

CRESCENDO CORPORATION BERHAD
(Company No. : 359750-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.10.16 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.10.15 RM'000	CURRENT YEAR TO DATE 31.10.16 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.10.15 RM'000
Revenue	72,445	36,538	169,956	133,171
Cost of sales	(53,322)	(25,793)	(119,718)	(93,029)
Gross profit	19,123	10,745	50,238	40,142
Other income	2,859	4,439	50,241	11,408
Administration expenses	(7,009)	(7,280)	(21,314)	(18,694)
Finance costs	(2,082)	(1,298)	(6,031)	(4,010)
Profit before tax	12,891	6,606	73,134	28,846
Tax expenses	(3,920)	(2,607)	(11,120)	(9,339)
Profit for the period	8,971	3,999	62,014	19,507
Other comprehensive income, net of tax				
Net movement on cash flow hedges	2,679	7,608	(227)	12,057
Tax relating to cash flow hedges	(643)	(1,826)	54	(2,894)
Total other comprehensive income for the period, net of tax	2,036	5,782	(173)	9,163
Total comprehensive income for the period	11,007	9,781	61,841	28,670
Profit attributable to:				
Owners of the Company	7,983	1,687	58,847	14,518
Non-controlling interests	988	2,312	3,167	4,989
	8,971	3,999	62,014	19,507
Total comprehensive income attributable to:				
Owners of the Company	10,014	7,474	58,686	23,671
Non-controlling interests	993	2,307	3,155	4,999
	11,007	9,781	61,841	28,670
Earnings per share attributable to owners of the Company:				
Basic (sen)	2.86	0.74	21.06	6.38
Diluted (sen)	N/A	0.74	N/A	5.59

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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31.10.16 RM'000	AS AT 31.1.16 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	153,703	137,728
Land use rights	5,808	5,912
Biological assets	1,164	1,210
Investment properties	286,694	245,209
Other investment	16,909	7,035
Land held for property development	570,523	569,585
Deferred tax assets	14,280	12,411
Derivative financial assets	18,535	18,192
	<u>1,067,616</u>	<u>997,282</u>
Current assets		
Property development costs	65,672	39,194
Inventories	77,385	69,393
Trade and other receivables	72,110	48,196
Other current assets	24,038	16,074
Tax recoverable	2,341	1,121
Cash and bank balances	64,948	58,760
	<u>306,494</u>	<u>232,738</u>
TOTAL ASSETS	<u>1,374,110</u>	<u>1,230,020</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	280,462	280,462
Share premium	19,110	19,110
Treasury shares	(3,100)	(3,094)
Other reserves	82,156	82,316
Retained earnings	516,897	471,661
	<u>895,525</u>	<u>850,455</u>
Non-controlling interests	43,583	35,089
Total equity	<u>939,108</u>	<u>885,544</u>
Non-current liabilities		
Loans and borrowings	248,897	188,078
Deferred tax liabilities	16,783	14,849
Derivative financial liabilities	3,018	2,448
	<u>268,698</u>	<u>205,375</u>
Current liabilities		
Trade and other payables	112,206	77,325
Due to customers on contracts	63	119
Loans and borrowings	42,565	58,135
Tax payable	5,881	3,522
Dividend payable	5,589	-
	<u>166,304</u>	<u>139,101</u>
Total liabilities	<u>435,002</u>	<u>344,476</u>
TOTAL EQUITY AND LIABILITIES	<u>1,374,110</u>	<u>1,230,020</u>
Net assets per share (RM)	<u>3.20</u>	<u>3.04</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

