

Statement on Risk Management & Internal Control

THIS STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL IS MADE PURSUANT TO THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (“THE CODE”) AND PARAGRAPH 15.26 (b) OF THE MMLR WITH REGARDS TO THE STATE OF INTERNAL CONTROL OF CRESCENDO CORPORATION BERHAD (“CCB” OR THE COMPANY) AND ITS SUBSIDIARY COMPANIES (THE COMPANY AND ITS SUBSIDIARY COMPANY SHALL COLLECTIVELY BE HEREIN REFERRED TO AS “THE GROUP”).

The Board of Directors (“the Board”) of CCB is pleased to present below its Statement on Risk Management & Internal Control as a Group for the financial year under review, prepared in accordance with the ‘Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers’ (“the Guidelines”) issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities and taking into consideration the recommendations underlying the Principle B of the Code.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibilities for the Group’s system of risk management and internal control, and for reviewing the adequacy and integrity of the Group’s risk management and internal control system. The Board’s responsibility in relation to the system of risk management and internal control is embedded in all aspects of the Group’s activities which encompasses all subsidiaries of the Company.

The Board has received assurance from the Executive Chairman and Managing Director and the Group Financial Controller that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

However, as there are inherent limitations in any system of risk management and internal control, such system put into effect by Management can only manage but not eliminate all risk that may impede the achievement of the Group’s business objectives. Therefore, the risk management and internal control system can only provide reasonable assurance and not absolute assurance against material misstatement or loss. The process to identify, evaluate and manage the significant risks is a concerted and continuing effort throughout the financial year under review.

The Board sets the policy on internal controls after conducting a proper assessment of operational and financial risks by considering the overall control environment of the organisation and the effectiveness of its monitoring mechanism. Whilst the Executive Chairman and Managing Director and his Management team (“the Management”) carry out the process of implementation and maintenance of the Group’s control systems. Except for insurable risks where insurance covers are purchased, other risks are reported on a general reporting basis and managed by the respective Committees within the Group.

MANAGEMENT’S RESPONSIBILITY

Management is accountable to the Board and is responsible for effective implementation of risk management and control mechanisms, including:

- providing executive leadership in the management of risk within their work responsibilities
- identifying and evaluating risks faced by the Group
- formulating and implementing internal control and risk management actions and mechanisms
- implementing remedial actions in response to significant risks, and addressing compliance and control issues
- monitoring the overall achievement of business objectives and strategies

The Management is committed to operating a sound system of internal control and will continually review, update and improve the system in line with changes in the Group’s operating environment. Key to this is to identify significant threats and opportunities, evaluate the risk profile and drive mitigation strategies on a regular basis. All heads of departments, managers and senior executives are required to assume responsibility for risk management within their areas of responsibility and ensure that risk management is embedded in day-to-day business and decision-making processes.

KEY FEATURE OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee.

On a periodic basis, the Audit Committee assesses 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 Management. Significant risk management and internal control matters (if any) will be brought to the attention of the Audit Committee by the Internal Auditors and the Management.

The Audit Committee in turn reports such matters to the Board, if the Audit Committee deems such matters warrant the Board’s attention.

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

i. Control Environment

- **Policies and Procedures**

Clearly defined policies and procedures are in place and periodically reviewed to support the Group's business activities as the Group continues to grow.

- **Operations Review and Monitoring**

Operations of the Group are constantly monitored with up-to-date reports being presented by the Management. Variances are analysed, and corrective actions taken where necessary. Detailed reports on performance review with steps to be taken are presented to Executive Directors periodically.

The Executive Directors, Project Director, Contract Director, General Managers and Deputy General Manager regularly visit the Group's business units. During the visits, the respective head of business unit reports on progress and performance and, discuss and resolve key operational and management issues.

- **Organisation Structure and Authorisation Procedures**

The Group maintains a formal organisational structure with clear lines of reporting to the Board, Committees and Senior Management with defined roles and responsibilities, authority limits, review and approval procedures and proper segregation of duties which supports the maintenance of a strong control environment.

