

Company's answers to the questions from the Minority Shareholder Watchdog Group vide letter dated 12<sup>th</sup> July, 2017

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Strategic and Financial Matters

Q1 In relation to the Company's Property Development activities, could the Board provide the take-up rates for projects launched during the year and the total unbilled sales to-date?

A1

Project	Take-up rate for projects launched during the FY2018 up to 30 Jun 2017	Total unbilled sales as at 30 Jun 2017 RM'mil
Taman Perindustrian Cemerlang	61%	92.8
Desa Cemerlang	55%	10.2
Bandar Cemerlang	25%	76.7
Taman Dato Chellam	5%	0.4

Q2 We noted on page 29 of the Annual Report, under the Property Investment segment, the occupancy rate for the factory units was approximately 20%.

- (a) Could the Board provide the occupancy rate to-date?
- (b) What are the reasons for the low occupancy rate?
- (c) What are the measures taken by the Company to improve the occupancy rate?

A2 (a) As at to-date, the occupancy rate remains at approximately 20%.

- (b) This is mainly due to the uncertainties in global economics, most companies hold back on major investments and adopt a wait and see approach.
- (c) We have been negotiating actively with interested parties, marketing through property agents and revising the rental rates where necessary so as to meet the market demand.

Q3 We noted the increase in the enrolment of students registered with Crescendo International College to a record high of 1,007 students and the commencement of the first intake of Crescendo-HELP International School.

- (a) In relation to Crescendo-HELP International School, how many students were registered for the first intake in February 2017?
- (b) What is the expected student intake for Crescendo International College and Crescendo-HELP International School within the next 3 to 5 years?
- (c) What is the potential growth (in percentage) of the Education segment within the next 3 to 5 years?

A3 (a) The number of students registered was approximately 200 students.

- (b) For the student intake of next year, we expect a single digit growth for Crescendo International College whereas for Crescendo-HELP International School, we expect the next student intake in September 2017 to be higher than the first intake and the total student number will be more than 400 students by September, 2017. We are unable to project reliably the student intake beyond this time frame.

- (c) We do not expect the education segment to be a significant contributor to the Group and this segment is expected to be self-sustaining.
- Q4 In relation to the restaurant project as disclosed in Note 8 to the Financial Statements, could the Board provide the status of the restaurant project and has it been generating profit?
- A4 The restaurant had commenced its operation in fourth quarter of FY2017. Pursuant to the collaboration agreement, the Group is entitled to a minimum guaranteed profit sum of RM1.5 million per annum with effective from July 2017.
- Q5 Could the Board provide the amount recovered to-date in relation to the trade receivables that are past due but not impaired amounting to RM17.9 million?
- A5 As at to-date, the amount recovered is approximately RM15.4 million.
- Q6 The Company's higher inventories were mainly attributed to the completed properties for sale.
- (a) Could the Board provide further details in relation to the completed properties for sale (i.e. which project, year of completion, type and total number of units)?
- (b) What is the sales progress to-date?
- A6 (a) The inventories comprise 58% of industrial properties and 42% of residential and commercial properties. Approximately 60% of these properties were completed in the year 2012 to 2016.
- (b) As at to-date, approximately 20% of the inventories have been sold and approximately 80% of the remaining units are rented out for rental generation. These units will be sold if there is interested buyer.

#### Corporate Governance Matters

- Q1 On page 39 of the Annual Report 2017, we noted the increase in Directors' remuneration in particular relating to bonus, incentives and others.

What was the reason for the increase?

- A1 The Remuneration Committee has performed comparison study and review on remuneration package for the Directors prior to its recommendation for the Board's approval. The increase in the remunerations for Directors was to adjust to be in line with the market and to commensurate with the Directors' contribution and involvement in the operations.

- Q2 We noted that all the Independent Non-Executive Directors (INED) have served on the Board for more than 9 years.

We hope the Board would take cognisance of the requirements under Practice 4.2 of the Malaysia Corporate Governance Code 2017 relating to Independent Directors who have served the Board for more than nine years.

- A2 The majority of the Independent Non-Executive Directors of the Company have served on the Board for more than nine years except for Mr Chew Ching Chong, who was appointed as an Independent Non-Executive Director on 26 November 2013.

The Board noted the provisions under Practice 4.2 of the Code. The Company will use the 'two-tier voting' process in seeking shareholders' approval for the resolution to retain Independent Director beyond twelve years in the next AGM since the effective date for the 'two-tier voting' process will be for such resolution to be tabled at general meetings after 1 January 2018.

**CRESCENDO CORPORATION BERHAD (359750-D)**

Minutes of 21<sup>st</sup> AGM held on 25<sup>th</sup> July, 2017

Pertinent questions and answers relating to the Audited Financial Statements of the Group and the Company for the year ended 31<sup>st</sup> January, 2017 at the Annual General Meeting

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- Q1 On pages 29, 72 and 105 of the Annual Report, the occupancy rate of the investment properties is approximately 20%. Does the Group has any intention to sell its investment properties?
- A1 In view of the current soft market, the Group has no intention to sell its investment properties. However, the Group may sell those properties if there are offers at a reasonable price.
- Q2 On page 25 of the Chairman Statement, out of the committed sales in hand and unbilled revenue of RM190 million, how much are high margin properties?
- A2 Approximately 60% are high margin properties.
- Q3 On page 109 of the Annual Report, please elaborate on the restaurant project pursuant to a collaboration with a third party?
- A3 The arrangement is between Crescendo Development Sdn. Bhd. ("CDSB") and the owner of the restaurant pursuant to a collaboration with a third party, under which, CDSB is entitled to a minimum guaranteed profit sum of RM1.5 million per annum through a scheduled capital realization scheme over an estimated period of 10 years.
- Q4 On page 28, when did you launch the Taman Dato' Chellam project?
- A4 The project has been launched progressively and consists of mainly affordable homes.
- Q5 What is the prospect of the Group?
- A5 The property market has been affected by the soft economy. However, the Group expects its performance to remain satisfactory as various parcels of the land are located at good locations and acquired at low cost. The demand for landed properties with good accessibility is expected to remain resilient. The cash flow of the Group is at a quite comfortable level.
- Q6 How much contribution is expected from the education sector?
- A6 The Crescendo-HELP International School in Taman Desa Cemerlang has commenced operation in February, 2017. The school is built at a good location, surrounded by townships, well designed and equipped with good facilities. The synergistic partnership between the Company and HELP Education Group, a reputable education establishment that offers quality pre-school to PHD level programs, has proven to be very fruitful. The school will be self sustaining in long term.