CRESCENDO CORPORATION BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to owners of the Company -----→								
	Total Equity RM'000	←----- Non-distributable -----→					←----- Distributable -----→		
Total RM'000		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	ICULS (Equity Component) RM'000	Retained Earnings RM'000	Treasury Shares RM'000		
9 months ended 31 October 2016									
Balance as at 1 February 2016	885,544	850,455	280,462	19,110	82,316	-	471,661	(3,094)	35,089
Total comprehensive income	61,842	58,687	-	-	(160)	-	58,847	-	3,155
Transactions with owners									
Purchase of treasury shares	(6)	(6)	-	-	-	-	-	(6)	-
Issue of shares to non-controlling interest	7,500	-	-	-	-	-	-	-	7,500
Dilution of interest in subsidiary	-	361	-	-	-	-	361	-	(361)
Dividend paid to non-controlling interest	(1,800)	-	-	-	-	-	-	-	(1,800)
Dividends	(13,972)	(13,972)	-	-	-	-	(13,972)	-	-
Total transactions with owners	(8,278)	(13,617)	-	-	-	-	(13,611)	(6)	5,339
Balance as at 31 October 2016	939,108	895,525	280,462	19,110	82,156	-	516,897	(3,100)	43,583
9 months ended 31 October 2015									
Balance as at 1 February 2015	871,881	842,744	228,487	19,110	76,366	43,788	478,054	(3,061)	29,137
Total comprehensive income	28,670	23,671	-	-	9,153	-	14,518	-	4,999
Transactions with owners									
Purchase of treasury shares	(24)	(24)	-	-	-	-	-	(24)	-
Dividends	(15,922)	(15,922)	-	-	-	-	(15,922)	-	-
Total transactions with owners	(15,946)	(15,946)	-	-	-	-	(15,922)	(24)	-
Balance as at 31 October 2015	884,605	850,469	228,487	19,110	85,519	43,788	476,650	(3,085)	34,136

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 2016 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	
	31.10.16	31.10.15
	RM' 000	RM' 000
Cash flows from operating activities		
Cash receipts from customers	180,961	148,554
Cash paid to suppliers and employees	(168,645)	(153,545)
Cash generated from/(used in) operations	<u>12,316</u>	<u>(4,991)</u>
Deposit interest received	919	2,323
Interest paid	(9,996)	(8,329)
Tax paid	(9,860)	(18,451)
Net cash used in operating activities	<u>(6,621)</u>	<u>(29,448)</u>
Cash flows from investing activities		
Acquisition of biological assets, land use rights and property, plant and equipment	(19,818)	(9,495)
Acquisition of investment properties	(127)	(1,494)
Acquisition of other investment	(11,315)	-
Capital realisation from investment	1,440	1,080
Withdrawal/(Pledge) of time deposits	643	(6)
Proceeds from disposal of plant and equipment	69	57
Net cash used in investing activities	<u>(29,108)</u>	<u>(9,858)</u>
Cash flows from financing activities		
Acquisition of treasury shares	(6)	(24)
Proceeds from loans and borrowings	77,636	7,984
Repayment of loans and borrowings	(34,100)	(24,072)
Dividend paid	(8,383)	(11,373)
Dividend paid to non-controlling interest	(1,800)	-
Proceeds from issuance of shares to non-controlling interest	7,500	-
Net cash from/(used in) financing activities	<u>40,847</u>	<u>(27,485)</u>
Net increase/(decrease) in cash and cash equivalents	5,118	(66,791)
Cash and cash equivalents at the beginning of the financial period	47,132	125,869
Cash and cash equivalents at the end of the financial period	<u>52,250</u>	<u>59,078</u>
Cash and cash equivalents at the end of the financial period		
Deposits with licensed banks and other financial institution	7,695	31,333
Cash and bank balances	57,253	42,532
Bank overdrafts	(8,110)	(9,558)
	<u>56,838</u>	<u>64,307</u>
Time deposits pledged	(4,588)	(5,229)
	<u>52,250</u>	<u>59,078</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting 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 2016. 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 2016.

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 2016 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 2016.

Amendments to FRS 10, FRS 12 and FRS128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012-2014 Cycle	

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

The Group has not elected for early adoption of the following new and amended FRSs 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 2017:

		Effective for financial periods beginning on or after
Amendments to FRS 107	Disclosure Initiative	1 Jan 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
FRS 9	Financial Instruments	1 Jan 2018
Amendments to FRS 10 and FRS128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

These new and amended FRSs are not expected to have any significant impact on the financial statements of the Group and the Company upon their initial application other than:

FRS 9: Financial Instruments

FRS 9 replaces FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

Malaysia Financial Reporting Standards (MFRS framework)

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141, Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate, including its parent, significant investor and joint venture (herein called "Transitioning Entities"). Generally, Transitioning Entities are entities involved in the real estate and agriculture industries that had been given the option to continue applying the FRS Framework.

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On 8 September 2015, MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities to apply the MFRS framework will also be deferred to annual periods beginning on or after 1 January 2018.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the real estate industry, MFRS 15 is expected to enable property developers to recognise revenue progressively. MFRS 15 includes new disclosures (quantitative and/or qualitative information) to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The new comprehensive disclosures are in response to investors' comments that companies present revenue in isolation which make it difficult for them to relate to the entity's financial position.