Specific responsibilities have been delegated to relevant Committees authorised to examine matters within their scope and report to the Executive Chairman & Managing Director and Executive Directors with their recommendations.

- **Human Capital Policy**

Comprehensive and rigorous guidelines on employment, performance appraisal, human capital training and retention initiatives are in place, to build and maintain a team of employees who are equipped with the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

Emphasis is placed on enhancing the skills and competency of employees through a process of continuous learning. Employees' competencies are

assessed annually through the annual appraisal system. Skill development and training requirements are highlighted to Heads of Departments and business units for approval and implementation.

- **Management Style**

The Board entrusted the responsibility of the day-to-day management of the Group's operation to the Executive Chairman and Managing Director, Executive Directors and key management team; all of whom are highly experienced individuals with proven performance record.

The Executive Chairman and Managing Director and management adopt a "hands on" approach in managing the businesses of the Group and steering the Group towards the strategic direction set by the Board. This enables timely and effective identification and resolution of any significant issue and serve as an effective internal control feature.

- **Other Key Elements of Internal Control**

Other key elements of internal control established by the Board include amongst others:

- The Finance Department monitors the activities and performance of the subsidiaries through the monthly management accounts and ensures control accounts are reconciled with the subsidiary companies' records.
- Adequate insurance and physical safeguarding of major assets are in place to protect the Group from any potential financial losses in the event of any unforeseen circumstances (such as fire damage, theft etc).
- Proposals for major capital expenditures of the Group are reviewed and approved by the Executive Directors.
- Regular Board and management meetings to assess performance of business units.
- All recurrent related party transactions are dealt with in accordance with the MMLR. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.
- Budgetary controls for its projects.
- Reporting mechanism whereby Executive Directors receive monthly performance and production statistics with explanations and justification.
- Training and development programs are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance and job expectations.

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- **Code of Ethics and Conduct and other related Policies**

Among the policies and procedures established and embedded in the CG Manual to assist the Board in maintaining a sound internal control system are:

- The Code of Ethics and Conduct: The code defines acceptable behaviours in dealing with key stakeholders and is made available to all staff.
- Corporate Integrity Policy – Anti Fraud Policy: The policy sets out the framework for the prevention, detection and management of any fraudulent act within the Group (including any irregularity, or suspected irregularity, involving employees, shareholders, consultants, vendors, contractors, and external parties).
- Whistle-Blowing Policy: The policy is formulated to provide a channel for employees to report in good faith and in confidence, without fear of reprisals, any concerns about possible improprieties within the Group. Allegations of improprieties reported via the whistle-blowing channel are appropriately followed up upon and the outcome(s) reported to the Audit Committee.
- Employee Handbook: The Group has in place the Employee Handbook to set the ethical standards for all employees and directors in their dealings with fellow employees, customers, shareholders, suppliers, authorities and the community.

- **Anti-Bribery and Anti-Corruption Policy**

With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2007, it has been established that a commercial organisation has a criminal liability (“Corporate Liability”) for the corrupt activities of its employees and/or persons associated with the commercial organisation where such corrupt activities are carried out for the commercial organisation’s benefits or advantages. In connection to this, the Group adopts a zero-tolerance policy against all forms of bribery and corruption.

The Group is committed to conduct its businesses professionally, fairly and with integrity and transparency in compliance with all applicable anti-bribery and corruption laws. Any breach of the Anti-Bribery and Corruption Policy or applicable local law could result in disciplinary action being taken and ultimately could result in dismissal and/or termination of the business dealing. Further legal action may also be taken as a result of non-compliance and/or misconduct.

The Group’s policies and procedures are periodically reviewed and updated by the Management to factor in any changes in business, operational, statutory and regulatory requirements to keep up with the changing risk environment.

ii. Risk Management Framework

The Board recognises that risk management is an integral part of the Group’s business operations and is important for the achievement of its business objectives. The Group has established a Risk Management and Sustainability Committee (“RMSC”) that is chaired by the Managing Director and its members comprising the Executive Directors, Heads of Divisions & Departments (“HODS”) and staff from key operations. Members of the RMSC are tasked with the role to identify risks relating to their areas; likelihood of these risks occurring; consequences if they do occur; and actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMSC and the Audit Committee (as the case may be).

