

CRESCENDO CORPORATION BERHAD

(Company No. : 359750-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.10.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.10.2018 RM'000	CURRENT YEAR TO-DATE 31.10.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.10.2018 RM'000
Revenue	56,746	69,411	183,307	218,776
Cost of sales	(40,205)	(44,591)	(122,190)	(158,029)
Gross profit	16,541	24,820	61,117	60,747
Other income	4,295	3,985	12,300	11,423
Administration expenses	(8,657)	(8,452)	(25,837)	(25,575)
Finance costs	(2,613)	(2,957)	(8,478)	(8,101)
Profit before tax	9,566	17,396	39,102	38,494
Tax expenses	(4,238)	(4,873)	(13,050)	(8,722)
Profit for the period	5,328	12,523	26,052	29,772
Other comprehensive income, net of tax				
Net movement on cash flow hedges	(123)	1,746	(730)	2,975
Tax relating to cash flow hedges	29	(419)	175	(714)
Total other comprehensive income for the period, net of tax	(94)	1,327	(555)	2,261
Total comprehensive income for the period	5,234	13,850	25,497	32,033
Profit attributable to:				
Owners of the Company	4,968	11,974	23,951	26,205
Non-controlling interests	360	549	2,101	3,567
	5,328	12,523	26,052	29,772
Total comprehensive income attributable to:				
Owners of the Company	4,870	13,297	23,392	28,459
Non-controlling interests	364	553	2,105	3,574
	5,234	13,850	25,497	32,033
Earnings per share attributable to owners of the Company:				
Basic (sen)	1.78	4.29	8.57	9.38

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the financial year ended 31 January 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.10.2019 RM'000	AS AT 31.1.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	161,799	162,689
Land use rights	5,113	5,351
Bearer plant	3,550	2,937
Investment properties	279,307	281,240
Other investment	13,846	15,898
Inventories	597,211	580,615
Deferred tax assets	35,316	33,630
Derivative financial assets	14,013	14,409
	<u>1,110,155</u>	<u>1,096,769</u>
Current assets		
Inventories	205,070	205,414
Receivables	46,012	61,413
Contract assets	2,412	5,489
Prepaid operating expenditure	9,604	11,072
Tax recoverable	1,294	1,295
Cash and bank balances	70,460	64,414
	<u>334,852</u>	<u>349,097</u>
TOTAL ASSETS	<u>1,445,007</u>	<u>1,445,866</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	299,572	299,572
Treasury shares	(3,115)	(3,115)
Other reserves	10,079	10,638
Retained earnings	593,327	586,141
	<u>899,863</u>	<u>893,236</u>
Non-controlling interests	<u>53,623</u>	<u>52,191</u>
Total equity	<u>953,486</u>	<u>945,427</u>
Non-current liabilities		
Loans and borrowings	264,520	259,713
Deferred tax liabilities	33,565	33,882
Derivative financial liabilities	1,336	1,003
	<u>299,421</u>	<u>294,598</u>
Current liabilities		
Trade and other payables	94,116	105,847
Contract liabilities	562	5,388
Loans and borrowings	84,677	91,877
Tax payable	4,362	2,729
Dividend payable	8,383	-
	<u>192,100</u>	<u>205,841</u>
Total liabilities	<u>491,521</u>	<u>500,439</u>
TOTAL EQUITY AND LIABILITIES	<u>1,445,007</u>	<u>1,445,866</u>
Net assets per share (RM)	<u>3.22</u>	<u>3.20</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 January 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →						Non- Controlling Interests RM'000
	Total Equity RM'000	Total RM'000	Share Capital RM'000	Other Reserves RM'000	Retained Earnings RM'000	Treasury Shares RM'000	
9 months ended 31 October 2019							
Balance as at 1 February 2019	945,427	893,236	299,572	10,638	586,141	(3,115)	52,191
Total comprehensive income	25,497	23,392	-	(559)	23,951	-	2,105
Transactions with owners							
Dividend paid to non-controlling interest	(673)	-	-	-	-	-	(673)
Dividends	(16,765)	(16,765)	-	-	(16,765)	-	-
Total transactions with owners	(17,438)	(16,765)	-	-	(16,765)	-	(673)
Balance as at 31 October 2019	953,486	899,863	299,572	10,079	593,327	(3,115)	53,623
9 months ended 31 October 2018							
Balance as at 1 February 2018	967,282	922,724	299,572	79,625	546,642	(3,115)	44,558
Effect of adoption of the MFRS framework	(47,931)	(47,931)	-	(69,867)	21,936	-	-
Balance as at 1 February 2018 (Restated)	919,351	874,793	299,572	9,758	568,578	(3,115)	44,558
Total comprehensive income	32,033	28,459	-	2,254	26,205	-	3,574
Transactions with owners							
Dividend paid to non-controlling interests	(402)	-	-	-	-	-	(402)
Dividends	(16,765)	(16,765)	-	-	(16,765)	-	-
Total transactions with owners	(17,167)	(16,765)	-	-	(16,765)	-	(402)
Balance as at 31 October 2018	934,217	886,487	299,572	12,012	578,018	(3,115)	47,730

