

Report of the Audit Committee

The Board of Directors of CRESCENDO CORPORATION BERHAD is pleased to present the Report of the Audit Committee which lays out the activities held throughout the financial year ended 31 January 2016 and in compliance with Paragraph 15.15 (l) of the Listing Requirements of Bursa Securities.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee presently comprises four (4) Directors of the Board, all of whom are Independent Non-Executive Directors.

The members are:

Chairman : Gan Kim Guan
Members : Yeo Jon Tian @ Eeyo Jon Thiam
Tan Ah Lai
Chew Ching Chong
Secretaries : Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

I. Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall not be fewer than three (3) members. All the members must be Non-Executive Directors, with a majority of them being Independent Directors as defined in Chapter I of the Listing Requirements of Bursa Securities. The quorum shall be two (2) members, a majority of whom shall be Independent Directors. The Chairman of the Committee shall be elected by the members of the Committee from amongst their members and shall be an Independent Director.

At least one member of the Committee:

- i. must be a member of the Malaysian Institute of Accountants ("MIA"); or
- ii. if he is not a member of the MIA, he must have at least 3 years' working experience and:
 - a) he must have passed the examinations specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967.
- iii. fulfills such other requirements as prescribed or approved by Bursa Securities.

Mr. Gan Kim Guan, the Chairman of the Audit Committee is a member of MIA and Mr. Tan Ah Lai, another member of the Audit Committee is a Fellow of the Association of Chartered Certified Accountants and a member of MIA. The Company has therefore complied with Paragraph 15.09(l)(c)(i) of the Listing Requirements of Bursa Securities.

2. Attendance At Meetings

The Financial Controller, Senior Finance Manager, the Internal Auditors and representative of the External Auditors normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee, specific to the relevant meeting.

The Company Secretaries shall be the Secretaries of the Committee, responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

3. Frequency and Procedures of Meetings

- i. Meetings shall be held not less than four times a financial year.
- ii. The Committee shall regulate its own procedures, in particular:
 - a) the calling of meetings;
 - b) the notice to be given of such meetings;
 - c) the voting and proceedings of such meetings;
 - d) the keeping of the minutes; and
 - e) the custody, production and inspection of such minutes.

3. Frequency and Procedures of Meetings (Cont'd)

During the financial year 2016, the Audit Committee held a total of four meetings. The attendance by each member at the Committee meetings during the year was as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	4	4
Yeo Jon Tian @ Eeyo Jon Thiam	4	4
Tan Ah Lai	4	4
Chew Ching Chong	4	4

The details of training attended by the above members are tabulated below.

Name	Organiser	Topic / Title	Date
Gan Kim Guan	The Malaysian Institute of Certified Public Accountants	Updates of The 2014 & 2015 IFRS-Compliant MFRS-Preparing MFRS-Compliant Financial Statements in 2014, 2015 And Thereafter	8 & 9 Jul 2015
	Lembaga Hasil Dalam Negeri Malaysia (LHDN) & Chartered Tax Institute of Malaysia (CTIM)	National Tax Conference 2015	25 & 26 Aug 2015
	The Malaysian Institute of Certified Public Accountants	Strategic Tax Planning For Corporate Restructuring	22 Oct 2015
	Lembaga Hasil Dalam Negeri Malaysia (LHDN)	Seminar Percukaian Kebangsaan 2015	29 Oct 2015
	Malaysian Institute of Accountants (MIA)	C-Suite RISK Conference	19 Jan 2016
Yeo Jon Tian @ Eeyo Jon Thiam	The Institute of Internal Auditors Malaysia (IIAM)	Understanding GST Risk	11 June 2015
Tan Ah Lai	LHDN & CTIM	National Tax Conference 2015	25 & 26 Aug 2015
	CTIM	2016 Budget Seminar	5 Nov 2015
	MIA	C-Suite RISK Conference	19 Jan 2016
Chew Ching Chong	IIAM	Understanding GST Risk	11 June 2015

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(Cont'd)

4. Functions

The Committee shall amongst others, discharge the following functions:

- i. To review the following and report on the same to the Board:-
 - a. with the External Auditors, the audit plan;
 - b. with the External Auditors, their evaluation of the system of internal control;
 - c. with the External Auditors, the audit report;
 - d. the assistance given by employees of the Group to the External Auditors;
 - e. the adequacy of the scope, functions, competency and resources of the Internal Auditors and that they have the necessary authority to carry out their work;
 - f. the internal audit program, processes, the results of the internal audit or investigation undertaken and whether or not appropriate action has been taken on the recommendations of the Internal Auditors;
 - g. any major findings of internal investigations and management's response;
 - h. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, particularly on:
 - any changes in or implementation of major accounting policies;
 - major judgemental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements.
 - i. to discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary);
 - j. the External Auditor's management letter and management's response;
 - k. any related party transactions and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - l. to consider the audit fee of the External Auditors;
 - m. to consider the appointment of the External Auditors and any letter of resignation from the External Auditors of the Company and to deal with any questions of resignation or dismissal;
 - n. to recommend the nomination of a person or persons as External Auditors;
 - o. to promptly report to Bursa Securities if a matter reported by the Audit Committee to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
 - p. to ensure financial statements comply with applicable Financial Reporting Standards;
 - q. the adequacy of the Audit Committee's policies and procedures for the provision of non-audit services by the Group's auditors;
 - r. to obtain a written confirmation from the External Auditors on an annual basis or at any time as the Audit Committee may request, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
 - s. whether there is reason (supported by grounds) to believe that the Company's External Auditors are not suitable for reappointment;
 - t. to consider the appointment of the Internal Auditors, the fees and any questions of nomination, resignations or dismissal;
 - u. to assess the adequacy and integrity of the risk management and internal control system through independent reviews conducted and reports it received from the Internal Auditors, the External Auditors and the Management; and
 - v. to consider other topics, as defined by the Board.

5. Rights

The Committee shall, in accordance with the procedures determined by the Board and at the cost of the Company:

- a. have authority to investigate any matter within its Terms of Reference;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to all information and documents relevant to its activities as well as direct communication channels with the External Auditors, person(s) carrying out the internal audit function or activity and the Senior Management of the Group;
- d. be able to obtain independent professional advice; and
- e. be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Executive Directors and employees of the Company, whenever deemed necessary.

6. Reporting Procedures

The Company Secretaries shall circulate the minutes of meeting of the Committee to all members of the Board.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met at scheduled times with due notices of meetings issued, and with agenda planned and itemised so that issues raised were deliberated and discussed in a focussed and detailed manner.

During the financial year 2016, the Audit Committee discharged its duties and responsibilities in accordance with its terms of reference.

The Chairman of the Committee reported on each meeting to the Board. Detailed audit reports by the External Auditors, Internal Auditors and the respective Management response were circulated to members of the Committee before each Meeting.

The main activities undertaken by the Audit Committee were as follows:

Financial and Operations Review

- Reviewed and recommended for the Board's approval the quarterly reports for announcement to Bursa Securities in compliance with the Financial Reporting Standards and adhered to other legal and regulatory requirements;
- Reviewed the annual audited financial statements of the Group and the Company. The Audit Committee discussed with the management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements;
- Reviewed the impact of new or proposed changes in accounting standards and regulatory requirements of the Company;
- Reviewed the outcome of the risk management programme, including key risks identified, the potential impacts and the likelihood of the risks occurring, existing controls which can mitigate the risks and action plans; and
- Reviewed the application of the corporate governance principles and the extent of the Group's compliance with Best Practices set under the Code in conjunction with the preparation of the Corporate Governance Statement and Statement of Risk Management and Internal Control.

External Audit

- Reviewed the External Auditor's annual audit plan and audit strategy for the financial year ended 31 January 2016 to ensure their scope of work adequately covered the activities of the Group and the Company;
- Discussed with the Management and the External Auditors the Financial Reporting Standards applicable to the financial statements of the Group and the Company that were applied and their judgement of the items that may affect the financial statements;
- Reviewed the nomination of the External Auditors, the result of the audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of the audit that required appropriate actions and the Management's responses thereon;

- Reviewed and evaluated the External Auditors and their performance, objectivity and independence during the year before recommending to the Board for reappointment and remuneration; and
- Held independent meeting (without the presence of Management) with the External Auditors.

Internal Audit

- Reviewed and approved the Internal Audit Department's ("IAD") plans for the financial year to ensure adequate coverage over the activities of the respective subsidiaries;
- Reviewed the internal audit reports presented by the IAD on findings, recommendations and management responses thereto and ensured that material findings were adequately addressed by Management and reported relevant issues to the Board;
- Held independent meeting (without the presence of Management) with the Internal Auditors;
- Reviewed whistleblowing activities to monitor the actions taken by the Group in respect of whistleblowing reports received; and
- Monitored the implementation of the audit recommendation to ensure all the key risks and controls have been addressed.

Risk Management

- Reviewed the Risk Management Committee's reports and assessment.

Related Party Transactions

- The Audit Committee reviewed all significant related party transactions entered by the Group and by the Company to ensure that such transactions are undertaken at arm's length basis on normal commercial terms which are not detrimental to the interests of the minority shareholders of the Company and the internal control procedures employed are both sufficient and effective before recommending to the Board for approval.

Reporting Responsibilities

- Regularly reports to the Board of Directors about the Committee's activities, issues and related recommendations.
- Provides an open avenue of communication between Internal Auditors, the External Auditors and the Board of Directors.
- Reports annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by Listing Requirements, including approval of non-audit services.
- Reviewed any other reports the Company issues that relate to the Committee's responsibilities.

This Report is made in accordance with a resolution of the Board of Directors dated 30 March 2016.