

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7215
COMPANY NAME : NI HSIN GROUP BERHAD
FINANCIAL YEAR : December 31, 2023

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") of Ni Hsin Group Berhad ("NHG" or "the Company") 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 the Company and its subsidiaries ("the Group").</p> <p>In discharging its duties, the Board delegates certain of its responsibilities to the Board Committees which operate within defined Terms of Reference ("TOR"). The Chairperson 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 ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC").</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 disposals 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 ending 31 December 2023 at the Board Meeting held on 30 May 2023 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 2023.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 1.2

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 ("En Sofiyan"), an experienced Independent Non-Executive Chairperson who is responsible in instilling good corporate governance practices, leadership and effectiveness of the Board.</p> <p>The Chairperson plays an active role in facilitating the conduct of Board meetings and ensuring all matters set out in the notice are properly addressed. En Sofiyan solicited feedbacks and inputs from all Directors in an open and constructive manner. En Sofiyan would solicit the view from other parties such as senior management should their presence be requested at the meeting(s).</p> <p>The roles and responsibilities of the Chairperson of the Board have been set forth in the Board Charter of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of exercising objective oversight over Management and therefore believes in the separation of the roles of the Chairperson and Management.</p> <p>The position of Chairperson is currently held by En 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 ("Ms Ng"), Mr Lai Kian Huat and Ms Khoo Wuan Ru and the Principal Officer, Mr Khoo Chee Kong, are responsible for the management of the Group's businesses and overseeing the day-to-day operations.</p> <p>The roles of the Chairperson and Executive Directors are distinct and separate, with clear division of responsibilities. This is to ensure a balance of power and authority, so that no one individual has unrestrained decision-making powers.</p> <p>The roles and responsibilities of the Chairperson of the Board and Executive Directors are prescribed in the Board Charter of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 1.4

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>	
Application	: Applied
Explanation on application of the practice	: The Chairperson of the Board, En Sofiyani is not a member of ARMC, NC and RC. The Company exhibits high level of corporate governance by putting emphasis and promoting objective review by the Board on deliberation emanating from the Board Committees.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
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 1.5

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.

Application	: Applied
Explanation on application of the practice	<p>The Board is supported by two (2) 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 in ensuring that the due processes and proceedings are in place and properly managed. During the meetings, the Company Secretaries will facilitate the Chairperson and the Board in conducting the meetings and ensure that 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.</p> <p>The Company Secretaries also 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 as well as adoption of best practices in achieving good corporate governance.</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>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 1.6

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.

Application	:	Applied
Explanation on application of the practice	:	<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 have been given access to information through the following means:-</p> <ul style="list-style-type: none">• 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.• 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.• Directors may obtain independent professional advice at the Company's expense, where necessary, after consultation with the Chairperson and other Board members, in furtherance of their duties.• 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. <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>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter is available on the Company's website at www.ni-hsin.com. The Board Charter covers, amongst others, the following matters:-</p> <ul style="list-style-type: none">• Composition of the Board;• Duties and responsibilities of the Board, Board Committees, Chairperson of the Board, Executive Director and Independent Director;• Access to information and independent advice;• Duty to disclose conflict of interest;• Company Secretary;• Dealings in securities;• Orientation and continuing education for Directors;• Board assessment; and• Relationship with shareholders and stakeholders. <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 the Company. 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.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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”) outlining the standards which the Directors, officers and employees (together “Personnel”) of the Group are expected to adhere in relation to the business affairs 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 Board values integrity in its dealings and observes zero tolerance toward corrupt or illegal practices undertaken by staff in the course of their works. To this end, the Board had adopted Anti-Bribery and Anti-Corruption Policy and Procedure (“ABACPP”) to inculcate high standard of integrity and ethics across the Group to promote good corporate governance practices and accountability in its businesses and operations. Adequate training and relevant communications had been conducted to all Personnel for better understanding of ABACPP.</p> <p>The Code and ABACPP are available on the Company’s website at www.ni-hsin.com.</p>
Explanation for departure	:	

