responsibilities to ensure the Board is able to effectively discharge its responsibilities.</li><li>• Board and Board Committee papers are circulated to Directors and Board Committee members at least five (5) days prior to the respective Board and Board Committee meetings, to enable the Board and Board Committee members to make informed decisions and to deal with matters arising from such meetings.</li><li>• Directors may obtain independent professional advice at the Company's expense, where necessary, after consultation with the Chairman and other Board members, in furtherance of their duties.</li><li>• The Directors also have access to the advice and updates of the external auditors on any new Malaysian Financial Reporting Standards that would affect the Group's financial statements during the year.</li></ul> <p>The minutes of meetings of Board and Board Committees are circulated to the Board Committee members and other members of the Board in timely manner. The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes of Board and Board Committee meetings are kept at the registered office of the Company and are available for inspection by any Director during office hours.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter is available on the Company's website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a> . The Board Charter covers, amongst others, the following matters:-</p> <ul style="list-style-type: none"> <li>• Composition of the Board;</li> <li>• Duties and responsibilities of the Board, Board Committees, Chairman of the Board, Executive Director and Independent Director;</li> <li>• Access to information and independent advice;</li> <li>• Duty to disclose conflict of interest;</li> <li>• Company Secretary;</li> <li>• Dealings in securities;</li> <li>• Orientation and continuing education for Directors;</li> <li>• Board assessment; and</li> <li>• Relationship with shareholders and stakeholders.</li> </ul> <p>The key matters reserved for the Board's deliberation and decision making are explicitly set out in the Board Charter. It serves as a reference to provide prospective and existing Board members and Management insight into the fiduciary and leadership functions of the Directors of NHG. The Board reviews its charter regularly, to keep it up to date with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's objectives. The Board Charter and the TOR of the Board Committees were last reviewed on 24 March 2022.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established the Corporate Code of Conduct (“Code”) in December 2012. The Code was last reviewed on 24 March 2022. The Code sets out the standards which the Directors, officers and employees (together “Personnel”) of the Group are expected to comply in relation to the affairs of the Group’s businesses when dealing with each other, shareholders and the broader community.</p> <p>The Code is intended to focus on the Board and the Management on areas of ethical risk, provide guidance to Personnel to help them to recognise and deal with ethical issues, provide mechanisms to report unethical conduct, and help to foster a culture of honesty and accountability.</p> <p>The Code includes, inter alia, matters relating to conflicts of interest, proper use of the Company’s assets and properties as well as knowledge and information and prohibited activities or misconduct involving gifts, gratuities, bribes and corruption, insider trading and money laundering.</p> <p>The Code is available on the Company’s website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a>.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

## Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has established policies and procedures on whistleblowing in an effort to encourage whistle blowers to come forward with information on any alleged improper conduct. Our Whistle Blowing Policies and Procedures (“<b>WPP</b>”) sets out procedures to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group’s policies and guidelines, in a safe and confidential manner.</p> <p>Mr Leow Chan Khiang (“<b>Mr Leow</b>”), an Independent Non-Executive Director (“<b>INED</b>”) as well as the Chairman of the ARMC is identified by the Board as the person to whom that whistle blowing reports may be conveyed should the whistle blower unable to raise the matter with the superior or the Management in accordance. Mr Leow may delegate the responsibility for implementing the Whistle Blowing procedures to Ms Ng, the appointed guardian/custodian of the Whistle Blowing procedures within the Company. The guardian’s role is to appoint fair and independent (internal or external) investigative officers of the Company to be identified who will initiate an investigation into the complaint and report to Mr Leow to decide on the appropriate course of action. If Mr Leow deemed the complaint material or otherwise appropriate for the attention of the Board, it shall be so brought up at the following Board meeting. WPP also includes provisions of confidentiality to safeguard the identity of the Whistle Blower.</p> <p>The WPP is available on the Company’s website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.1**

