

CORPORATE GOVERNANCE REPORT

STOCK CODE : 9873
COMPANY NAME : PRESTAR RESOURCES BERHAD
FINANCIAL YEAR : 31 December 2018

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 TO 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 :	<ul style="list-style-type: none">• The Board comprises nine (9) members with wide and varied background and experiences in various fields and industries.• The Board takes full responsibility for the overall performance of the Company and its subsidiaries (“the Group”) by setting the strategic directions and objectives, formulating the policies and executing the key strategic action plans. The Board regularly review the Group’s business operations and maintains full and effective control over the management of the Group.• The duties and responsibilities of the Board include determining the Group’s overall strategic plans, performing periodic reviews of the business and financial performance, as well as adopting and implementing the risk management and internal control system within the Group.• The roles and responsibilities of the Board are clearly set out in the Board Charter and also disclosed in the Corporate Governance Overview Statement in the Annual Report 2018.• The Board has adopted a schedule of matters specifically reserved for its approval which include, amongst others, reviewing and approving the following:<ul style="list-style-type: none">a) Strategic/business plans and annual budget.b) New investments, divestments, mergers and acquisitions and corporate restructuring.c) Acquisition and disposal of significant assets of the Company.d) Annual audited financial statements and the quarterly financial results prior to release to Bursa Malaysia Securities Berhad.e) Appointment of new Directors including the Group Managing Director based on recommendations of the Nomination Committee.f) Related party transactions and capital financing.

	<ul style="list-style-type: none"> • The Board has delegated specific responsibilities to the following Board Committees:- <ul style="list-style-type: none"> i. Audit Committee; ii. Nomination Committee; iii. Remuneration Committee; and iv. Employees' Share Option Scheme Committee. • The Terms of Reference of the Board Committees as approved by the Board are available on the Company's corporate website at www.prestar.com.my.
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	

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	:	<ul style="list-style-type: none"> • Mr. Toh Yew Keat, the Chairman of the Company holds an executive position and is primarily responsible for matters pertaining to the strategic issue and the overall direction of the Group. • The key responsibilities of the Chairman as set out in the Board Charter include amongst others, the following:- <ul style="list-style-type: none"> - Leading the Board in setting the values and standards of the Company and the Group; - Maintaining a relationship of trust with and between the Executive and Non-Executive Directors; - Ensuring the provision of accurate, timely and clear information to the members of the Board; - Ensuring the integrity and effectiveness of the governance process of the Board; - Ensuring effective communication with shareholders and relevant stakeholders; - Arranging regular evaluation of the performance of the Board, Board Committees and individual Director; - Facilitating the effective contributions of all Board members; and - Setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda, in consultation with the Group Managing Director and the Company Secretaries. • The Chairman also ensure that appropriate and sufficient time is allocated for all matters discussed and conclusive reviews are given on issues raised during the Board meetings.
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	:	<ul style="list-style-type: none"> • The Chairman of the Company, Mr. Toh Yew Keat and the Group Managing Director of the Company, Dato' Toh Yew Peng, both holding separate position and their respective roles and responsibilities are governed in the Board Charter. • The roles and responsibilities of the Chairman and Group Managing Director are made clearly distinct to further enhance the existing balance of power and authority. • The Group Managing Director oversees the day-to-day management and running of the Group and the implementation of the Board's decisions and policies. 	
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 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	:	<ul style="list-style-type: none"> • The Group engages Securities Services (Holdings) Sdn. Bhd., an external consultant in carrying out the responsibilities of the corporate secretarial matters and provides support to the Board and to keep the Board's abreast of changes in Bursa Malaysia Securities Berhad Main Market Listing Requirements and statutory requirements. • The duties of the Company Secretaries are disclosed in the Corporate Governance Overview Statement in the Annual Report 2018. • Both the Company Secretaries, Ms. Chua Siew Chuan and Ms. Chin Mun Yee, have the requisite credentials and are qualified to act as the Company Secretaries pursuant to Section 235(2) of the Companies Act 2016. • The Board is satisfied with the performance of the Company Secretaries and they have provided sound governance advices, ensured adherence to rules and procedures and advocated the adoption of corporate governance best practices.
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

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

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>All Directors are furnished with a comprehensive Board meeting agenda, minutes of meeting and relevant information materials and documents at least three (3) business days prior to each Board meeting. Where necessary, certain documents are sent earlier through email before despatch of the hardcopy of the meeting materials to allow the Board members to have sufficient time to review and to request for any further information or clarification prior to the Board meeting.</p> <p>Upon conclusion of the Board meeting, the draft minutes is circulated to the Board for comments and to ensure that the minutes of meeting is accurately reflected the deliberations and decisions of the Board, including whether any Director who has interest in the matter discussed has abstained from voting or deliberating on a particular matter. Thereafter, the final minutes is confirmed and approved by the Chairman.</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

