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CUCKOO+
Service Group



CUCKOO INTERNATIONAL (MAL) BERHAD

(Registration No. 201401026804 (1102894-H))

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CUCKOO
INTERNATIONAL

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(Registration No. 201401026804 (1102894-H))

PROSPECTUS

PROSPECTUS

THIS PROSPECTUS IS DATED 26 MARCH 2025

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CUCKOO INTERNATIONAL (MAL) BERHAD

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

INITIAL PUBLIC OFFERING ("IPO") OF UP TO 365,364,000 ORDINARY SHARES IN CUCKOO INTERNATIONAL (MAL) BERHAD ("SHARES") ("IPO SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED TOTAL NUMBER OF 1,432,800,000 SHARES ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING AN OFFER FOR SALE OF UP TO 222,084,000 EXISTING SHARES ("OFFER SHARES") AND A PUBLIC ISSUE OF 143,280,000 NEW SHARES ("ISSUE SHARES") INVOLVING:

- (I) INSTITUTIONAL OFFERING OF UP TO 322,380,000 IPO SHARES TO MALYSIAN AND FOREIGN INSTITUTIONAL AND SELECTED INVESTORS, INCLUDING BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY OF MALAYSIA AT THE INSTITUTIONAL PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING ("INSTITUTIONAL PRICE"); AND
- (II) RETAIL OFFERING OF 42,984,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE ELIGIBLE EMPLOYEES OF THE COMPANY AND ITS SUBSIDIARIES ("GROUP"), PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP AND THE MALYSIAN PUBLIC AT THE RETAIL PRICE OF RM1.29 PER ISSUE SHARE ("RETAIL PRICE"), PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO REFUND OF THE DIFFERENCE BETWEEN THE RETAIL PRICE AND THE FINAL RETAIL PRICE (AS DEFINED IN THIS PROSPECTUS) IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN THE RETAIL PRICE,

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS. THE FINAL RETAIL PRICE WILL BE EQUAL TO THE LOWER OF:

- (A) THE RETAIL PRICE; OR
- (B) THE INSTITUTIONAL PRICE.

Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner,
Managing Underwriter, and Joint Underwriter

Joint Global Coordinator, Joint Bookrunner and
Joint Underwriter



RHB INVESTMENT BANK BERHAD
(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Securities)



AmInvestment Bank

AMINVESTMENT BANK BERHAD
(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Securities)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS. THE SC HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR OUR IPO.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE SAID APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 155.

LISTING SOUGHT: MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

IMPORTANT NOTICE

All defined terms used in this Prospectus are defined under “Definitions” commencing on page xii, “Glossary of Technical Terms” commencing on page xx and “Presentation of Information” commencing on page ix.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being the Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter, and Joint Underwriter, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for the listing of and quotation for our Shares. Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

This Prospectus, together with the Application Forms, have also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should rely on your own evaluation to assess the merits and risks of your investment. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers immediately.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Our Shares are classified as Shariah-compliant by the Shariah Advisory Council (“**SAC**”). This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status will be released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

This Prospectus is published solely in connection with our IPO. Our Shares are being offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, and Joint Underwriters have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, and Joint Underwriters or any of their respective directors, or any other persons involved in our IPO.

IMPORTANT NOTICE

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside of Malaysia except insofar as it is part of the offering memorandum distributed to foreign institutional investors outside Malaysia in connection with our IPO. Our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, and Joint Underwriters have not authorised and take no responsibility for the distribution of this Prospectus except insofar as it is part of the offering memorandum distributed to foreign institutional and selected investors outside Malaysia in connection with our IPO. No action has been taken to permit any offering of our Shares based on this Prospectus in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase of our Shares in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the offering of our Shares in certain other jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it.

It will be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection to it. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal and or other professional adviser on the laws to which our IPO or you are or might be subjected to. Our Company, Directors, Promoters, Selling Shareholders, Sole Principal Adviser, Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, and Joint Underwriters and any other advisers in relation to our IPO shall not accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Our Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold or delivered within the United States (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or a transaction not subject to, the registration requirements under the U.S. Securities Act. Accordingly, our Shares are being offered and sold only outside the United States in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.

Our Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State Securities Commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the U.S.