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is responsible for the sustainability practices and performance of the Group and is supported by the ARMC and Management in managing sustainability related activities including sustainability strategies, priorities and targets.</p> <p>The Board together with the Management, review and adopt the strategic plan supporting long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.</p> <p>In order to drive the progress in formulating and implementing sustainability strategies of the Group, the Board and key management team are responsible in providing guidance while ensuring alignment of all activities and work streams with the Group’s role in society and reviewing the ever-changing societal landscape as well as revising or instituting new policies and initiatives resulting from changes or developments relevant to the Group.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Sustainability strategies, priorities and targets have been integrated into the mission and strategic plan of the Company and communicated to the employees. The employees are made aware that sustainability will be the value driver of the Company and forms part of the Company's business model going forward.</p> <p>Notwithstanding the above, the Group has conducted materiality assessment on sustainability matters on regular basis to ensure that the material sustainability matters remain relevant to the stakeholders.</p> <p>The Annual Report 2021 of the Company encompasses a Sustainability Statement which discloses the Company's sustainability strategies, priorities and targets, and serves as a main communication tool of the Group's sustainability practices and performance to both internal and external stakeholders.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board continuously keep themselves abreast with and understanding to the sustainability issues through periodical updates by the Securities Commission.</p> <p>The Board had been constantly searching for suitable training programmes which are relevant to the Company and its business so as to equip the Directors with environment, social and governance competency.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

## Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company taking cognizance of the fast-changing environment in the industry and had in place processes and procedures to measure against the achievement of sustainability targets.</p> <p>The NC had reviewed the revised performance evaluation form for the Board which had incorporated the elements of Environment, Social and Governance ("ESG") and undertook an evaluation of the performance of the Board and senior management in addressing the Company's material sustainability risks and opportunities.</p> <p>Key criteria used in the assessment of individual Directors during the year were:</p> <ul style="list-style-type: none"><li>• Presence of a business strategy underpinned by ESG;</li><li>• Robustness of ESG agendas, deliberations and discussions;</li><li>• Frequency of discussions on ESG risks and opportunities; and</li><li>• Monitoring sustainability targets and goals.</li></ul>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.5- Step Up**

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

*Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.*

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC is responsible to oversee and review on an on-going basis, the overall composition of the Board in term of size, the required mix of skills, experience and other qualities and core competencies for Directors of the Company.</p> <p>The effectiveness of the Board as a whole and the contribution and performance of each individual director to the effectiveness of the Board and the Board Committees will also be assessed by the NC on an annual basis. The NC is satisfied with the current Board composition that it is adequate to support objective and independent deliberation, review and decision-making.</p> <p>The Board Charter has clearly stated that the tenure of an Independent Director is limited to nine (9) years and he/she may continue to serve on Board subject to redesignation as Non-Independent Director. If the Independent Director wishes to remain as an Independent Director after serving for a cumulative period of more than nine (9) years, justification from the Board on his/her independence status and shareholders' approval at the AGM through a two-tier voting process would be required.</p> <p>The longest serving INED on the Board is Mr Leow Chan Kiang and he has been with the Company for less than 7 years. The Chairman of the Board had served for less than 5 years.</p> <p>In accordance with Clause 95 of the Company's Constitution, Encik Sofiyan, Chairman of the Board and Datuk Seri Tan Choon Hwa, INED, were due for retirement at the 17<sup>th</sup> Annual General Meeting of the Company held in June 2021. The NC had in March 2021 deliberated on their role, performance and contribution throughout their tenure on the Board and had recommended their re-election to the Board.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently has nine (9) members, comprising five (5) INEDs and four (4) Executive Directors. The presence of majority fifty-five percent (55%) INEDs allows the Board's deliberations and decisions to be made objectively in the best interest of the Company.</p> <p>The assessment of independence of the INEDs are conducted on annual basis to ensure that they are independent and free from any business or relationship which could materially interfere their exercise of objective and independent judgements and the ability to act in the best interest of the Company.</p> <p>The assessment of the INEDs is in accordance with the criteria as set out in the Board Charter and MMLR of Bursa Securities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.3**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied	
Explanation on application of the practice	:	Currently, none of the INEDs of the Company have exceeded the cumulative terms of nine (9) years.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

*Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.*

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied											
<b>Explanation on application of the practice</b>	:	<p>The Board recognises that Board diversity optimises decision-making process and will conscientiously improve on its current diversity.</p> <p>The Board is well balanced, comprising experienced businessmen and qualified professionals of diverse knowledge, skill, extensive experience and expertise in areas such as strategic planning, business development, finance, corporate affairs, marketing and operations.</p> <p>In evaluating the suitability of the candidates for appointment of Board and Senior Management, the Board and the NC considers salient attributes such as mix of skills and experience, strengths, expected contribution, independence (where applicable) and the multiple facets of diversity to ensure a balanced mix of talents on the Board and Management level.</p> <p>The NC is mindful of the Board’s support for boardroom diversity, particularly, in terms of ethnicity and gender. These factors will be given prime consideration in the recruitment of new Board members.</p> <p>During the financial year under review, the following directors were nominated and appointed:-</p> <ul style="list-style-type: none"><li>▪ Ms Khoo Wuan Ru, Executive Director;</li><li>▪ Ms Poo Chii Miin @ Chermaine Poo, INED;</li><li>▪ Dato’ Seri Rosman Bin Mohamed, INED; and</li><li>▪ Mr Ler Leong Keh, INED.</li></ul> <p>The current diversity in the race/ethnicity (cultural background) nationality, age and gender of the existing Board is as follows:</p> <table><tr><th rowspan="2"></th><th colspan="2">Race/Ethnicity</th><th>Nationality</th></tr><tr><th>Malay</th><th>Chinese</th><th>Malaysian</th></tr><tr><td>Number of Directors</td><td>3</td><td>6</td><td>9</td></tr></table>		Race/Ethnicity		Nationality	Malay	Chinese	Malaysian	Number of Directors	3	6	9
	Race/Ethnicity			Nationality									
	Malay	Chinese	Malaysian										
Number of Directors	3	6	9										

		Age Group					Gender																																		
		20-29	30-39	40-49	50-59	≥60	Male	Female																																	
	Number of Directors	1	-	1	4	3	6	3																																	
	<p>The appointment of Key Senior Management was also made with due regard for diversity in skills, experience, age, cultural background and gender. Their current diversity is as per table below:-</p> <table border="1"> <tr> <td></td> <td colspan="2">Race/Ethnicity</td> <td>Nationality</td> </tr> <tr> <td></td> <td>Malay</td> <td>Chinese</td> <td>Malaysian</td> </tr> <tr> <td>Number of key senior management</td> <td>-</td> <td>5</td> <td>5</td> </tr> </table> <table border="1"> <tr> <td></td> <td colspan="4">Age Group</td> <td colspan="2">Gender</td> </tr> <tr> <td></td> <td>30-39</td> <td>40-49</td> <td>50-59</td> <td>≥60</td> <td>Male</td> <td>Female</td> </tr> <tr> <td>Number of key senior management</td> <td>-</td> <td>4</td> <td>-</td> <td>1</td> <td>5</td> <td>-</td> </tr> </table>									Race/Ethnicity		Nationality		Malay	Chinese	Malaysian	Number of key senior management	-	5	5		Age Group				Gender			30-39	40-49	50-59	≥60	Male	Female	Number of key senior management	-	4	-	1	5	-
		Race/Ethnicity		Nationality																																					
	Malay	Chinese	Malaysian																																						
Number of key senior management	-	5	5																																						
	Age Group				Gender																																				
	30-39	40-49	50-59	≥60	Male	Female																																			
Number of key senior management	-	4	-	1	5	-																																			
Explanation for departure :																																									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																																									
Measure :																																									
Timeframe :																																									

