

Company's answers to the questions from the Minority Shareholder Watchdog Group vide letter dated 20th July, 2018

Strategic and Financial Matters

Q1 For FY 2019, the Company plans to launch 426 units of affordable housing at Bandar Cemerlang and Tanjung Senibong, 102 units of mid-market landed residential properties and 24 units of shop offices at Bandar Cemerlang, with total Gross Development Value ("GDV") of more than RM170 million.

- (a) Please provide the GDV for each property project at Bandar Cemerlang, Tanjung Senibong and the shop houses at Bandar Cemerlang.
- (b) Please explain how the Company would mitigate the issue of lower margin for affordable houses.
- (c) How will the Company balance the need to generate more sales through building more affordable houses and at the same time maintain the Group's gross profit margin moving forward?

| Project | Type of Development | Number of units | GDV RM'mil |
|------------------|--|-----------------|------------|
| Bandar Cemerlang | Mid-market landed residential properties | 102 | 75 |
| | Affordable housing | 204 | 35 |
| | Shop offices | 24 | 27 |
| Tanjung Senibong | Affordable housing | 222 | 33 |

- (b) It is the Group's strategy to launch mid-market landed properties and affordable houses which are still in demand under the current economic environment in order to raise the sales level.
- (c) With high proportion of sales in affordable housing, the profit margin will drop. However, we hope to maintain or improve the bottom line with higher sales volume of affordable houses. Besides that, we are still selling industrial and commercial properties which contribute better profit margin to reduce the impact of low profit margin from affordable houses.

- Q2 The export sales make up approximately 40% of the total sales for pre-cast products in FY 2018 as compared to approximately 70% for FY 2017.
- (a) Please explain the reason for the lower percentage for export sales figure.
 - (b) What are the measures to increase the export sales in the coming year?
- A2
- (a) There were lower demands from Singapore projects in FY 2018 due to slowdown of economy.
 - (b) We have continuously and actively negotiated with existing and new customers and explored production of new products to meet the market demand.
- Q3 The Company has 11 units of factories that have been completed for rental at Taman Perindustrian Nusa Cemerlang, Gelang Patah.
- (a) What is the book value of these 11 units of factories?
 - (b) Please explain the reason for the low occupancy rate of 45.5% for these factory units.
 - (c) What are the measures taken to increase the occupancy rate?
- A3
- (a) The book value of these 11 units of factories is RM241 million.
 - (b) Owing to the uncertainties in global economy and new Malaysian government policies, most companies are holding back on major investments and adopting a wait and see approach, thereby resulting in stiff competition on the rental rates.
 - (c) We have managed to increase the current occupancy rate to 45.5% from 20% in last year and will continue to negotiate actively with interested parties directly and through property agents. We will revise the rental rates where necessary to meet the market demand.
- Q4 The Group's Other Investment amount to RM18.2 million for FY2018. This is in respect of an investment in a restaurant project as disclosed on page 109 of the Annual Report. The investment will be returned through a scheduled capital realisation scheme over an estimated period of 10 years.
- (a) What is the expected rate of return from this investment?
 - (b) When will the Company fully realise the investment?
- A4
- (a) The Group is entitled to a minimum guaranteed profit sum of RM1.5 million per annum for the next seven years.
 - (b) The whole investment amount would be recovered within seven years through the scheduled capital realisation scheme. As the Group is entitled to share the profit, the payback period will be shorter than seven years.

Q5 As disclosed on page 133 of the Annual Report on the segmental information, the Education, Management Services and Others recorded a much higher external sales of RM16.4 million in FY 2018 as compared to RM6.3 million in FY 2017.

- (a) Please provide the external sales figure for the Education, the Management Services and the Others respectively for FY 2018 and FY 2017?
- (b) The external sales increased by 160% in FY 2018 as compared to FY 2017. However, the segment result increased by 31% in FY 2018 as compared to FY 2017.

What was the reason for the segment result to increase at a lower percentage compared to the external sales?

- (c) What is the outlook of the Education segment in FY 2019 as compared with FY 2018 in terms of student enrolment and profit?

A5 (a) The external sales are mainly comprising of Education sales amounted to RM16.2 million and RM6.2 million for FY 2018 and FY 2017 respectively. The external sales of management services and others are minimal.

- (b) The increase in sales was mainly contributed by school fees from Crescendo-HELP International School which had just commenced its operation in the current financial year. However, the initial set up costs for this new school had resulted in a lower profit margin.

- (c) For the Education segment, we expect Crescendo-HELP International School to grow significantly as we target to achieve 900 students in FY 2019 as compared to 600 students in FY 2018, and start contributing minimal profit to the Group.

Corporate Governance Matters

Q1 The Company has departed from Practice 1.3 as the position of the Chairman and CEO are held by the same person. The Company mentioned that this is a temporary measure until a suitable candidate is found.

Please share what is the timeline to appoint a candidate to assume the position of the Chairman?

A1 The Nominating Committee has assessed the competence, integrity, vast experience and commitment of Mr. Gooi Seong Lim to effectively discharge both his roles as Chairman and Managing Director which has been fully explained in the Corporate Governance Overview Statement on page 36 of the Annual Report 2018 and recommended him to be retained as Chairman and Managing Director of the Company. As this arrangement is a temporary measure, the Board will look for a suitable candidate who can contribute positively and effectively to the Group in future.

CRESCENDO CORPORATION BERHAD (359750-D)

Minutes of 22nd AGM held on 25th July, 2018

Pertinent questions and answers relating to the Audited Financial Statements of the Group and the Company for the year ended 31st January, 2018 at the Annual General Meeting

- Q1 On page 109 of the Annual Report, it shows that the Group's other investment amounted to RM18.2 million will be returned through a scheduled capital realization scheme over an estimated period of 10 years. What is the expected return from the investment?
- A1 The Group is entitled to a minimum guaranteed profit sum of RM1.5 million per annum for the next seven years. This sum is on top of the recovery of the full investment cost of RM18.2 million.

CRESCENDO CORPORATION BERHAD (359750-D)

Minutes of 22nd AGM held on 25th July, 2018

Pertinent questions and answers relating to the corporate governance matters at the Annual General Meeting

Q1 The Company has departed from Practice 1.3 as the position of the Chairman and CEO are held by the same person. What is the timeline to appoint a candidate to assume the position of the Chairman?

A1 The Board will look for a suitable candidate who can contribute positively and effectively to the Group in future. As of now, there is no timeline to appoint a candidate to assume the position of the Chairman.

Q2 Why is the Company not adopting the two-tier voting process in seeking annual shareholders' approval to retain the independent directors who have served the Board for more than 12 years to be in line with Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG")?

A2 The Nominating Committee and the Board took cognizance of the two-tier voting process which is a new practice and is not in line with the general rule on voting as provided in the Companies Act, 2016 which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions through a single tier voting process.

Going forward, the Nominating Committee and the Board will consider the matter again.