Our Shares are not being offered or sold and may not be offered or sold to persons located in or who are residents of the Republic of Korea ("**Korea**"), and this Prospectus and any other document or material in connection with the offer or sale of our Shares may not be circulated or distributed, directly or indirectly, in Korea. Persons located in or who are residents of Korea will not be permitted to acquire, directly or indirectly, our Shares.

IMPORTANT NOTICE

Our Shares are neither subject to the approval by the Financial Services Commission of Korea (“**FSC**”) and the Financial Supervisory Service of Korea, nor have any of the foregoing authorities passed upon or endorsed the merits of our IPO or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is subject to criminal and/or administrative sanctions under the Financial Investment Services and Capital Markets Act and the relevant regulations of Korea (“**Korea Capital Markets Act**”).

While our IPO is not subject to the approval of the FSC, a securities registration statement under the Korea Capital Markets Act has not been submitted to, and accepted by, the FSC. See Section 9.3.1 of this Prospectus for further details on the risks of certain sanctions to our Company and/or Directors under the Korea Capital Markets Act.

ELECTRONIC PROSPECTUS/INTERNET SHARE APPLICATION

This Prospectus can also be viewed or downloaded from Bursa Securities’ website at www.bursamalaysia.com. The contents of the electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secured medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

In relation to any reference in this Prospectus to third-party internet sites (“**Third-Party Internet Sites**”), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we and our Sole Principal Adviser do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we and our Sole Principal Adviser are not responsible for the availability of or the content of any data, file or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we and our Sole Principal Adviser are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We and our Sole Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, information, file or other material provided by such parties; and
- (iii) any data, information, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We and our Sole Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;

IMPORTANT NOTICE

- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (iii) the Internet Participating Financial Institution is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution, and / or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

Event	Time and / or date
Opening of the Institutional Offering ⁽¹⁾	26 March 2025
Issuance of the Prospectus / Opening of the Retail Offering	10.00 a.m., 26 March 2025
Closing of the Retail Offering	5.00 p.m., 10 April 2025
Closing of the Institutional Offering	10 April 2025
Price Determination Date	14 April 2025
Balloting of the applications for our Issue Shares under the Retail Offering	17 April 2025
Allotment / transfer of our IPO Shares to successful applicants	28 April 2025
Listing	30 April 2025

Note:

- (1) Other than the Institutional Offering to the Cornerstone Investors. The Master Cornerstone Placement Agreement for the acquisition and / or subscription of our IPO Shares by the Cornerstone Investors was entered into on 10 March 2025.

If there are any changes to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and make an announcement on Bursa Securities' website.

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PRESENTATION OF INFORMATION

All references to “our Company” are to CUCKOO International (MAL) Berhad. All references to “our Group”, “we”, “us”, “our” or “ourselves” are to our Company and our subsidiaries as a whole, save for where the context otherwise requires.

Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Directors and Key Senior Management.

All references to the “Selling Shareholders” are to CKH, Koo Bon Hak, Hoe Kian Choon, Mak Foong Ling, Toh Seng Lee, Goh Hui Teng, Lye Siew Lay, Tan Yu Liang and Mak Wai Hoong. All references to the “Promoters” are to CKH, Koo Bon Hak and Hoe Kian Choon.

All references to “you” are to our prospective investors.

All references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between amounts listed and the totals in this Prospectus are due to rounding adjustments. Other abbreviations and acronyms used herein are defined in the “Definitions” section and technical terms used herein are defined in the “Glossary of Technical Terms” section. Words denoting the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, bodies corporate and corporations.

Any reference to any provisions of the statutes, rules, regulations, enactments, guidelines or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments, guidelines or rules of stock exchange for the time being in force.

References to a date and time shall be a reference to a date and time in Malaysia, unless otherwise stated. Reference to the “LPD” in this Prospectus is to 28 February 2025, being the latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us or is extracted from the IMR Report included in Section 8 of this Prospectus. We have appointed Frost & Sullivan to provide an independent market and industry review relating to an overview of the economy and industry in which we operate in. In compiling their data for the review, Frost & Sullivan relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. Further, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved, and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on it for the purposes of your decision on whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our business strategies, trends and competitive position;
- (ii) our plans and objectives for future operations;
- (iii) our financial position;
- (iv) potential growth opportunities;
- (v) our future earnings, cash flows and liquidity;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation and regulation;
- (iii) interest rates, tax rates and exchange rates;
- (iv) delays, cost overruns, shortages in labour and other changes that impact the execution of our expansion plans;
- (v) the competitive environment in the industry in which we operate;
- (vi) reliance on approvals, licenses and permits;
- (vii) increases in rental rates of our offices, outlets and distribution centres;
- (viii) fixed and contingent obligations and commitments; and
- (ix) any other factors beyond our control which include terrorist acts, pandemics, epidemics or natural disasters.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12.2 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Should we become aware of any subsequent significant change or new matter arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares that will affect a matter disclosed in this Prospectus, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