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

Application	:	Applied
Explanation on application of the practice	:	<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 (“WPP”) 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>Ms Poo Chii Miin @ Chermaine Poo (“Ms Chermaine Poo”), Independent Non-Executive Director (“INED”) as well as the Chairperson of ARMC had been 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. Ms Chermaine Poo may delegate the responsibility for implementing the Whistle Blowing procedures to Ms Ng, the appointed guardian/custodian of the Whistle Blowing procedures within the Group. The guardian’s role is to appoint fair and independent (internal or external) investigative officers who will initiate an investigation against the complaint received and report to Ms Chermaine Poo to decide on the appropriate course of action. If Ms Chermaine Poo deemed the complaint material or otherwise appropriate for the attention of the Board, she shall put it forth to the Board at the following Board meeting for deliberations.</p> <p>Detailed procedures on the reporting of improper conduct have been set out in the WPP that has been made available on the Company’s website at www.ni-hsin.com.</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 4.1

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 continuously ensures that there is an effective governance framework for sustainability within the Group.</p> <p>Towards this end, the ARMC together with the Management assist the Board in its oversight responsibilities:-</p> <ul style="list-style-type: none">(i) To ensure the strategic plan for the Group supports long term value creation and sustainability goals; and(ii) To ensure the development and implementation of the strategic plan for the Group is effective and takes into account sustainability considerations <p>Our Sustainability Committee ("SC"), comprising Executive Directors, assists the Board with the alignment of the Group's sustainability strategy to long-term business growth and goals, the review and execution of sustainability initiatives and policies. Under the purview of the SC is the Sustainability Working Group ("SWG"), led by our Head of Corporate and Business Development and represented by the Heads of Departments ("HODs"). The SWG is responsible for the day-to-day implementation of our sustainability efforts and monitors our sustainability performance.</p>
Explanation for departure	:	

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

Application	:	Applied
Explanation on application of the practice	:	<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 2023 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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 4.3

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 has sufficient understanding and knowledge of the sustainability issues that are relevant to the Group and its businesses, to discharge its role effectively. The measures that the Board has taken to attain a better and more sustainable future are disclosed in the Sustainability Statement of the Annual Report.</p> <p>The Board continuously keep themselves abreast with and understanding to the sustainability issues through periodical updates by Bursa Malaysia Securities Berhad (“Bursa Securities”), Securities Commission Malaysia and training programme attended by them.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company taking cognisance 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 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"> • Presence of a business strategy underpinned by ESG; • Robustness of ESG agendas, deliberations and discussions; • Frequency of discussions on ESG risks and opportunities; and • Monitoring sustainability targets and goals.
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

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 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 Annual General Meeting ("AGM") through a two-tier voting process would be required.</p> <p>The longest serving INED on the Board is En Sofiyan, Chairperson of the Board, and he has been with the Company for less than 7 years.</p> <p>Pursuant to the Constitution of the Company, the following Directors were due for retirement at the 19th AGM of the Company held on 21 June 2023:</p> <ul style="list-style-type: none">i) Encik Sofiyan Bin Yahya (Clause 95)ii) Ms Ng Shwu Ching (Clause 95)iii) Ms Tung Fook Heng (Clause 102) <p>The annual re-election / re-appointment of retiring Directors is contingent upon satisfactory evaluation of the retiring Directors' performance and contribution to the Board and Board Committees.</p>

	<p>At NC meeting held on 10 April 2024, the NC deliberated on the roles, performances and contributions of the retiring Directors throughout their tenure on the Board and recommended their re-election to the Board.</p> <p>In addition to the annual Board evaluation, the Board has formalised and adopted Directors' Fit and Proper Policy which serves as a guide to NC and Board in conducting assessment against the fit and proper criteria of potential candidates for appointment as Directors as well as existing Directors who are seeking for re-election and re-appointment.</p> <p>Fit and proper assessment had been conducted on the following Directors who were appointed during the financial under review:-</p> <p>(i) Mr Tung Fook Heng ("Mr Tung"); and (ii) Dato' Shamsuddin bin Mohd Mahayidin ("Dato' Shamsuddin").</p> <p>Fit and proper assessment had been conducted on the Directors who are due for retirement and seeking for re-election at the forthcoming 20th AGM of the Company except for Dato' Shamsuddin who has expressed his intention not to seek for re-election at the upcoming 20th AGM:-</p> <p>(i) Encik Rizvi Bin Abdul Halim; and (ii) Mr Lai Kian Huat.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year under review, the Board has eight (8) members, comprising four (4) INEDs and four (4) Executive Directors.</p> <p>The composition complies with Paragraph 15.02 of Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Director and Practice 5.2 of Malaysian Code on Corporate Governance (“MCCG”) that at least half of the Board is comprised of Independent Directors.</p> <p>The Board believes that the current size and composition reflects an appropriate balance of Independent, Executive and Non-Executive Directors which allows the Board’s deliberations and decisions to be made objectively and in the best interest of the Company.</p> <p>With the assistance of NC, the Board assesses the independence of INEDs on annual basis to ensure that they are independent and free from any business or relationship which could materially interfere with 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 Listing Requirements.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.3

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

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

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.