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board may utilise variety of independent sources including directors' registry, industry and professional association, open advertisements and independent search firms to identify suitably qualified candidates, if required.	
		The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the NC. The Board relies on the existing network and referrals from existing Directors, Senior Management and major shareholders as primary means to source for new Directors as they represent a tried and tested method of sourcing high-calibre directors with sound understanding of the business.  The Directors appointment process is carried out based on methodical and robust process undertaken by the NC. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (" <b>Bursa Securities</b> ").	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied	
Explanation on application of the practice	:	<p>Shareholders are kept informed on the Board’s decision in respect of the appointment of directors via announcements to Bursa Securities and updates on the Company’s website.</p> <p>The details of directors who are standing for re-election are set out in the profiles of Directors in the Annual Report which set out their age, gender, tenure of service, directorships in other public companies and/or listed issuers, working experience, any family relationship with major shareholders or directors and any conflict of interest as well as their shareholdings in NHG if any.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.8**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NC is chaired by Mr Ler Leong Keh who is an INED.  The Board recognises the need for Chairman of the NC to be independent to ensure objectivity and independent judgement during deliberations.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.9**

The board comprises at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	As at 31 December 2021, the Board comprises a total of nine (9) Directors, of which three (3) Directors are women Directors representing thirty-three percent (33%) women representation in the Board.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.10**

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The current Board composition complies with the MMLR of Bursa Securities and the Board is in the view that the current diversity of the Board is sufficient to execute its duties and responsibilities.	
		The Board acknowledges the value created by involving female candidates participating in decision-making positions, i.e. Directors and Senior Management. The Board currently has three (3) women directors, representing 33.3% of the total Board members.	
		The Board, assisted by the Nomination Committee annually reviews the size, competencies, gender representation of the Board to ensure it remains diverse, which leads to better deliberations.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

## Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The evaluation process is led by the Chairman of the NC and supported by the Company Secretary annually. The Directors complete the relevant questionnaires regarding the effectiveness of the Board and its Board Committees. The assessment by all Directors are summarised and disclosed at the NC meeting and reported at the Board meeting by the Chairman of the NC.</p> <p>For financial year 2021, the NC has reviewed and assessed the mix of skills and experience of the Board including the core competencies of both Executive and Non-Executive Directors, size of the Board, contribution of each Director and effectiveness of the Board and Board Committees and also evaluated the level of independence of the Directors. Based on the assessment, the NC was satisfied with the existing Board composition in terms of gender, ethnicity and age, and was of the view that all the Directors and Board Committees of the Company have discharged their responsibilities in a commendable manner and have performed competently and effectively.</p> <p>The assessment results indicated that there was good balance in the composition of the Board. The Directors possessed the expertise and experience in a wide range of fields and areas from their diverse backgrounds and specialisations to assist the Board to lead and contribute positively and effectively to the Group.</p>
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges that remuneration is a key ingredient in attracting, retaining and motivating talented and high-calibre individuals that can successfully run and manage the business. In this regard, the Board has adopted a Directors and Senior Management Remuneration Policy.</p> <p>The Board through the Remuneration Committee reviews the Directors and Senior Management’s Remuneration Policy regularly to ensure it is always stay competitive in this ever-changing marketplace.</p> <p>The Directors and Senior Management Remuneration Policy was last reviewed on 24 March 2022 and is available on the Company’s website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a>.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a RC which comprises wholly of INEDs. The TOR of the RC which sets out the duties and responsibilities of the RC in relation to remuneration matters was last reviewed on 24 March 2022 and is available on the Company's website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a>.</p> <p>The year 2021 was a turbulent year caused by the COVID-19 pandemic which had impacted the global economy causing a slowdown in global operations and closure of borders which have created a socio-economic crisis resulting in challenges to the business. After taking into consideration of the impact of COVID-19 pandemic and in the event of any need of having more diverse Board arising from the Group's diversification, the RC had proposed and the Board had recommended to the shareholders for approval, a Directors' fees of RM550,000 per annum, payable to each Director from the upcoming AGM to the next AGM of the Company which is same as the Directors' fees approved at the 17<sup>th</sup> AGM held in June 2021.</p> <p>The Board is satisfied with the performance of the RC in discharging its functions in accordance with its TOR during the financial year ended 31 December 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The detailed disclosures of the remuneration breakdown of individual directors include fees, salary, bonus, benefits in-kind and other emoluments of the Company and the Group for the financial year ended 31 December 2021 are set out in the table below.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Sofiyan Bin Yahya	Independent Director	73	-	-	-	-	-	73	73	-	-	-	-	-	73
2	Leow Chan Kiang	Independent Director	42	-	-	-	-	-	42	42	-	-	-	-	-	42
3	Ler Leong Keh (Appointed on 29 December 2021)	Independent Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Dato' Seri Rosman Bin Mohamed (Appointed on 9 September 2021)	Independent Director	12	-	-	-	-	-	12	12	-	-	-	-	-	12
5	Poo Chii Miin @ Chermaine Poo (Appointed on 2 August 2021)	Independent Director	15	-	-	-	-	-	15	15	-	-	-	-	-	15
6	Datuk Seri Tan Choon Hwa (Resigned on 16 August 2021)	Independent Director	21	-	-	-	-	-	21	21	-	-	-	-	-	21
7	Ng Shwu Ching	Executive Director	50	-	-	-	-	-	50	50	4	384	190	24	69	721
8	Rizvi Bin Abdul Halim	Executive Director	58	-	-	-	-	-	58	58	3	32	5	-	4	102
9	Lai Kian Huat	Executive Director	58	-	-	-	-	-	58	58	3	49	13	2	8	133
10	Khoo Wuan Ru (Appointed on 2 August 2021)	Executive Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The remuneration of the top five (5) Senior Management are not disclosed on named basis in the bands of RM50,000 for confidentiality reason as it may be detrimental to the interest of the Company and individuals.	
		The remuneration of the key management of the Company and in Group basis is set out in the Audited Financial Statements for the financial year ended 31 December 2021 on page 119 of the Annual Report 2021.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.1**

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The ARMC is chaired by Mr Leow, whilst the Chairman of the Board is Encik Sofiyan. Having the positions of Board Chairman and Chairman of the ARMC assumed by different individuals, it allows the Board to objectively review the ARMC’s findings and recommendations.</p> <p>Mr Leow is a Fellow Member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. His full profile is available on page 12 of the Annual Report.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The ARMC has included in its TOR the cooling off period of three (3) years for a former key audit partner to observe before being appointed as a member of the ARMC.  None of the members of the ARMC were former key audit partners.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARMC's TOR provides procedures to assess the suitability, objectivity and independence of the Company's external auditors.</p> <p>The ARMC is responsible for assessing the capabilities and independence of the external auditors and to also recommend to the Board on their appointment, re-appointment or termination of their services to the Company.</p> <p>The external auditors, Messrs KPMG PLT ("KPMG") presented its 2021 Audit Plan for the ARMC's review on 23 November 2021 which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the approved standards on auditing issued by the Malaysian Institute of Accountants. Subsequently, KPMG will brief the ARMC on its audit findings and the Audited Financial Statements. This formed part of the ARMC's assessment of the suitability, objectivity and independence of KPMG on an annual basis.</p> <p>The ARMC had assessed and was satisfied with the competence, audit quality, resource capacity of KPMG in relation to the audit services provided. From the results of the assessment, the ARMC is also satisfied that there was no threat to the objectivity and independence of the audit arising from the provision of non-audit services by the external auditors and the total fee incurred for non-audit services is not significant.</p> <p>Based on the outcome of its assessment, the ARMC has recommended to the Board for the shareholders' approval to be sought on the re-appointment of the external auditors at the forthcoming 18th Annual General Meeting ("AGM").</p> <p>The TOR of the ARMC was last reviewed on 24 March 2022 and is available on the Company's website.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The ARMC comprises wholly of INEDs as provided in the TOR of the ARMC.



### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied	
Explanation on application of the practice	:	<p>The ARMC members possess the necessary skills to discharge its duties and are financially literate and have the ability to understand matters under the purview of the ARMC including financial reporting process.</p> <p>The ARMC members attend training programs to keep abreast of relevant industry issues, market development and trends including accounting and auditing standards to enable them to sustain their active participation in the functions of the ARMC. The details of the trainings attended are disclosed in the Annual Report 2021.</p> <p>An annual assessment on the performance of the ARMC during the term of office was undertaken by the NC for financial year 2021 and the NC was satisfied with its performance.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board affirms its responsibility for the Group's system of internal control and risk management and its commitment to review its effectiveness, adequacy and integrity.</p> <p>The Group's existing system of internal control includes financial, operational and compliance controls and risk management procedures. Due to the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.</p> <p>The Board also recognises that a sound system of risk management and internal control can only reduce but not eliminate the possibility of poor judgement in decision making, human error, control process being deliberately circumvented by employees, management overriding controls and the occurrence of unforeseeable circumstances. Accordingly, the system provides only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.</p> <p>The Board has reviewed the risk management and internal control system in accordance with the guidelines for Directors on risk management and internal control, and the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.</p> <p>The Board has obtained assurance from the Executive Director (who is in charge of Financial and Corporate Affairs) and the Managing Director of the major subsidiaries of the Company that the system of risk management and internal control being instituted throughout the Group is adequate and effective in all material aspects.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group operates a risk management and internal control framework in which the Board via the ARMC oversees the established and clear functional responsibilities and accountabilities which include but not limited to identification, analysis, evaluation, treatment, monitoring, review and reporting of significant risks across the Group.</p> <p>The ARMC monitors and assesses the risk appetite and risk tolerance for the Group, to safeguard the shareholders' investments and the Group's assets. The ARMC reviews and recommends for the Board's consideration and approval, improvements, where necessary, to the risk management frameworks, policies and/or guidelines for managing risks within the Group.</p> <p>The key features of the Company's risk management and internal control framework which outlines their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control ("<b>SORMIC</b>") on pages 32 to 36 of the Annual Report 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board has outsourced this function to an independent professional service firm, namely IBDC Malaysia Sdn. Bhd. ("IBDC") to provide an independent assurance to the Board on the effectiveness and adequacy of the Group's system of internal control. Details of the internal audit function are set out in the SORMIC and ARMC Report.</p> <p>The Internal Auditor reports directly to the ARMC and their performance is reviewed by the ARMC on an annual basis.</p> <p>The IA engagements were carried out based on the annual audit plan 2021 as approved by the ARMC in accordance with the The International Standards for the Professional Practice of Internal Auditing by Institute of Internal Auditors. IA provides recommendations to mitigate control weaknesses and enhance the governance, risk management and control processes within the Group. The results of the audits as disclosed in the IA reports were reviewed by the AC. The relevant Management members were made responsible to ensure that corrective actions on the reported weaknesses were taken within the required timeframes. IA conducted follow-up reviews/audits to ensure that the corrective actions were implemented appropriately.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 11.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function has been outsourced to an external party, IBDC and under the leadership of Mr Wong Een Joon to ensure that the internal audit engagement is carried out effectively.</p> <p>The Internal Auditors report directly to the ARMC. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions, and gives the Internal Audit staff the authority needed for full, free and unrestricted access to all operations, records, property and personnel within the Group. Private sessions with the internal auditors without the presence of the Management are also carried out to ensure that Internal Auditors can freely report any concern they have to the ARMC.</p> <p>The internal audit function is guided by The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.</p> <p>The audit personnel from IBDC are free from any relationships or conflicts of interest, which could impair the objectivity and independence of the audit review.</p> <p>Details of the audit personnel from IBDC are set out in the ARMC Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	Communication with stakeholders is executed in a timely, concise and transparent manner through announcements via Bursa LINK, on the Company’s website and the media.	
		The Company’s website includes an Investor Relations (‘IR”) section which is accessible to the public and provides all relevant information on the Company. This IR section enhances relations with the investors by including all announcements made by the Company, share price information, annual reports and the corporate and governance structure of the Company.	
		Members of senior management are directly involved in investor relations through investor briefings with financial analysts, institutional shareholders and fund managers.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Not applicable – Not a Large Company	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board considers the AGM as an invaluable platform for shareholders to engage the Board and Management of the Company in a productive and constructive two-way dialogue. As such, the Board strives to ensure that shareholders are accorded with sufficient time to prepare and accord due consideration to the resolutions that will be discussed and decided upon at the AGM.</p> <p>The notice for the 17th AGM which was scheduled to be held on 23 June 2021 was despatched to the shareholders on 23 April 2021, which is more than 28 days before the AGM.</p> <p>In addition, the Notice of the AGM is also published in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In view of the Covid-19 pandemic and the enforcement of Movement Control Order by the Government, as part of the safety measures, the Company's 17<sup>th</sup> AGM was conducted fully virtual via online meeting platform with its domain address registered in Malaysia which was in compliance with Section 327 of the Companies Act 2016 and Clause 64 of the Company's Constitution.</p> <p>Pursuant to Guidance Note and FAQ on the Conduct of General Meetings for Listed Issuers issued by Securities Commission Malaysia, physical gatherings no matter how small were prohibited.</p> <p>In this regard, all the Directors participated the Company's 17<sup>th</sup> Annual General Meeting remotely from their respective location.</p> <p>At the 17<sup>th</sup> AGM, the Chairman responded to all the questions posted by the shareholders. Shareholders were invited to ask questions both on the resolutions being proposed before putting them to vote as well as matters relating to the Group's operations in general and meaningful response were given to the questions raised.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.3