CGT	: CUCKOO Global Technology Sdn Bhd (Registration No. 201601022643 (1193582-P))
Company	: CUCKOO International (MAL) Berhad (Registration No. 201401026804 (1102894-H))
CUCKOO Singapore	: CUCKOO International (S) Pte Ltd (Registration No. 201616841Z)
Group	: Collectively, the Company and its subsidiaries, namely CGT and CUCKOO Singapore

PARENT AND RELATED COMPANIES OF THE GROUP

CKH	: CUCKOO Homesys Co., Ltd., our holding company. Please refer to Section 5.1.2(i) for the profile of CKH
CUCKOO Electronics	: CUCKOO Electronics Co., Ltd., our associate company and a wholly-owned direct subsidiary of CUCKOO Holdings
CUCKOO Holdings	: CUCKOO Holdings Co., Ltd., our ultimate holding company. Please refer to Section 5.1.2(iv) for the profile of CUCKOO Holdings
CUCKOO Holdings Group	: CUCKOO Holdings and its group of companies (which include CKH and CUCKOO Electronics)

GENERAL

Abletech	: Abletech Solutions Sdn Bhd
ACCA	: Association of Chartered Certified Accountants in United Kingdom
Act	: Companies Act, 2016 of Malaysia
ADA	: Authorised depository agent
Admission	: Admission of our Shares to the Official List of the Main Market of Bursa Securities
AGM	: Annual general meeting
AmInvestment Bank	: AmInvestment Bank Berhad
Application	: Application for our IPO Shares under the Retail Offering by way of Application Form, Electronic Share Application or Internet Share Application
Application Form(s)	: Collectively, White Application Form and Pink Application Form
ATM	: Automated teller machine

DEFINITIONS

Auditors or Reporting Accountants	: KPMG PLT
Authorised Financial Institution	: Authorised financial institution participating in the Internet Share Application in respect of the payment for our IPO Shares
BNM	: Bank Negara Malaysia
Board or Board of Directors	: Board of directors of our Company
BoC Loan	: A banking facility of term loan facility of CNY119,000,000 (equivalent to RM76,302,800 pursuant to the terms of the facility) and interest rate swap and cross currency swap facility obtained from Bank of China (Malaysia) Berhad, which has been fully settled in November 2024
Bonus Issue	: A bonus issue of 1,240,601,593 new Shares to our existing shareholders undertaken by our Company as set out in Section 6.1.2 of this Prospectus
Bumiputera	: In the context of: <ul style="list-style-type: none"> (i) individuals - Malays, and the aborigines and natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies - companies which fulfil, amongst others, the following criteria or such other criteria as may be imposed by the MITI: <ul style="list-style-type: none"> (a) registered under the Act or Companies Act, 1965 as a private company; (b) its shareholders are 100% Bumiputera; and (c) its board of directors (including its staff) are at least 51% Bumiputera; and (iii) cooperatives - cooperatives whose shareholders or cooperative members are at least 95% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CAGR	: Compound annual growth rate
CCC or CF	: Certificate of completion and compliance or certificate of fitness, or such certificate by any other name issued by the relevant authority under the Street, Drainage and Building Act 1974 applicable to Peninsular Malaysia, Building By-Laws 1951 or Uniform Building By Laws 2022 of Sabah, and the Fourth Schedule of the Building Ordinance 1994 of Sarawak, and any by-laws or such relevant legislation applicable at the material time
CCM	: Companies Commission of Malaysia