Ongoing risk management education and training is provided at Management and staff level by members of the RMSC.

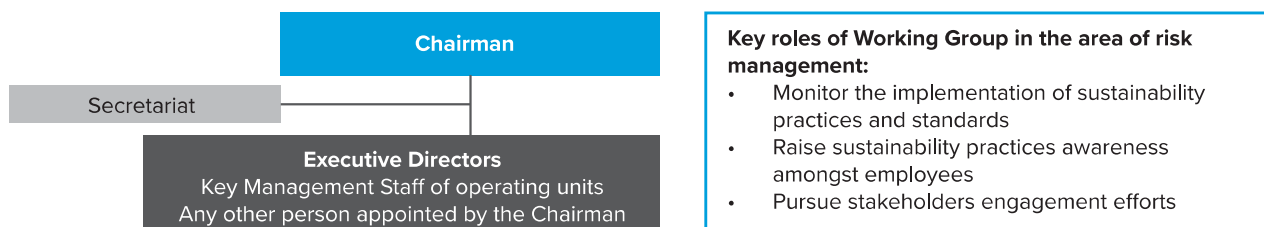
Risk Management & Sustainability Committee



Key Roles of the RMSC in the area of risk management:

- Develop Group strategies and policies
- Monitor sustainable performance

Risk Management & Sustainability Committee - Working Group



Note:

The Chairman of the Working Group can be a member of the Risk Management & Sustainability Committee or appointed by the Risk Management & Sustainability Committee

KEY RISKS AND MITIGATION

The Group has established three lines of defence in managing risks routinely in the following manner:

- First line of defence by Management and employees
- Second line of defence by the oversight functions
- Third line of defence by the internal auditors

To manage and minimise our risks, we identify them, rate their potential severity, and put in place actions as well as mitigating plans.

Risk Type Market Risk Tolerance Unchanged Key Risk COST ESCALATION AND DISRUPTION OF SUPPLY CHAIN	Effect Substantial increase in the cost of materials, fuel, employment and labour. At the same time, potential supply chains disruptions, especially for items produced/manufactured in countries or regions impacted by the ongoing geopolitical and geoeconomic uncertainties. Response And Mitigating Actions <ul style="list-style-type: none"> • Strategic participation in selected tenders with equitable risk allocation • Close examination of trends in materials and labour pricing • Review and enlarge network of suppliers for materials and labour • Seek alternative supply options 	Results We have prioritised development projects that have a cascading effect on economic growth. Whilst at the same time, striving to improve operational efficiencies and cost competitiveness via close engagement with local suppliers.
Risk Type Market Risk Tolerance Increased Key Risk WEAKENING OVERALL MARKET CONDITIONS	Effect General lacklustre market sentiments in the overall economy, may cause heightened caution among buyers and investors; and its impact may bleed into the property market. This may, in turn, affects the Company's sales performance, profit margin and liquidity. However, news of the government's intention to revitalise the state of Johor coupled with the encouraging progress of the Johor Bahru-Singapore Transit System (RTS), may improve economic prospect in select-pockets of land in Johor. Response And Mitigating Actions <ul style="list-style-type: none"> • Exercise vigilance in monitoring factors that influence market sentiments such as economic indicators, geopolitical events, government policies, investors' behaviour, etc. • Research shows a shift to purchase for own occupation rather than speculative investment. This will reduce market size in the residential segment and affect home buying requirement. In respond to this, we have incorporated sustainable housing features (i.e. energy and water savings, improved ventilation and natural lighting) to enhance the effectiveness of our products. In addition, we are trying to broaden our collaboration with an expanded pool of reputable estate agents for a wider market reach. • Continue to be on the look out for land with favourable development potentials and near to our existing projects. 	Results The Group's prudently planned project launches (for residential units and industrial land) over the financial year have achieved good sales results. The Group has during the financial year launched a serviced apartment project in the vicinity of the RTS terminal at Bukit Chagar and shop offices in Desa Cemerlang. We have also successfully closed several data center land sales at Nusa Cemerlang Industrial Park which boosted the Group's revenue and profits for the year.