Application	:	Applied																																		
Explanation on application of the practice	:	<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>The current diversity in the race/ethnicity (cultural background) nationality, age and gender of the existing Board is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race/Ethnicity</th> <th>Nationality</th> </tr> <tr> <th>Malay</th> <th>Indian</th> <th>Chinese</th> <th>Malaysian</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>3</td> <td>-</td> <td>5</td> <td>8</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>≤40</th> <th>41-49</th> <th>50-59</th> <th>≥60</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td>1</td> <td>1</td> <td>3</td> <td>3</td> <td>5</td> <td>3</td> </tr> </tbody> </table>		Race/Ethnicity			Nationality	Malay	Indian	Chinese	Malaysian	Number of Directors	3	-	5	8		Age Group				Gender		≤40	41-49	50-59	≥60	Male	Female	Number of Directors	1	1	3	3	5	3
	Race/Ethnicity			Nationality																																
	Malay	Indian	Chinese	Malaysian																																
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	Age Group				Gender																															
	≤40	41-49	50-59	≥60	Male	Female																														
Number of Directors	1	1	3	3	5	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" data-bbox="544 333 1334 483"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Race/Ethnicity</th> <th>Nationality</th> </tr> <tr> <th>Malay</th> <th>Indian</th> <th>Chinese</th> <th>Malaysian</th> </tr> </thead> <tbody> <tr> <td>Number of key senior management</td> <td>1</td> <td>-</td> <td>2</td> <td>3</td> </tr> </tbody> </table> <table border="1" data-bbox="544 517 1390 703"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>40-45</th> <th>46-50</th> <th>51-55</th> <th>61-65</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of key senior management</td> <td>-</td> <td>-</td> <td>1</td> <td>2</td> <td>3</td> <td>-</td> </tr> </tbody> </table>		Race/Ethnicity			Nationality	Malay	Indian	Chinese	Malaysian	Number of key senior management	1	-	2	3		Age Group				Gender		40-45	46-50	51-55	61-65	Male	Female	Number of key senior management	-	-	1	2	3	-
	Race/Ethnicity			Nationality																															
	Malay	Indian	Chinese	Malaysian																															
Number of key senior management	1	-	2	3																															
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	40-45	46-50	51-55	61-65	Male	Female																													
Number of key senior management	-	-	1	2	3	-																													
<p>Explanation for departure :</p>																																			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																																			
<p>Measure :</p>																																			
<p>Timeframe :</p>																																			

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>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.</p> <p>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.</p> <p>During the financial year under review, Mr Tung and Dato' Shamsuddin were duly nominated and appointed as INEDs of the Company.</p> <p>The appointment of Mr Tung and Dato' Shamsuddin were thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of Listing Requirements as well as their fit and proper criteria. Both Mr Tung and Dato' Shamsuddin have fulfilled the criteria of being an INED as prescribed in Listing Requirements.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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	:	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. The details of directors who are standing for re-election are set out in the profiles of Directors in the Annual Report for the shareholders to make informed decision at the AGM. The performance, contribution, effectiveness, independence (as the case may be) as well as fitness and propriety of the retiring directors who are standing for re-election have been duly assessed by the NC and Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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.

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

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	For the financial year under review, the Board comprises a total of eight (8) Directors, of which three (3) are women Directors representing 37.5% women representation in the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 Listing Requirements 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, assisted by the NC annually reviews the size, competencies, gender diversity of the Board to ensure it remains diverse, which leads to better deliberations.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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>	
Application	: Applied
Explanation on application of the practice	: The evaluation process is led by the Chairperson of 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 evaluation questionnaires completed by all Directors are summarised and discussed at the NC meeting and thereafter, reported at the Board meeting by the Chairperson of NC. For financial year 2023, 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 INEDs. 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. 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.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

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 7.1

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 remunerations of the Directors are reviewed by the RC according to Directors and Senior Management Remuneration Policy taking into account their executive or non-executive positions, scope of duties and responsibilities and levels of competency.</p> <p>The Board through the RC 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 is made available on the Company's website at www.ni-hsin.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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.