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 January 2019 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 MONTHS ENDED	
	31.10.2019	31.10.2018
	RM'000	RM'000
Cash flows from operating activities		
Cash receipts from customers	212,074	232,177
Cash paid to suppliers and employees	(167,079)	(170,688)
Cash generated from operations	<u>44,995</u>	<u>61,489</u>
Deposit interest received	1,505	1,247
Interest paid	(13,692)	(13,911)
Tax paid	(13,244)	(15,537)
Net cash from operating activities	<u>19,564</u>	<u>33,288</u>
Cash flows from investing activities		
Acquisition of bearer plants, land use rights and property, plant and equipment	(4,465)	(7,589)
Capital realisation from investment	2,052	2,052
Withdrawal/(Pledge) of time deposits	3,992	(6)
Proceeds from disposal of plant and equipment	344	114
Net cash from/(used in) investing activities	<u>1,923</u>	<u>(5,429)</u>
Cash flows from financing activities		
Proceeds from loans and borrowings	54,030	23,512
Repayment of loans and borrowings	(64,419)	(27,726)
Dividend paid	(8,382)	(8,383)
Dividend paid to non-controlling interest	(673)	(402)
Net cash used in financing activities	<u>(19,444)</u>	<u>(12,999)</u>
Net increase in cash and cash equivalents	2,043	14,860
Cash and cash equivalents at the beginning of the financial period	57,568	43,075
Cash and cash equivalents at the end of the financial period	<u>59,611</u>	<u>57,935</u>
Cash and cash equivalents at the end of the financial period		
Deposits with licensed banks	31,413	23,035
Cash and bank balances	39,047	45,770
Bank overdrafts	(10,237)	(6,266)
	<u>60,223</u>	<u>62,539</u>
Time deposits pledged	(612)	(4,604)
	<u>59,611</u>	<u>57,935</u>

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 31 January 2019 and the accompanying explanatory notes attached to the interim financial statements.

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PART A - EXPLANATORY NOTES

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 January 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 January 2019.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those of the annual financial statements for the year ended 31 January 2019 except for the adoption of the following new and amended FRSS and Issues Committee ("IC") Interpretations relevant to the current operations of the Group with effect from 1 February 2019.

Annual Improvements to MFRS Standards 2015 - 2017 Cycle

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Plan, Amendment, Curtailment or Settlement

The Group has not elected for early adoption of the following new and amended MFRSs and IC Interpretations relevant to the current operations of the Group, which were issued but not yet effective for the financial year ending 31 January 2020:

	Effective for financial periods beginning on or after	
Amendments to MFRS 3	Definition of a Business	1 Jan 2020
Amendments to MFRS 101	Definition of Material	1 Jan 2020
Amendments to MFRS 108	Definition of Material	1 Jan 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 Jan 2020
Amendments to References to the Conceptual Framework in MFRS Standards		1 Jan 2020
Amendments to MFRS 10 and MFRS128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

These new and amended MFRSs and IC Interpretations are not expected to have any significant impact on the financial statements of the Group upon their initial application.

A2 Audit qualification

The auditor's report of the preceding annual financial statements of the Group did not contain any qualification.

A3 Seasonal or cyclical factors

There were no significant seasonal factors affecting the operations of the Group. However, the economic cyclical factors will have an impact on property development and construction sector.