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	:	<ul style="list-style-type: none"> • The Board Charter sets out the roles, duties and responsibilities of the Board, outlines the membership guidelines, procedures for Board meeting, Directors' remuneration, and investor relations and shareholders communication. • The Board Charter was adopted by the Board on 25 April 2013 and the last review of the Board Charter by the Board was on 10 April 2018. • The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. Any subsequent amendment to the Board Charter can only be approved by the Board. • The Board Charter is available on the Company’s corporate website at www.prestar.com.my.
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 3.1

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	:	<ul style="list-style-type: none"> • The Code of Conduct and Ethics ("the Code") of the Company was adopted on 24 November 2016 and applies to all Directors of the Group during the conduct of business of the Group. • In addition, all Executive Directors of the Group are required to observe and comply with the Code of Conduct for workplace which is issued by the Group Human Resources department. • All Directors shall be accountable for full compliance of the Code. In the event of any violation of the Code, the Board shall take necessary actions to ratify on the non-compliance or violation. • The Code is available on the Company's corporate website at www.prestar.com.my. 	
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	:	<ul style="list-style-type: none"> • The Whistle Blowing Policy was established and approved by the Board on 24 November 2016 to uphold the Group's effort and commitment in doing business with ethics of honesty and integrity, henceforth providing a transparent and confidential process in handling the whistle-blowing reports. • The Whistle Blowing Policy will serve as an avenue for all employees and members of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interests of the stakeholders. • The Whistle Blowing Policy is available on the Company's corporate website at www.prestar.com.my.
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 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board presently has nine (9) Directors, comprising five (5) Executive Directors including the Chairman of the Company and four (4) Independent Non-Executive Directors.</p> <p>The Board takes note of the requirement of at least half of the Board comprises Independent Non-Executive Directors and would require additional time to identify and appoint suitable candidates as the Independent Non-Executive Directors of the Company.</p> <p>The Board is of the view that the current Board composition is able to reflect the interest of minority shareholders of the Company fairly through the Board's representation. The Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interests of the Company.</p>
<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 4.2

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 justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied - Two-tier voting process
Explanation on application of the practice	:	<ul style="list-style-type: none"> • Annual shareholders' approval is obtained at the Annual General Meeting ("AGM") to retain the Independent Non-Executive Directors who have served for more than nine (9) years. • The Independent Non-Executive Directors who have served for more than twelve (12) years will be tabled to the shareholders for approval at every AGM through a two (2)-tier voting process. • Tuan Haji Fadzlullah Shuhaimi Bin Salleh and Dato' Lim Cheang Nyok, the Independent Non-Executive Directors of the Company who have served for more than twelve (12) years are recommended to seek for shareholders' approval through a two (2)-tier voting at the forthcoming 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	:	

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

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 4.4

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Appointment of Board and senior management are based on objective criteria, merit and due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The Nomination Committee of the Company which comprises exclusively of Independent Non-Executive Directors is responsible for making recommendation relating to any new appointment of Director to the Board. Any new nomination received by the Nomination Committee is to be assessed and reviewed by the Nomination Committee prior to the recommendation to the Board for their assessment and approval.</p> <p>The Nomination Committee assesses the suitability of candidates, taking into consideration of the mixed of skills, knowledge, expertise and experience, competencies, time commitment and professionalism required by the Board.</p> <p>The Board is entitled to the services of the Company Secretaries to ensure that all appointments are properly made and all necessary information are obtained from the new Directors for the purpose of internal records and meeting statutory obligations, as well as obligations set out in Bursa Malaysia Securities Berhad Main Market Listing Requirements or other regulatory requirements.</p> <p>The appointment of senior management of the Company is carried out by the Executive Directors of the Company with the assistance of Human Resources department based on the candidates' character, working experience, integrity, competency and professionalism in discharging their role. The independent third-party reference is always sought before the final selection of the candidate.</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	:		
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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 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<ul style="list-style-type: none"> • The Board acknowledges the importance of Boardroom diversity, including gender diversity, to the effective functioning of the Board. However, the Board has not set the gender diversity target as of the reporting period of this report. • The recruitment and appointment of suitable female representation on the Board will be considered when vacancies arise or suitable candidates are identified in line with the Group's strategic objectives. • The Board has established a Gender Diversity Policy and would ensure that there is no discrimination during the recruitment of new Directors. • The Gender Diversity Policy is available on the Company's corporate website at www.prestar.com.my. 	
<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 4.6

