CRESCENDO CORPORATION BERHAD (359750-D) Appendix 1

Minutes of 23rd AGM held on 25th July, 2019

Company's answers to the questions from the Minority Shareholder Watchdog Group vide letter dated 15th July, 2019

Strategic and Financial Matters

Q1 The Group's completed properties for sale has increased from RM54.9 million in FY2018 to RM79.0 million in FY2019, an increase of RM24.1 million or 43.9% (page 111 of Annual Report).

(a) What are the measures the Company has taken to reduce the number of completed properties for sales?

(b) What is the age profile of the completed properties for sales as at 31/1/2019 in terms of less than 1 year, between 1 year to 2 years and more than 2 years in terms of value and number of units?

A1 (a) It has always been the Group's policies to constantly monitor the changes in the conditions of the property markets and planning our property development launches accordingly to prevent holding high level of completed properties. In addition, the Group also takes proactive measures to maintain its competitiveness through reasonably pricing, creative design and high-quality properties that meet customers' expectation. Included in the completed properties are a number of unsold bumiputra units. We will continue to work with State Government Authorities to expedite the release of bumiputra units for sale to reduce the inventories on completed properties.

(b) Approximately 30% of the completed properties for sales as at 31/1/2019 were completed during FY 2019 and the remaining units were completed more than 2 years.

Q2 What is the latest take-up rate of the properties that were launched in FY2019?

(a) 40 units of various sizes of factories ranging from terrace, detached, semi-detached to cluster factories with total GDV of RM91 million at Taman Perindustrian Cemerlang;
(b) 24 units of shop offices with total GDV of RM27.5 million at Bandar Cemerlang;
(c) 102 units of mid-market landed residential properties with a total GDV of RM74.9 million at Bandar Cemerlang; and
(d) 204 units of affordable housing with GDV of RM34.9 million at Bandar Cemerlang.

A2

	Latest take-up rate
(a) 40 units of various sizes of factories at Taman Perindustrian Cemerlang;	70%
(b) 24 units of shop offices at Bandar Cemerlang;	30%
(c) 102 units of mid-market landed residential properties at Bandar Cemerlang	57%
(d) 204 units of affordable housing at Bandar Cemerlang	100%

Q3 Included in the Group's revenue is a component of construction contract of an amount of RM0.51 million in FY2019 as compared with RM4.4 million in FY2018 (page 126 of the Annual Report).

(a) What was the reason for the construction contract revenue to drop by RM3.9 million or 88.4% in FY2019 as compared to FY2018?

(b) What is the average gross profit margin of the construction contracts in FY2019 and FY2018?

(c) What are the measures the Company has taken to address the drop in the construction contracts?

(d) What is the outlook of the Group's construction contract revenue in FY2020?

A3 (a) The drop in contract revenue was mainly due to less external project undertaken by the Group as this division was focusing on internal projects at Bandar Cemerlang and Taman Dato Chellam during FY2019.

(b) The profit contribution by this division is minimal.

(c) We will continue to tender for more external projects subject to good profit margin and customers.

(d) We do not foresee any significant differences from the last financial year.

Q4 The Group's Education, Management Services and Others recorded a higher segment result of RM17.7 million in FY2019 as compared to RM13.5 million in FY2018, an increase of RM4.2 million or 31.1% (page 134 of Annual Report).

(a) Please provide a breakdown of the segment result by the three divisions i.e. Education, Management Services and Others for both FYs 2019 and 2018.

(b) What is the strategic direction of the Group's Education Division?

A4 (a)

Segment results	**FY2019 RM'mil**	**FY2018 RM'mil**
Education	3.0	0.7
Management services and others	14.7	12.8

(b) Building on the foundation laid down previously in the education division, the Group intends to strengthen the revenue stream from this sector in coming years. Our strategic goal is to provide good quality educational services and establish ourselves as one of the reputable educational centres in Johor Bahru area.

<u>Corporate Governance</u>

Q1 The Company departed from Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG") as the board does not intend to seek shareholders' approval through a two-tier voting process for the retention of Mr. Yeo Jon Tian @ Eeyo Jon Thiam and Mr. Gan Kim Guan, the Independent Non-Executive Directors ("INED") who has served more than twelve years.

The Board's justification is that "this is 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".

The Securities Commission has clarified that Section 291 of the Companies Act defines the application of ordinary resolution of members or a class of members of a company; that an ordinary resolution is passed by a simple majority of more than half of such members. It does not specifically deal with the appointment or re-appointment of directors (Frequently Asked Questions, revised on July 2018). Please take note.

A1 The Board noted the provision under Practice 4.2 of the Malaysian Code on Corporate Governance but decided to seek for shareholders' approval for retention of Independent Non-Executive Directors who have served for more than 12 years under single tier voting process.

This is in line with the Companies Act, 2016 which provides for single tier voting process and not two-tier voting process.

In a single tier voting process, the passing of the proposed ordinary resolution is based on a simple majority of votes. This is in line with the ordinary course of conduct of voting procedure and practice.

Q2 The Group's internal audit fees increase by RM216,870 or 69.5% from RM312,130 in FY 2018 to RM529,000 in FY 2019 (page 56 of Annual Reports 2018 & 2019).

What is the reason for the higher internal audit fees as there is no increase in head count in the internal audit function at both Sharikat Kim Loong Sdn. Bhd. and Crescendo Corporation Berhad as disclosed in the MCCG Reports 2019 and 2018?

A2 The reasons of higher internal audit fees were as follows:

i. Additional internal audit activities were carried out by the audit team during the year as the Group's new active development activities and expansion of education business have increased substantially.

ii. Higher staff costs were due to staff promotion and changes in staff mix where the previous junior staff were replaced with more experienced staff to ensure a more balanced team.