A4 Unusual items

There were no unusual items that have material effects on the assets, liabilities, equity, net income or cash flows for the current financial year-to-date.

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A5 Material changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

A6 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the nine months ended 31 October 2019.

A7 Dividends paid

The dividend paid during the nine months ended 31 October 2019 was a final single tier dividend of 3 sen per ordinary share in respect of financial year 2019, paid on 29 August 2019.

A8 Segmental information

Major segments by activity:-	Revenue		Results	
	9 months ended		9 months ended	
	31.10.2019	31.10.2018	31.10.2019	31.10.2018
	RM'000	RM'000	RM'000	RM'000
Property development and construction	120,611	161,631	38,899	38,758
Manufacturing and trading	34,175	43,715	3,982	4,616
Property investment	5,528	2,849	2,327	(236)
Education, management services and others	35,267	29,610	15,369	14,553
	<u>195,581</u>	<u>237,805</u>	<u>60,577</u>	<u>57,691</u>
Inter-segment eliminations	(12,274)	(19,029)	(10,646)	(8,936)
	<u>183,307</u>	<u>218,776</u>	<u>49,931</u>	<u>48,755</u>
Unallocated expenses			(2,351)	(2,160)
Finance costs			(8,478)	(8,101)
			<u>39,102</u>	<u>38,494</u>

A9 Valuation of non-current assets

The valuations of property, plant and equipment and investment properties stated in the previous annual financial statements have been brought forward without amendment.

A10 Material subsequent events

As at 23 December 2019, there were no subsequent material events that have not been reflected in the financial statements for the current financial period.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring or discontinuing of operations except for Unibase Sand Industries Sdn. Bhd. (Company No. 1102633-A), a wholly-owned dormant subsidiary of Unibase Construction Sdn. Bhd. (Company No. 22898-A), which in turn is a wholly-owned subsidiary of the Company, had on 28 August 2019 submitted an application to the Companies Commission of Malaysia (CCM) to strike its name off the register pursuant to Section 550 of the Companies Act, 2016 (Striking Off). The application for the Striking Off is at the sole discretion and approval of the CCM.

A12 Contingent liabilities

The contingent liabilities of the Group as at 23 December 2019 which comprise Bankers' guarantees issued by financial institutions in favour of third parties are as follows:-

Secured	RM'000
	4,490
Unsecured	-
	<u>4,490</u>

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PART B - ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Financial review for current quarter and financial year to date

	Individual Quarter			Cumulative Quarter		
	Current Year Quarter 31.10.2019 RM'000	Preceding Year Corresponding Quarter 31.10.2018 RM'000	Changes %	Current Year To-date 31.10.2019 RM'000	Preceding Year Corresponding Period 31.10.2018 RM'000	Changes %
Revenue	56,746	69,411	-18%	183,307	218,776	-16%
Earnings before interest, tax, depreciation and amortisation	14,522	22,606	-36%	54,502	53,106	3%
Profit before interest and tax	12,179	20,353	-40%	47,580	46,595	2%
Profit before tax	9,566	17,396	-45%	39,102	38,494	2%
Profit after tax	5,328	12,523	-57%	26,052	29,772	-12%
Profit attributable to owners of the Company	4,968	11,974	-59%	23,951	26,205	-9%

The Group's revenue for the current quarter ended 31 October 2019 and the nine months of financial year ending 31 January 2020 decreased RM12.7 million and RM35.5 million respectively as compared to the corresponding periods in last financial year mainly due to lower residential properties sales.

For the current quarter ended 31 October 2019, the Group's profit before tax decreased 45% as compared to the corresponding quarter in last financial year mainly due to lower residential properties sales and change of sales mix.