The Group expect to present their first set of MFRS financial statements from the financial year ending 31 January 2019. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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.

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 2016 except for repurchase of 3,800 ordinary shares of RM1 each of its issued share capital from the open market for a total consideration of RM5,634 at an average price of RM1.48 per share.

A7 Dividends paid

The dividend paid during the nine months ended 31 October 2016 was a final single tier dividend of 3 sen per ordinary share in respect of financial year 2016, paid on 29 August 2016.

A8 Segmental information

Major segments by activity:-	<u>Revenue</u>		<u>Results</u>	
	9 months ended		9 months ended	
	31.10.16	31.10.15	31.10.16	31.10.15
	RM' 000	RM' 000	RM' 000	RM' 000
Property development and construction	120,634	66,481	31,313	23,839
Manufacturing and trading	48,268	69,733	6,211	11,019
Property investment	1,003	387	42,017	(337)
Management services and others	14,322	9,770	9,041	7,016
	<u>184,227</u>	<u>146,371</u>	<u>88,582</u>	<u>41,537</u>
Inter-segment eliminations	<u>(14,271)</u>	<u>(13,200)</u>	<u>(7,191)</u>	<u>(6,439)</u>
	<u>169,956</u>	<u>133,171</u>	<u>81,391</u>	<u>35,098</u>
Unallocated expenses			(2,226)	(2,242)
Finance costs			<u>(6,031)</u>	<u>(4,010)</u>
			<u>73,134</u>	<u>28,846</u>

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A9 Valuation of non-current assets

The investment properties of the Group have been revalued in the current financial year-to-date by an independent valuer on an open market value basis. The fair value gain, net of tax, arising during the financial year amounting to RM39.3 million.

A10 Material subsequent events

As at 23 December 2016, 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 year-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring or discontinuing of operations except for Crescendo International School Sdn. Bhd. ("CIS"), a wholly-owned subsidiary of Crescendo Education Sdn. Bhd. ("CESB"), which in turn is a wholly-owned subsidiary of the Company, had on 29 August 2016 allotted and issued (i) 6,750,000 ordinary shares of RM1.00 each and 10,500,000 preference shares of RM1.00 each at par fully paid in cash to CESB; and (ii) 3,000,000 ordinary shares of RM1.00 each and 4,500,000 preference shares of RM1.00 each at par fully paid in cash to HELP Education Services Sdn. Bhd.. As a result of the allotment and issuance of shares, CIS has become a 70%-owned subsidiary of CESB.

A12 Contingent liabilities

The contingent liabilities of the Group as at 23 December 2016 which comprise Bankers' guarantees issued by financial institutions in favour of third parties are as follows:-

	RM' 000
Secured	31,332
Unsecured	-
	<u>31,332</u>

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

B1 Performance review

The Group's revenue for the current quarter ended 31 October 2016 and the nine months of financial year ending 31 January 2017 increased 98% to RM72.4 million and 28% to RM170 million respectively as compared to RM36.5 million and RM133.2 million respectively for the corresponding quarter in last year. The increase was mainly contributed by higher properties sales.

By excluding the gain from fair value adjustment on investment properties amounting RM41.4 million recognised in the second quarter of current financial year, the Group's profit before tax ("PBT") for the current quarter ended 31 October 2016 and the nine months of financial year 2017 increased 95% to RM12.9 million and 10% to RM31.7 million respectively as compared to RM6.6 million and RM28.8 million respectively for the corresponding periods in last year mainly contributed by higher properties sales.

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

	Revenue			
	Quarter ended		Year ended	
	31.10.16 RM' 000	31.10.15 RM' 000	31.10.16 RM' 000	31.10.15 RM' 000
Property development and construction	53,856	15,021	120,634	66,481
Manufacturing and trading	18,512	20,560	48,268	69,733
Property investment	416	232	1,003	387
Management services and others	6,168	2,920	14,322	9,770
	78,952	38,733	184,227	146,371

	Operating profit			
	Quarter ended		Year ended	
	31.10.16 RM' 000	31.10.15 RM' 000	31.10.16 RM' 000	31.10.15 RM' 000
Property development and construction	10,911	3,595	31,313	23,839
Manufacturing and trading	3,214	5,517	6,211	11,019
Property investment	210	(50)	42,017	(337)
Management services and others	3,889	1,837	9,041	7,016
	18,224	10,899	88,582	41,537

Property development and construction operation

For the current quarter and the nine months of financial year 2017, the revenue increased 259% and 81% respectively mainly contributed by higher properties sales.