DEFINITIONS

CDS	: Central Depository System
CKH Distribution Agreement	: Amended and restated distributorship agreement dated 18 October 2024 between our Company and CKH
CMSA	: Capital Markets and Services Act, 2007 of Malaysia
Constitution	: Constitution of our Company
Cornerstone Investors	: Collectively, Albizia Capital Pte Ltd, Areca Capital Sdn Bhd, Datuk Lim Boon Siong (Executive Director of Fujiare Global Sdn Bhd), Lee Swee Kiat & Sons Sdn Bhd, M & A Value Partners Asset Management Malaysia Sdn. Bhd., Schonfeld Global Master Fund L.P., and Schonfeld IR Master Fund Pte. Ltd.
COVID-19	: Coronavirus disease (COVID-19), an infectious respiratory disease which first broke out in 2019 and has been declared as pandemic by the World Health Organisation in 2020, affecting many countries globally
CUCKOO Brunei	: CK Electronics Sdn Bhd (formerly known as CUCKOO International (B) Sdn Bhd)
CUCKOO Electronics Malaysia	: CUCKOO Electronics Malaysia Sdn Bhd
CUCKOO Indonesia	: PT CUCKOO Global Indonesia
Director(s)	: Director(s) of our Company and within the meaning given in Section 2(1) of the CMSA
EBITDA	: Earnings before interest, tax, depreciation and amortisation
EIS	: Employment Insurance System
Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the internet, and / or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, employees of our Group, and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPF	: Employees Provident Fund
EPS	: Earnings per Share
Equity Guidelines	: Equity Guidelines issued by the SC
ESG	: Environmental, social and governance
Excess Shares	: Any Issue Shares allocated to Eligible Persons but not taken up by them

DEFINITIONS

Final Retail Price	: Final price per Issue Share to be paid by investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is the lower, to be determined on the Price Determination Date
Financial Periods Under Review	: The financial periods under review for the purpose of this Prospectus comprising FPE2023 and FPE2024
Financial Years Under Review	: The financial years under review for the purpose of this Prospectus comprising FYE2021, FYE2022, and FYE2023
FPE	: Financial period ended 30 September
Frost & Sullivan or IMR	: Frost & Sullivan GIC Malaysia Sdn Bhd, the independent market researcher
Fujiaire	: Fujiaire Global Sdn Bhd
Fujiaire Group	: Fujiaire and Fujicare Sdn Bhd
FYE	: Financial year ended 31 December
GDP	: Gross domestic product
GP	: Gross profit
Government	: Government of Malaysia
Great Hoe Holdings	: Great Hoe Holdings Sdn Bhd
IFRS	: IFRS Accounting Standards as issued by the International Accounting Standards Board
IMR Report	: Independent market research report dated 12 March 2025 prepared by Frost & Sullivan, as set out in Section 8 of this Prospectus
Institutional Offering	: Offering of up to 322,380,000 IPO Shares at the Institutional Price, subject to the clawback and reallocation provisions as set out in this Prospectus, to (i) Malaysian institutional and selected investors, including Bumiputera investors approved by the MITI; and (ii) foreign institutional and selected investors outside the United States in reliance on Regulation S
Institutional Price	: Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the Price Determination Date by way of bookbuilding
Internet Participating Financial Institution(s)	: Participating financial institution(s) in the Internet Share Application
Internet Share Application	: Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPO	: Initial public offering of up to 365,364,000 IPO Shares comprising the Public Issue and Offer for Sale, collectively
IPO Shares	: Collectively, the Issue Shares and Offer Shares

DEFINITIONS

IRAS	: Inland Revenue Authority of Singapore
IRB	: Inland Revenue Board of Malaysia
Issue Shares	: 143,280,000 new Shares to be issued by our Company pursuant to the Public Issue
Issuing House	: Malaysian Issuing House Sdn Bhd
IT	: Information technology
Joint Bookrunners	: Collectively, RHB Investment Bank and AmInvestment Bank
Joint Global Coordinators	: Collectively, RHB Investment Bank and AmInvestment Bank
Joint Underwriters	: Collectively, RHB Investment Bank and AmInvestment Bank
Key Senior Management	: Our key senior management, namely Hoe Kian Choon, Yeong Kian Peng, Toh Seng Lee and Goh Hui Teng
Listing	: Listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 28 February 2025, being the latest practicable date prior to the registration of this Prospectus with the SC
LSK	: LSK Mattress Marketing Sdn Bhd
Main Market	: Main Market of Bursa Securities
Malaysian Public	: Malaysian citizens, and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Managing Underwriter	: RHB Investment Bank
Market Day	: A day on which Bursa Securities is open for trading in securities
Master Cornerstone Placement Agreement	: Master cornerstone placement agreement dated 10 March 2025 between our Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors as detailed in Section 4.1.1 of this Prospectus
MASB	: Malaysian Accounting Standards Board
MCCG	: Malaysian Code on Corporate Governance issued by the SC
MCO	: A movement control order implemented as a preventive measure by the federal government of Malaysia to curb the outbreak of COVID-19
MFRS	: MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board