Performance analysis of the Group's operating segments are as follows:

	Revenue			
	Quarter ended		Year ended	
	31.10.2019 RM'000	31.10.2018 RM'000	31.10.2019 RM'000	31.10.2018 RM'000
Property development and construction	35,746	49,254	120,611	161,631
Manufacturing and trading	11,626	14,883	34,175	43,715
Property investment	2,220	1,212	5,528	2,849
Education, management services and others	10,942	10,817	35,267	29,610
	60,534	76,166	195,581	237,805

	Operating profit			
	Quarter ended		Year ended	
	31.10.2019 RM'000	31.10.2018 RM'000	31.10.2019 RM'000	31.10.2018 RM'000
Property development and construction	10,396	17,392	38,899	38,758
Manufacturing and trading	1,507	1,252	3,982	4,616
Property investment	1,094	287	2,327	(236)
Education, management services and others	3,692	5,222	15,369	14,553
	16,689	24,153	60,577	57,691

Property development and construction operation

For the current quarter ended 31 October 2019 and the nine months of financial year 2020, the decreases in revenue were mainly due to lower residential property sales. The drop in operating profit of the current quarter was also caused by change of sales mix.

Manufacturing and trading operation

For the current quarter ended 31 October 2019 and the nine months of financial year 2020, the decreases in revenue were mainly due to slowdown in demand, resulting in lower pricing for ready mix and concrete products supplies.

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Property investment operation

For the current quarter ended 31 October 2019 and the nine months of financial year 2020, the increases in revenue and operating profit were mainly contributed by the additional properties rented.

Education, management services and others

For the nine months of financial year 2020, the increases in revenue and operating profit were mainly contributed by higher students number in the international school.

B2 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.10.2019 RM'000	Immediate Preceding Quarter 31.7.2019 RM'000	Changes %
Revenue	56,746	66,023	-14%
Earnings before interest, tax, depreciation and amortisation	14,522	20,394	-29%
Profit before interest and tax	12,179	18,102	-33%
Profit before tax	9,566	15,233	-37%
Profit after tax	5,328	10,693	-50%
Profit attributable to owners of the Company	4,968	9,813	-49%

The Group's profit before tax for the current quarter ended 31 October 2019 decreased by RM5.7 million mainly due to lower residential properties sales and change of sales mix.

B3 Group's Prospect

The Group's major business operation is the property development and construction division. Even though the property development environment for financial year 2020 is expected to remain challenging industry-wide, the demand for landed properties in strategic growth areas with good accessibility and connectivity is expected to remain resilient.

	9 months ended 31.10.2019				
	New launches		Units sold ¹	Sales value ¹ RM'mil	Unbilled sales ² RM'mil
	Units	GDV RM'mil			
Industrial	-	-	31	80.8	94.4
Commercial	33	41.5	4	4.3	18.0
Residential	-	-	51	24.2	54.7
	33	41.5	86	109.3	167.1

¹ Includes sales of units from prior years launches

² Unbilled sales from total committed sales up to 23 December 2019

During the nine months ended 31 October 2019, the Group has launched 33 units of shop offices at Bandar Cemerlang.

As at 31 October 2019, the Group's land bank is as follows:

<u>Location</u>	<u>Type of development</u>	<u>Acres</u>
Bandar Cemerlang		
- Tebrau, Johor Bahru	Mixed development	804
- Kota Tinggi	Mixed development	526
Taman Perindustrian Cemerlang	Industrial	61
Taman Desa Cemerlang	Residential & commercial	69
Taman Dato' Chellam	Residential & commercial	9
Nusa Cemerlang Industrial Park	Industrial	204
Tanjung Senibong	Residential & commercial	222
Ambok	Resort / Mixed development	794
Others	Residential	5
		2,694

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The Group will continue to leverage on its strategic land bank to develop properties to meet the current market needs. For FY2020, the Group is planning to launch 222 units of affordable housing at Tanjung Senibong and 230 units of mid to high-end market landed residential properties at Bandar Cemerlang. However, the Group remains cautious in its launches and will adapt, re-strategize and seize opportunities from whatever the future property market environment may bring.

With committed sales in hand and unbilled revenue of RM167 million as at 23 December 2019 for the property development operation, the Board expects the performance of the Group to remain satisfactory for the financial year ending 31 January 2020.

B4 Variance of actual profit from forecast profit and shortfall in profit guarantee

This is not applicable.

B5 Tax

	Current Quarter Ended 31.10.2019 RM'000	Financial Year-to-date Ended 31.10.2019 RM'000
Current tax		
Current year	4,246	13,855
Prior years	1,023	1,023
Deferred tax:		
Relating to origination and reversal of temporary difference	(1,284)	(1,960)
Prior years	253	132
	<u>4,238</u>	<u>13,050</u>

The effective tax rates for the current quarter and current year-to-date were higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at 23 December 2019.