For the nine months of financial year 2017, the decrease in profit margin was mainly due to sales of lower margin industrial products and decline in construction margin.

Manufacturing and trading operation

For the current quarter and the nine months of financial year 2017, the decreases in revenue and operating profit were mainly due to slower market demand in concrete products.

Property investment operation

For the nine months of financial year 2017, the increases in operating profit were mainly contributed by net gain from fair value adjustment of investment properties amounting to RM41.4 million recognised in the second quarter.

Management services and others

For the current quarter and the nine months of financial year 2017, the increases in revenue were in line with property development and construction segment as the management fees are charged according to the sales turnover of this operating segment.

B2 Comparison of profit before tax for the quarter reported on with the immediate preceding quarter

The PBT for current quarter decreased from RM50 million in the preceding quarter to RM12.9 million mainly due to net gain from fair value adjustment of investment properties amounting to RM41.4 million recognised in the second quarter.

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B3 Prospects

Financial year 2017 will be a challenging year with uncertain global economic scenario, tightening credit control by banks and increase in cost of doing business. The Group will be cautious in its launches to avoid holding high level of stock. Despite the above uncertainties, there is still a demand for affordable housing, landed medium cost residential, industrial and commercial property market for strategically located project with the right pricing.

With a committed sales in hand and unbilled revenue of RM171 million as at 23 December 2016 for the property development operation, the Board expects the performance of the Group to remain satisfactory for the financial year ending 31 January 2017.

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

Not applicable.

B5 Tax

	CURRENT QUARTER 31.10.16 RM' 000	CURRENT YEAR TO DATE 31.10.16 RM' 000
Current tax		
Current year	5,147	11,000
Deferred tax:		
Relating to origination and reversal of temporary difference	(1,040)	307
Prior years over provision	(187)	(187)
	<u>3,920</u>	<u>11,120</u>

The effective income tax rates for the current quarter was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

The effective income tax rates for the financial year-to-date was lower than the statutory tax rate mainly due to certain income which are not subject to income tax.

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at 23 December 2016.

B7 Group borrowings and debt securities

Group loans and borrowings as at 31 October 2016 were as follows:

	RM' 000
(a) Secured loans and borrowings	<u>291,462</u>
(b) Current	
- Overdrafts	8,110
- Revolving credit	17,300
- Term Loans	17,155
	<u>42,565</u>
Non-current	
- Term loans	248,897
	<u>248,897</u>
	<u>291,462</u>

(c) All borrowings are denominated in Ringgit Malaysia.

Total interest capitalised in the land held for property development and property development costs for the current financial period ended 31 October 2016 is RM3.95 million.

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B8 Material litigation

As at 23 December 2016, there is no material litigation against the Group.

B9 Dividend

(a) No dividend has been declared or proposed for the current quarter ended 31 October 2016.

(b) Total dividend for the current financial year : 2 sen single tier per share.

B10 Earnings per share ("EPS")

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

	CURRENT QUARTER 31.10.16	CURRENT YEAR TO DATE 31.10.16
Profit net of tax attributable to owners of the Company (RM'000)	7,983	58,847
Weighted average number of ordinary shares in issue ('000)	279,429	279,431
Basic earnings per share (Sen)	2.86	21.06

B11 Notes to the statement of comprehensive income

	CURRENT QUARTER 31.10.16 RM' 000	CURRENT YEAR TO DATE 31.10.16 RM' 000
(a) Interest income	382	911
(b) Other income including investment income	2,435	49,261
(c) Interest expenses	(2,082)	(6,031)
(d) Depreciation and amortisation	(703)	(2,468)
(e) Provision for and (write off) / write back of receivables	447	477
(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)	42	69
(j) Gain or (loss) on derivatives	2,679	(227)
(k) Exceptional items	-	-

Other income for the financial year-to-date is inclusive of net gain from fair value adjustment of investment properties amounting to RM41.4 million.

B12 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.

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B13 Realised and unrealised retained earnings

The breakdown of the retained earnings of the Group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	AS AT 31.10.16 RM' 000	AS AT 31.1.16 RM' 000
Total retained earnings of the Company and its subsidiaries		
Realised	547,474	529,968
Unrealised	127,935	88,493
	<u>675,409</u>	<u>618,461</u>
Less: Consolidated adjustments	(158,512)	(146,800)
Total Group retained earnings	<u>516,897</u>	<u>471,661</u>