DEFINITIONS

MIA	: Malaysian Institute of Accountants
MITI	: Ministry of Investment, Trade and Industry of Malaysia
MyIPO	: Intellectual Property Corporation of Malaysia
NA	: Net assets attributable to owners of our Company
NBV	: Net book value
NLC	: National Land Code, 1965
NRIC	: Malaysian National Registration Identity Card
Offer for Sale	: Offer for sale of up to 222,084,000 Offer Shares by our Selling Shareholders
Offer Shares	: Our existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
Official List	: A list specifying all securities listed on Bursa Securities
OGAWA Malaysia	: Healthy World Lifestyle Sdn Bhd
Participating Financial Institution(s)	: Participating financial institution(s) for the Electronic Share Application
PAT	: Profit after tax
PBT	: Profit before tax
Pink Application Form	: Application form for the application of our Issue Shares under the Retail Offering by the Eligible Persons accompanying this Prospectus
Pink Form Allocation	: The allocation of 14,328,000 Issue Shares to the Eligible Persons under the Retail Offering
Placement Agreement	: Placement agreement to be entered into between our Company, the Selling Shareholders, the Joint Global Coordinators and the Joint Bookrunners in respect of such number of IPO Shares to be offered under the Institutional Offering
Pre-IPO Dividend	: The dividend of RM73,377,610.50 declared by our Company on 22 April 2024 and paid on 25 April 2024
Price Determination Date	: The date on which the Institutional Price and Final Retail Price will be determined
Promoter(s)	: Collectively, CKH, Koo Bon Hak and Hoe Kian Choon
Prospectus	: This prospectus dated 26 March 2025 issued by our Company
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
Public Issue	: Public issue of 143,280,000 Issues Shares

DEFINITIONS

Record of Depositors	: A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Regulation S	: Regulation S under the U.S. Securities Act
Retail Offering	: Offering of 42,984,000 Issue Shares at the Retail Price, subject to the clawback and reallocation provisions, to be allocated in the following manner: <ul style="list-style-type: none"> (i) 28,656,000 Issue Shares for application by the Malaysian Public via balloting; and (ii) 14,328,000 Issue Shares reserved for application by the Eligible Persons
Retail Price	: Initial price of RM1.29 per Issue Share to be fully paid upon application under the Retail Offering, subject to adjustment as detailed in Section 4.3.1 of this Prospectus
Retail Underwriting Agreement	: Retail underwriting agreement dated 10 March 2025 between our Company, the Managing Underwriter and the Joint Underwriters for the underwriting of our Issue Shares under the Retail Offering
RHB Investment Bank or Sole Principal Adviser	: RHB Investment Bank Berhad
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the SICDA
SC	: Securities Commission Malaysia
Selling Shareholder(s)	: Collectively, CKH, Koo Bon Hak, Hoe Kian Choon, Mak Foong Ling, Toh Seng Lee, Goh Hui Teng, Lye Siew Lay, Tan Yu Liang and Mak Wai Hoong
Share-Based Expenses	: One-off expense of RM137.5 million incurred pursuant to an employee share option scheme wherein 4,887,437 options with an exercise price of RM1.00 per Share were granted on 15 October 2022 to reward our Directors and management team
Share Registrar	: Boardroom Share Registrars Sdn Bhd
Shares	: Ordinary shares in our Company
SICDA	: Securities Industry (Central Depositories) Act, 1991 of Malaysia
SOCSSO	: Social Security Organisation of Malaysia
SST	: Sales tax and service tax
Substantial Shareholders	: CKH, CUCKOO Holdings, Koo Bon Hak, and Hoe Kian Choon
U.S. or United States	: United States of America, its territories and possessions, any state of the United States and the District of Columbia
U.S. Securities Act	: United States Securities Act of 1933, as amended

DEFINITIONS

White Application Form : Application form for the application of our Issue Shares under the Retail Offering by the Malaysian Public accompanying this Prospectus

WHO : World Health Organization

Currency and unit

RM and sen : Ringgit Malaysia and sen, the lawful currency of Malaysia

CNY : Chinese Yuan Renminbi, the lawful currency of the People's Republic of China