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company does not solely rely on the recommendations from the existing Board members or Management in the process of appointing new Directors of the Company but to adopt an approach to utilise the independent sources throughout the recruitment process.</p> <p>A formal and transparent procedure is conducted by the Nomination Committee in assessing the candidates before he/she be recommended to the Board for assessment and approval.</p> <p>During the financial year, the Company did not appoint any new Director.</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

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Nomination Committee which is charged with the responsibility of, amongst others, recommending the appointment of new Directors to the Board, comprises exclusively Independent Non-Executive Directors and chaired by Dato' Lim Cheang Nyok. • The Terms of Reference of the Nomination Committee is available on the Company's corporate website at www.prestar.com.my. • The roles of the Chairman of the Nomination Committee include, amongst others, the following:- <ul style="list-style-type: none"> - Leading in succession planning and appointment of Board members, future Chairman and Group Managing Director; and - Leading the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.
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 form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

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 and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application :	Applied	
Explanation on application of the practice :	<ul style="list-style-type: none"> • A formal evaluation process is in place to assess the effectiveness of the Board as a whole. The Board had through the Nomination Committee undertakes the following annual assessments once a year:- <ul style="list-style-type: none"> - Effectiveness of the Board as a whole and the Committees of the Board; - Contribution and performance of the Audit Committee and each individual Audit Committee member; - Contribution and performance of each individual Director; and - Independence of the Independent Non-Executive Directors. • Results of the aforesaid evaluations are presented to the Nomination Committee and the Board. • Overall, the Board Committees, individual Director, individual Audit Committee member and the Board as a whole had performed fairly well and had discharged their duties with care and diligence. • The independency of the Independent Non-Executive Directors of the Company had been fulfilled in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and would not impede their independency in carrying out their duties in the respective Board and 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

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 6.1

The board has in place 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 policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<ul style="list-style-type: none"> • The objective of the Group's Remuneration Policy is to attract and retain the Directors to lead and control the Group effectively. • In the case of Executive Director, the components of the remuneration package are linked to corporate and individual performance. Whereas, the level of remuneration of the Non-Executive Directors is reflective based on their experience and level of responsibilities. • The Remuneration Committee reviews the remuneration of the Board from time to time to ensure that the Company offers fair compensation and enhance shareholders' value to the Company. The Directors' fees and benefits payable to the Directors are recommended at the Company's forthcoming Annual General Meeting for approval. • Whereas, the remuneration of senior management is the prerogative of the Executive Directors or Group Managing Directors as they are responsible in recruiting, managing, controlling and evaluating the performance of senior management.
<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 6.2

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<ul style="list-style-type: none"> • The Remuneration Committee comprises exclusively of three (3) Independent Non-Executive Directors. • The Remuneration Committee evaluates the remuneration packages of the Directors and thereafter recommended to the Board for approval. • The Non-Executive Directors' fees are determined by the Board as a whole and subject to the shareholders' approval at the Annual General Meeting. • The Remuneration Committee does not review the remuneration package for the senior management as the remuneration package of the senior management is determined based on the criteria set under the Remuneration Policy and approved by the Group Managing Director with the consultation of the Head of Human Resources department. • The Terms of Reference of the Remuneration Committee is available on the Company's corporate website at www.prestar.com.my. 	
<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 7.1

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Detail information on named basis regarding the remuneration of each individual Director are not disclosed as the Board considered the information is sensitive and proprietary, besides the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties. The transparency and accountability aspects of corporate governance applicable to the remuneration of the Directors are deemed appropriately served by the disclosures of remuneration component in bands width of RM50,000.00 in the Annual Report 2018.	
<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 7.2

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 Company had disclosed the top five (5) senior management's remuneration component in bands width of RM50,000.00 but not on named basis as the Board considered the information is sensitive and proprietary, besides the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties. The transparency and accountability aspects of corporate governance applicable to the remuneration of senior management are deemed appropriately served by the disclosures in the Annual Report 2018.	
<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 7.3 - 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 :	

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 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee, Mr. Lou Swee You, is not the Chairman of 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

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 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	None of the Audit Committee members was a former key audit partner of the Company. The Board had on 23 May 2018 updated the Terms of Reference of the Audit Committee to require a former key audit partner of the Company to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.	
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 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Audit Committee assessed the performance, competency and professionalism demonstrated by the external auditors during the year. Based on the annual assessment conducted for the financial year ended 31 December 2018, the Audit Committee is satisfied with the performance and independence of the external auditors as well as the fulfilment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they are tasked with. • The Audit Committee obtained the assurance on independence from the external auditors and recommended the audit fees payable to the Board for approval. • The Audit Committee considered and assessed the independence and objectivity of the external auditors during the year and also prior to engaging the external auditors for non-audit related services.
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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	Adopted
Explanation on adoption of the practice	The Audit Committee of the Company comprise solely of the following Independent Non-Executive Directors:- (a) Mr. Lou Swee You; (b) Tuan Haji Fadzlullah Shuhaimi Bin Salleh; and (c) Dato' Lim Cheang Nyok.