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<p>Risk Type Financial</p> <p>Risk Tolerance Unchanged</p> <p>Key Risk CAPITAL AND LIQUIDITY RISK</p>	<p>Effect</p> <p>The Group's capital and liquidity requirements are mainly fulfilled with funds generated from property sales and borrowings. Any deficit in the Group's capital and liquidity position may have adverse impact on its ongoing developments and may cause deferment of its future project launches. From a longer-term perspective, any deficiency in liquidity may also impede the Group's ability to pursue its strategic business plans (such as acquisition of new land bank).</p> <p>Response And Mitigating Actions</p> <ul style="list-style-type: none"> • Regularly review our debts, cashflow and liquidity requirements. • Maintain an adequate level of cash/cash equivalents through constant monitoring of financial risks. • Review and monitor credit facilities while maintaining a healthy gearing ratio at all time • Diversify sources of funds to increase the pool of capital providers • Intensify efforts to monetise our assets by selling completed property units. • Adjusting its mix of property launches to match the market demand <p>Results</p> <p>The Group records a positive overall net cashflow and low gearing ratio, with good loan service track record and favourable credit rating. The Group maintains good rapport with supportive capital providers, enhancing its ability to raise funding in the future if the need arises.</p>
<p>Risk Type Regulatory</p> <p>Risk Tolerance Unchanged</p> <p>Key Risk CHANGES IN GOVERNMENT POLICY</p>	<p>Effect</p> <p>As a publicly listed organisation, we are regulated by various policies on governance, health and safety, employee relations and financial management, among others – all of which serve to protect our shareholders and other stakeholders. In addition, our two core businesses – construction and property development – are subject to environmental-related regulations. These policies change according to various factors in our operating environment. It is important to comply with these policies to maintain our licence to operate.</p> <p>Response And Mitigating Actions</p> <ul style="list-style-type: none"> • Close monitoring of changes in government policies • Compliance with changes in policies or additional policies (e.g. keeping abreast of and aligning with the amendments of the Malaysia's Employment Act, Workers Minimum Housing Act) <p>In addition, the relevant Departments carry out the following measures:</p> <ul style="list-style-type: none"> • Liaising closely with government officials and external institutions; • Maintaining close working relationships with financial institutions to counter the cooling policies; and • Adopting methods that are less dependent on labour, whilst improving the productivity and quality of construction work. <p>Results</p> <p>Management actively monitors changes in the legal and regulatory requirements to adapt and adopt to ensure compliance.</p> <p>Maintaining regular communication with the Authorities.</p>
<p>Risk Type Operational</p> <p>Risk Tolerance Unchanged</p> <p>Key Risk SAFETY AT THE WORKPLACE</p>	<p>Effect</p> <p>Serious workplace accidents may result in stop work orders, causing project delays. In addition, any non-compliance with environmental and safety regulations will result in the imposition of penalties and cause reputational damage.</p> <p>Response And Mitigating Actions</p> <ul style="list-style-type: none"> • Train and engage personnel to develop and enforce procedures in accordance with regulations and standards • Regular Safety, Health and Environment meetings with employees and subcontractors to monitor and ensure compliance with regulations • Prioritise the health and safety of employees by setting target to achieve zero fatality and reduce recordable work-related injuries <p>Results</p> <p>The Group continues to elevate its safety and health performance through risk assessments.</p>