Listed companies should leverage technology to facilitate—

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied	
Explanation on application of the practice	:	<p>The 17<sup>th</sup> AGM of the Company held on 23 June 2021 was conducted on fully virtual basis through live streaming, which enabled remote shareholders’ participation and online remote voting.</p> <p>The Company had adopted poll voting in accordance with Paragraph 8.29A of the MMLR of Bursa Securities for all resolutions proposed and tabled at its 38th AGM by way of electronic poll. Shareholders who were unable to attend the AGM were entitled to appoint proxy/proxies to participate the AGM and vote on their behalf.</p> <p>Detailed instructions and procedures on the remote participation and electronic voting process are provided in the Administrative Guide of the virtual AGM for shareholders published on the Company’s website.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman ensures that the general meetings serve as an important opportunity for effective communication with, and constructive feedback from the shareholders.</p> <p>Shareholders were given the opportunity to submit questions via the Vote2U Online Portal relating to resolutions tabled at the 17<sup>th</sup> AGM or financial performance/prospect of the Company during the live streaming of AGM. The Chairman further ensures that sufficient time are allocated for discussion and address questions raised.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Shareholders submitted questions to the Board of Directors during the live streaming of the 17 <sup>th</sup> AGM. The Chairman read out the questions posed by the shareholders and provided his response to the questions raised.  The Company had opted for Agmo Digital Solutions Sdn. Bhd.'s Vote2U Online platform as it is a well-tested and secured application with sufficient hardware and infrastructure in place.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Minutes of the 17 <sup>th</sup> AGM was made available on the Company's website at <a href="http://www.ni-hsin.com">www.ni-hsin.com</a> no later than 30 business days after the convening of 17 <sup>th</sup> AGM.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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