Application	:	Applied
Explanation on application of the practice	:	<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 is made available on the Company's website at www.ni-hsin.com.</p> <p>The RC had proposed and the Board had recommended to the shareholders for approval, a Directors' fees and benefits of RM350,000 payable to the Directors of the Company and its subsidiaries from the upcoming AGM to the next AGM of the Company. There is no change in the amount of proposed Directors' fees and benefits as compared with the same approved during the 19th AGM held on 21 June 2023.</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 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure of the remuneration breakdown of individual Directors include fee, salary, bonus, benefits in-kind and other emoluments received from the Company and the Group during the financial year ended 31 December 2023 on named basis are disclosed overleaf.

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	Sofiyani Bin Yahya	Independent Director	84	-	-	-	-	-	84	-	-	-	-	-	-	84
2	Poo Chii Miin @ Chermaine Poo	Independent Director	48	-	-	-	-	-	48	-	-	-	-	-	-	48
3	Tung Fook Heng ⁽¹⁾	Independent Director	38	-	-	-	-	-	38	-	-	-	-	-	-	38
4	Ler Leong Keh ⁽²⁾	Independent Director	23	-	-	-	-	-	23	-	-	-	-	-	-	23
5	Dato' Shamsuddin Bin Mohd Mohayidin ⁽³⁾	Independent Director	11	-	-	-	-	-	11	-	-	-	-	-	-	11
6	Rizvi Bin Abdul Halim	Executive Director	9	-	-	-	-	-	9	-	33	156	13	7	20	229
7	Ng Shwu Ching	Executive Director	9	-	-	-	-	-	9	-	4	408	96	17	61	585
8	Lai Kian Huat	Executive Director	9	-	-	-	-	-	9	-	6	178	15	7	23	229
9	Khoo Wuan Ru	Executive Director	9	-	-	-	-	-	9	-	6	132	11	7	17	173

⁽¹⁾ Appointed on 10 January 2023

⁽²⁾ Resigned on 14 July 2023

⁽³⁾ Appointed on 15 September 2023

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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 senior management of the Company and in Group basis is set out in the Audited Financial Statements for the financial year ended 31 December 2023 on page 132 of the Annual Report 2023.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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 Ms Chermaine Poo, whilst the Chairperson of the Board is En Sofiyan. Having the positions of Board Chairperson and ARMC Chairperson assumed by different individuals, it allows the Board to objectively review the ARMC's findings and recommendations.</p> <p>Ms Chermaine Poo is a Chartered Accountant of Malaysian Institute of Accountants and Fellow of the Association of Chartered Certified Accountants. Her full profile is available on page 19 of the Annual Report 2023.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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.

Application	:	Applied	
Explanation on application of the practice	:	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.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 9.3

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.

Application	:	Applied
Explanation on application of the practice	:	<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 Audit Planning Memorandum for the ARMC's review on 28 November 2023 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 20th AGM.</p> <p>The TOR of the ARMC is made available 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

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.

Application	:	Adopted
Explanation on adoption of the practice	:	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 a wide range of necessary skills, knowledge and experience, including accounting to effectively discharge its duties and responsibilities. The ARMC members are financially literate and have the ability to understand, analyse critically and objectively review, challenge and made recommendations on the 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 2023.</p> <p>An annual assessment on the performance of the ARMC during the term of office was undertaken by the NC for financial year 2023 and the NC was satisfied with its performance.</p>
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

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.