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 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate 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	:	<ul style="list-style-type: none"> All members of the Audit Committee are financially literate and have necessary skills, financial experience and expertise in discharging their duties effectively. The qualification and experience of the individual Audit Committee member are disclosed in the Board of Directors' Profile in the Annual Report 2018. <p>All members of the Audit Committee had undertaken continuous professional development.</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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> The Group has in place an effective risk management and internal control framework to identify and assess the risks faced by the Group and also to implement and monitor control actions to manage and mitigate risks identified by the Group Risk Management Committee ("GRMC"). The GRMC assists the Board to continuously review the activities of the Group to identify key business and operational risks and where possible, implement policies and procedures to address such risks and presented the Risk Management Committee Progress Reports to the Audit Committee and the Board for deliberations.
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 9.2

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	:	Detailed information on Risk Management and Internal Control framework can be obtained from the Statement of Risk Management and Internal Control in the Annual Report 2018.	
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 9.3 - 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 10.1

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	:	<ul style="list-style-type: none"> • The Internal audit function (“IAF”) is outsourced to Axcelasia Columbus Sdn. Bhd., an independent professional service firm to conduct regular reviews in accordance with the internal audit plan or other ad-hoc assignments which are approved by the Audit Committee, and to assess on the adequacy, efficiency and effectiveness of the Group’s internal control system. • The IAF reports directly to the Audit Committee and meet the Audit Committee on a quarterly basis to review the internal audit findings and to discuss on the corrective action plans in order to ensure that the control weaknesses highlighted in the internal audit reports are appropriately addressed by Management. • Detailed information related to the IAF can be obtained from the Audit Committee Report and Statement of Risk Management and Internal Control in the Annual Report 2018.
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 10.2

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	:	<ul style="list-style-type: none"> • The IAF is outsourced to Axcelasia Columbus Sdn. Bhd., an external professional firm and the personnel handling the Group’s audit are free from any relationship or conflict of interest, which could impair their objectivity and independence. • Mr. Lee Siew Weng, Derek, Executive Director of Axcelasia Columbus Sdn. Bhd. is the Engagement Director responsible for the internal audit of the Company. He is a Certified Internal Auditor and a member of the Institute of Internal Auditors Malaysia and the Malaysian Institute of Accountant. • The internal audit was conducted using a risk-based approach and was guarded by the International Professional Practices Framework (IPPF). • More information on IAF can be obtained from the Statement of Risk Management and Internal Control in the Annual Report 2018.
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 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the value of transparent, consistent and coherent communications with the stakeholders to be consistent with commercial confidentiality and regulatory considerations.</p> <p>The Annual Reports, press releases, quarterly results and timely announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance and also form an important channel of communication to reach the stakeholders.</p> <p>The Board also ensures that the stakeholders are given the opportunity to speak and seek clarifications during the Company's Annual General Meeting for effective and transparent communications with its stakeholders.</p> <p>In addition, the Company maintains a website at www.prestar.com.my for the stakeholders and general public to access information on, amongst others, the Group's profile, corporate profile, products, financial performance and announcements published in Bursa Malaysia Securities Berhad's website.</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 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	This is not applicable to the Company as the Company is not classified as “Large Company” as defined by 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>			
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 12.1

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	:	<ul style="list-style-type: none"> • The Notice of Annual General Meeting, together with the Annual Report 2018, was sent to the shareholders on 26 April 2019, at least twenty-eight (28) days prior to the date of the Annual General Meeting of the Company i.e. 30 May 2019. • The Notice of Annual General Meeting includes details of the proposed resolutions and the explanatory notes to enable shareholders to make an informed decision in exercising their voting rights.
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

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

Practice 12.2

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	:	The Board ensures all the Directors of the Company, including the Chairmen of the Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee, attend the Annual General Meeting of the Company and provide response if there is any question addressed to them.	
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 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company's Annual General Meeting has been held within the capital city limits and not in remote location.
		Shareholders who are unable to attend the general meetings may appoint a proxy to attend and vote on his behalf provided that the relevant proxy form is lodged at the Company's share registrar office at least forty-eight (48) hours before the general meetings.
<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 TO 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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