<p>Risk Type Operational</p> <p>Risk Tolerance Increase</p> <p>Key Risk MARGIN SQUEEZE DUE TO INCREASE IN CONSTRUCTION COSTS</p>	<p>Effect The Group is increasingly facing the risk of depleting margin with escalating cost of construction and rising competitions. The risk is expected to escalate given the rising geoeconomic uncertainties.</p> <p>Response And Mitigating Actions</p> <p>Product</p> <ul style="list-style-type: none"> • Diversify our supply chain and resources to ensure long term supply sustainability at competitive prices; • Effective tenders for award of lump sum construction contracts; • Value re-engineering to bring down overall cost • Engagement of specialists to provide consultancy services for technically complicated works in order to maintain product quality and deliver targets. <p>Contractors</p> <ul style="list-style-type: none"> • Contractor performance appraisal; • Close monitoring of contractor performance in order to reduce incidences of cost overrun; • Adopting good industry construction practices; • Robust contractors' selection and evaluation process <p>Results Continuously maintaining and enhancing the quality of our products and upholding our reputation as a reliable developer, in order to sustain our margins with effective pricing strategies.</p>
<p>Risk Type Environment</p> <p>Risk Tolerance Increase</p> <p>Key Risk IMPACT OF CLIMATE CHANGE</p>	<p>Effect The impact of climate change such as excessive rainfall, flash floods, drought, rising temperatures and vector borne diseases, all of which, if not effectively managed can cause serious disruptions to our operations. We assess and mitigate this risk from the physical impacts of climate change in our project design, development and management.</p> <p>Response And Mitigating Actions</p> <ul style="list-style-type: none"> • The results from climate change vulnerability studies would enable better understanding of climate change related risks and impacts, which would then potentially fuel an improved mitigation response to identified physical and transition risks. • With the identification of potential vulnerabilities and based on future projections, the Group would look into design and planning of future development as well as improve developed townships e.g. on drainage and landscaping to enable a higher degree of climate resilience. • The opportunities of addressing physical risks include the conservation of urban parks for community recreational purpose, which also function to mitigate flood and alleviate heat island effect. <p>Results Continuous efforts in managing our Group's environmental footprint and product responsibility.</p>

iii. Internal Audit Function

The roles, responsibilities and activities of the Internal Audit functions are described and detailed on page 57 under Corporate Governance Overview Statement of this Annual Report.

There were neither major weaknesses in the system identified during the financial year, nor any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the Internal Auditors during the period have been or are being addressed.

iv. Information and Communication

Scheduled Management meetings are conducted at least once every quarterly and on an ad hoc basis, when required, to provide a forum for regular dialogues and feedback in a timely, transparent and confidential manner. The Executive Directors and Senior Management are updated on relevant financial and operational issues, including any significant changes in the external business environment during these meetings.

The respective divisions are required to generate financial, management and other relevant reports on a regular basis for the Management's review. Any financial or operational issues raised in the reports and/or discussed during the scheduled meeting will be addressed by the Management on a timely basis.

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v. Review and Monitoring Process

The Group's management teams carry out monthly monitoring and review of the Group's operations and performance, including financial results and forecasts for all business operations within the Group.

In addition to the above, scheduled and ad-hoc meetings are held at operational and management levels to identify, discuss and resolve business and operational issues as and when necessary. The Board monitors the Group's performance by reviewing its quarterly financial and operations results and examining the announcement to Bursa Securities. These are usually reviewed by the Audit Committee before they are tabled to the Board for approval.

CONFIDENTIAL REPORTING

The Group's whistleblowing policy enables staff to raise concerns about possible improprieties in financial and other matters and to do so in confidence without fear of reprisal. Details of the policy are set out on the Company's website at www.crescendo.com.my.

The Audit Committee receives reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in financial year 2025 (major issues being defined for this purpose as matters having a financial impact greater than RM10,000).

ASSURANCE PROVIDED BY THE EXECUTIVE CHAIRMAN & MANAGING DIRECTOR AND GROUP FINANCIAL CONTROLLER

In line with the Guidelines, the Executive Chairman & Managing Director and the Group Financial Controller have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review. The Executive Chairman & Managing Director and the Group Financial Controller have in turn obtained relevant assurance from the business heads in the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 31 January 2025.

The External Auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management & Internal Control included in the Governance & Financial Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Governance & Financial Report of the Group for the year ended 31 January 2025, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Report of the Group, in all material aspects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management & Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that the system of internal control in place throughout the year under review is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group and to facilitate the expansion of its operations. Additionally, the Board regards the risks faced by the Group are within acceptable levels to the business environment within which the Group operates.

There were no material losses or fraud during the current financial year as a result of internal control failures and the Board and Management are continuously taking measures to improve and strengthen the internal control framework and environment of the Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 May 2025.