

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 2018 and in compliance with Paragraph 15.15 (I) of the MMLR 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

MEMBERSHIP

Membership

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of four (4) members, all of whom are Independent Non-Executive Directors.

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(I)(c)(I) of the Listing Requirements of Bursa Securities.

Meeting

During the financial year 2018, the Audit Committee held a total of five (5) meetings with the attendance of the Financial Controller, Senior Finance Manager, Head of Internal Audit, senior representative of the External Auditors and the Company Secretaries.

A quorum consists of two (2) members present and both of whom must be Independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the Internal and External Auditors, too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged on a continuous basis with Senior Management, Head of Internal Audit and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically to each Board member, and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

Details of the Audit Committee members' attendance are tabled below:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Gan Kim Guan	5	5
Yeo Jon Tian @ Eeyo Jon Thiam	5	4
Tan Ah Lai	5	5
Chew Ching Chong	5	5

TERMS OF REFERENCE

The details of the terms of reference of the Audit Committee are available on the Company's website at www.crescendo.com.my

SUMMARY OF WORK 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 2018, 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.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

The 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; 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 2018 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 with 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;
- Inquire of the External Auditors whether they have become aware of any items relating to the detection of material illegal acts or material related party transactions during the course of their procedures;
- Reviewed and evaluated the External Auditors and their performance, objectivity and independence during the year before recommending to the Board for reappointment and remuneration;
- Review the assistance given by the Internal Audit Department's ("IAD") to the external auditors;
- Held independent meeting (without the presence of Management) with the External Auditors; and
- Reviewed and approved the provision of non-audit services by the external auditors that were agreed to prior to their commencement of such work and confirmed as permissible for them to undertake, as provided under the By-Laws of the Malaysian Institute of Accountants.

The amount of audit and non-audit fee incurred for the financial year ended 31 January 2018 were as follows:

Fee Incurred	Audit Fees RM'000	Non-Audit Fees RM'000
The Company	28	3
The Group	190	3

Internal Audit

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

Related Party Transactions

- The Audit Committee reviewed all significant related party transactions and recurrent related party transaction entered by the Group and 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.



REPORT OF THE AUDIT COMMITTEE (CONT'D)

Site Visit

The Audit Committee members visited certain on-going development projects at Bandar Cemerlang and Desa Cemerlang and Crescendo-HELP International School to have a better understanding of the Group's business activities.

Trainings

During the year, all the Audit Committee members attended various seminars, training programmes and conferences. Kindly refer to the CG Overview Statement on page 42 for the training.

Internal Audit Function

During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control. The results of these reviews have been presented to the Audit Committee at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.

The Internal Auditors communicate and report directly to the Audit Committee on their activities based on the approved Annual Internal Audit Plan to ensure their independent status within the Group. The total cost incurred in respect of the internal audit function during the financial year was approximately RM312,130.

The Internal Auditors assisted the Audit Committee in discharging its duties and responsibilities with respect to adequacy and integrity of internal control within the Group and undertook the following works in accordance with the approved Audit Plan:

- Carrying out the internal auditing of the Group subsidiaries.
- Facilitating the improvement of business processes within the Group.
- Establishing a follow up process in monitoring the implementation of audit recommendation by Management.
- Monitoring the effectiveness of the Group's risk management systems by reviewing the implementation of the risk assessment action plans by Management.
- Conducting investigation audits or special assignment from time to time as requested by Management.

CONCLUSION

During the financial year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference and held discussions with the Internal Auditors, External Auditors and relevant members of Management. The Audit Committee is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

Chairman : Yeo Jon Tian @ Eeyo Jon Thiam
 Members : Gan Kim Guan
 Gooi Seong Lim (resigned on 30.1.2018)
 Tan Ah Lai
 Chew Ching Chong
 Secretaries : Chong Fook Sin, Kan Chee Jing, Chua Yoke Bee

TERMS OF REFERENCE

(1) Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist exclusively of Non-Executive Directors, minimum three (3), a majority of whom are Independent Directors.

The members of the Committee shall elect the Chairman from amongst their members who shall be an Independent Director.

The quorum shall be two (2) members, a majority of whom shall be Independent Directors.

The Company Secretaries shall be the Secretaries of the Committee.

(2) Frequency of Meetings

Meetings shall be held not less than once a year.

(3) Authority

The Committee is authorised to draw advice from outside as and when necessary in forming its recommendation to the Board on the remuneration of the Executive Directors and Senior Management in all its forms. Executive Directors should play no part in deciding their own remuneration and should abstain from discussion of their own remuneration.

(4) Duty

The duty of the Committee is to recommend to the Board the structure and level of remuneration of Executive Directors and Senior Management.

(5) Reporting Procedures

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

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2018.

The attendance of the members of the Committee of the meeting is as follows:

Member	Total number of meetings held in the financial year during Member's tenure in Office	Meeting attended by member
Yeo Jon Tian @ Eeyo Jon Thiam	1	1
Gan Kim Guan	1	1
Gooi Seong Lim	1	1
Tan Ah Lai	1	1
Chew Ching Chong	1	1

The main activities undertaken by the Committee during the year under review were as follows:

- Reviewed the structure of the remuneration package for each of the Executive Directors; and
- Reviewed the performance bonuses for each of the Executive Directors.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.

REPORT OF THE NOMINATING COMMITTEE

COMPOSITION OF MEMBERS

Members

The Committee comprises the following members:

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

TERMS OF REFERENCE

The details of the Terms of Reference of the Nominating Committee are available on the Company's website at www.crescendo.com.my

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Committee met once during the financial year 2018.

The attendance of the members of the Committee of the meetings is 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		
Yeo Jon Tian @ Eeyo Jon Thiam		
Tan Ah Lai		
Chew Ching Chong		

The main activities undertaken by the Committee during the year under review were as follows:

- Reviewed the re-election of Directors retiring at the AGM under Article 77 of the Article of Association (Constitution) of the Company and re-appointment of Director;
- Assessed the independence of Independent Directors;
- Reviewed the composition and the required mix of skills, experience and other qualities of the Board and gender diversity;
- Reviewed the effectiveness of the Board as a whole and the Board Committees and performance of each of the Board Members and the Audit Committee members; and
- Reviewed and recommended retention of Independent Directors.

This Report is made in accordance with a resolution of the Board of Directors dated 17 May 2018.