B7 Group borrowings and debt securities

(a) The Group loans and borrowings as at 31 October 2019 and 31 October 2018 were as follows:

	<u>As at 31 October 2019</u>		
	Long term RM'000	Short term RM'000	Total RM'000
Secured:			
Bank overdrafts	-	10,237	10,237
Revolving credit	-	11,600	11,600
Term Loans	<u>264,520</u>	<u>62,840</u>	<u>327,360</u>
	<u>264,520</u>	<u>84,677</u>	<u>349,197</u>
	<u>As at 31 October 2018</u>		
	Long term RM'000	Short term RM'000	Total RM'000
Secured:			
Bank overdrafts	-	6,266	6,266
Revolving credit	-	14,400	14,400
Term Loans	<u>273,246</u>	<u>46,461</u>	<u>319,707</u>
	<u>273,246</u>	<u>67,127</u>	<u>340,373</u>

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- (b) The increase in loans and borrowings is mainly to finance project expenditure.
- (c) As at 31 October 2019, the weighted average interest rate of loan and borrowings ranged from 5.2% to 8.0% (31.10.2018: 5.2% to 8.0%) and after taking into account the effect of interest rate swap, approximately 37% (31.10.2018: 35%) of the loans and borrowings are at fixed rate of interest.
- (d) Included in term loans is a term loan of RM40.3 million (31.10.2018: RM44 million) denominated in USD. The Group had a cross currency interest rate swap ("CCIRS") agreement in place with a notional principal of USD12.9 million (31.10.2018: USD14 million) that entitles the Group to receive interest at a floating rate of one month USD LIBOR plus 2% per annum on the USD notional amount and obliges the Group to pay interest at a fixed rate of 4.95% per annum on the RM notional amount of RM40.3 million (31.10.2018: RM44 million) [calculated at USD/RM 3.132]. The CCIRS effectively converts the USD liability into RM liability.
- (e) The interest capitalised in the land held for property development and property development costs for the current financial period ended 31 October 2019 is RM5.11 million.

B8 Derivatives

The Group outstanding derivatives as at 31 October 2019 are as follows:

Type of Derivatives	Notional value RM'000	Fair value RM'000
(i) Interest rate swap ("IRS")	88,367	(1,336)
(ii) Cross currency interest rate swap ("CCIRS")	40,300	14,013

The Group entered into IRS and CCIRS agreements that are designated as a cash flow hedge to reduce the Group's exposure to adverse fluctuations in interest and exchange rates on underlying debt instruments.

There is no changes on the information disclosed in related to risk, cash requirements, financial risk management and related accounting policy associated with the derivatives since the end of the previous financial year.

B9 Material litigation

As at 23 December 2019, there is no material litigation against the Group.

B10 Dividend

(a) No dividend has been declared or proposed for the current quarter ended 31 October 2019.

(b) Total dividend for the current financial year : 3 sen single tier per share.

B11 Earnings per share ("EPS")

Basic earnings per share amounts are calculated by dividing profit for the period/year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period/year, excluding treasury shares held by the Company.

	Current Quarter Ended 31.10.2019	Financial Year-to-date Ended 31.10.2019
Profit net of tax attributable to owners of the Company (RM'000)	4,968	23,951
Weighted average number of ordinary shares in issue ('000)	279,419	279,419
Basic earnings per share (Sen)	1.78	8.57

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B12 Notes to the statement of comprehensive income

	Current Quarter Ended 31.10.2019 RM'000	Financial Year-to-date Ended 31.10.2019 RM'000
(a) Interest income	759	1,743
(b) Other income including investment income	3,493	10,565
(c) Interest expenses	(2,613)	(8,478)
(d) Depreciation and amortisation	(2,343)	(6,922)
(e) Provision for and (write off) / write back of receivables	17	29
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of quoted or unquoted investments or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain or (loss)	25	(38)
(j) Gain or (loss) on derivatives	(123)	(730)
(k) Exceptional items	-	-

B13 Gains / Losses arising from fair value changes of financial liabilities

The Group has no financial liabilities measured at fair value through profit or loss for the current quarter and current year-to-date.