Application	:	Applied
Explanation on application of the practice	:	<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>
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 10.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group operates a risk management and internal control framework in which the Board via the ARMC oversees with established and clear functional responsibilities and accountabilities which include 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 (“SORMIC”) on pages 41 to 45 of the Annual Report 2023.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 10.3 - 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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year ended 31 December 2023, the Group has an in-house internal audit function, which is independent of the activities and operations of the Group. The internal audit functions is helmed by Ms Bhavanpreet Kaur who reports directly to the ARMC and her performance is reviewed by the ARMC on an annual basis. The internal audit function provides 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 audit works were carried out based on the annual internal audit plan 2023 as approved by the ARMC in accordance with the International Professional Practices Framework by The Institute of Internal Auditors. The Head of Internal Audit provides recommendations to mitigate control weaknesses and enhance the governance, risk management and control processes within the Group.</p> <p>The results of the audits as disclosed in the internal audit reports were reviewed by the ARMC. The relevant Management members were made responsible to ensure that corrective actions on the reported weaknesses were taken within the required timeframes. The Head of Internal Audit conducted follow-up reviews/audits to ensure that the corrective actions were implemented appropriately. Private sessions with the Head of Internal Audit without the presence of the Senior Management have been carried out to ensure the Internal Auditor can freely report any concern she has directly to the AC.</p> <p>Subsequent to the financial year, the Group has outsourced its internal audit function to IBDC (Malaysia) Sdn. Bhd., which is helmed by Mr Yuji Wong Een Joon, whose profile, qualification and competency were assessed by the ARMC prior to approving its appointment.</p>
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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year under review, the Group has an in-house internal audit function that report directly to the ARMC which is free from any relationship or conflict of interest, which could impair its objectivity and independence.</p> <p>This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions, and gives the Head of Internal Audit the authority needed for full, free and unrestricted access to all operations, records, property and personnel within the Group. The Head of Internal Audit performs her duties in accordance with the Internal Audit Plan as approved by the ARMC and guided by the International Professional Practices Framework by The Institute of Internal Auditors. The internal audit observations and status of the previous audit observations together with Management's responses and action plans are presented to the ARMC for deliberation.</p> <p>Details of the Head of Internal Audit are set out in the ARMC Report and SORMIC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, in its best efforts, keeps the shareholders and stakeholders informed of the Company's business and corporate development and ensure that the Company's communication is timely, informative, appropriate and transparent. The supply of information to stakeholders is made through announcements via Bursa LINK and various disclosures through the Company's website and the media.</p> <p>The Company's website includes an Investor Relations section which is accessible to the public and provides all relevant information on the Company including all announcements made to Bursa Securities, share price information, financial information, annual reports, etc.</p> <p>Stakeholders may at any time question or request publicly available information via the communication channels provided in the website. The AGM also provides the principal platform for dialogues and interactions with shareholders.</p> <p>Members of senior management are directly involved in investor relations through investor briefings with financial analysts and fund managers.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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.

Application	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined by the MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 13.1

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

Application	:	Applied
Explanation on application of the practice	:	<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 19th AGM which was scheduled to held on 21 June 2023 was despatched to the shareholders on 19 April 2023, which is more than twenty-eight (28) days before the convening of 19th AGM.</p> <p>In addition, the Notice of the AGM was also published on a nationally circulated newspaper alongside an announcement on the website of Bursa Securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 13.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors and senior management attended the Company's 19th AGM.</p> <p>At the 19th AGM of the Company, the Chairperson of the Board and Directors 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>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 13.3

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The 19th AGM was physically held at Langkawi Ballroom, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Wednesday, 21 June 2023. The Board has opted for a physical platform for better engagement with shareholders as it allows better flow of two-way communication at general meetings.</p> <p>Adequate notice of meeting was given to all shareholders and shareholders who were unable to attend the general meeting were allowed to appoint their proxy to attend, participate, speak and to vote at the AGM in their stead.</p> <p>In line with the intended outcome of this practice, the Board will consider the adoption of technology to facilitate voting in absentia and remote shareholders' participation in future general meetings when the needs arise.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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>	
Application :	Applied
Explanation on application of the practice :	<p>The Chairperson ensures that the general meetings serve as an important opportunity for effective communication with, and constructive feedback from the shareholders.</p> <p>At the 19th AGM, the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and the shareholders were given sufficient opportunity to pose their questions during the AGM. The Directors, senior management and external auditors were in attendance to respond to the shareholders' queries.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
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 13.5

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>	
Application	: Not applicable – only physical general meetings were conducted in the financial year
Explanation on application of the practice	: The 19th AGM was physically held at Langkawi Ballroom, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia on Wednesday, 21 June 2023.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
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 13.6

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>	
Application	: Applied
Explanation on application of the practice	: The Minutes of the 19th AGM held on 21 June 2023 was made available on the Company's website at www.ni-hsin.com no later than thirty (30) business days after the convening of 19th AGM.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

**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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