KRW : South Korean Won, the lawful currency of the Republic of Korea

SGD : Singapore Dollar, the lawful currency of Singapore

USD : United States Dollar, the lawful currency of the United States

% : Per centum

GLOSSARY OF TECHNICAL TERMS

3PL Service Provider	: A third-party logistics service provider that we engage for warehousing and logistics purposes
Active orders	: Orders from customers who (i) have made outright purchases and are receiving aftersales maintenance services; (ii) have active rental contracts; or (iii) have active subscription contracts for maintenance services or home care services
Contract employees	: Employees of our Group who are engaged on fixed-term contracts
CUCKOO-branded products	: Products carrying the “CUCKOO” brand including water purifiers, air purifiers, multi-cookers, washer and dryer, and treadmill, which are mainly manufactured or sourced by CUCKOO Holdings Group
CUCKOO Brand Gallery	: A retail and experiential centre where customers can learn about the history of our Company and our products and services, as well as sales and promotion of CUCKOO-branded products and CUCKOO Co-Created products
CUCKOO Brandkiosk	: Pushcarts with an area of up to 100 square feet that are typically located at shopping malls, supermarkets and hypermarkets, and used for the promotion of CUCKOO-branded products and CUCKOO Co-Created products
CUCKOO Brandstore	: Larger Retail Outlets with an area of up to 1,000 square feet that are typically located in shopping malls, supermarkets and hypermarkets, and used for the promotion of CUCKOO-branded products and CUCKOO Co-Created products
CUCKOO Co-Created products	: Products carrying the “CUCKOO Co-Created” brand including mattresses, air conditioners and massage chairs which are developed in partnership with business partners
CUCKOO e-Brandshop	: An e-commerce platform operated by our Company through which customers can view and shop for CUCKOO-branded products, accessible at https://www.cuckoo.com.my/e-brandshop
CUCKOO Sales Team	: Comprises Sales Managers and Sales Representatives
CUCKOO+ Service Centre	: Premises used by the CUCKOO+ Service Group
CUCKOO+ Service Group	: Comprises Service Managers and Service Specialists
CUCKOO Training Hub	: Premises used by the CUCKOO Sales Team
e-Brandstores	: Sales platforms accessible through unique domains which are operated by contract employees and independent contractors under the CUCKOO Sales Team, Wonder Star Team and CUCKOO+ Service Group, through which customers can view and shop for our range of products and services
Home appliances	: Electrical or non-electrical devices primarily used within households, but generally also in commercial settings, to perform routine chores and tasks such as cleaning, cooking, cooling, etc.

GLOSSARY OF TECHNICAL TERMS

Household goods	: A diverse range of items primarily used within households, but generally also in commercial settings, to enhance comfort, organisation, daily living, and etc. This category includes furniture and other home furnishings
Independent contractor	: Contract staff engaged on fixed-term contracts from six months to two years, who are not employees of the Group
ISO	: International Organisation for Standardisation
Outright purchase	: The act of acquiring a product by making full payment to the seller at the time of purchase or through monthly payments based on the options provided by banking institutions. Ownership is immediately transferred to the buyer upon completion of the payment.
Rental plan	: An option to acquire a product through monthly payments based on the terms provided by sellers. This allows the use of the product for a specified duration under an agreement. Ownership is transferred to the consumer after completing the rental contract with no outstanding payment.
Retail Outlets	: CUCKOO Brandstores and CUCKOO Brandkiosks, Wonder Stores and the CUCKOO Brand Gallery
Sales Managers	: Contract employees who mainly manage Sales Representatives
Sales Representatives	: Independent contractors who undertake the sale of CUCKOO-branded products and CUCKOO Co-Created products
Service Managers	: Contract employees of the Group who mainly manage Service Specialists
Service Specialists	: Independent contractors who mainly (i) carry out our aftersales maintenance services such as delivery, installation, periodic servicing, checks and maintenance, and product repair, and (ii) conduct cross-selling of CUCKOO-branded and CUCKOO Co-Created products
SKU(s)	: Stockkeeping unit(s)
WonderKlean e-Brandshop	: An e-commerce platform operated by our Company through which customers can view and shop for WonderKlean services, accessible at https://store.cuckoo.com.my/wonderklean
WonderLab e-Brandshop	: An e-commerce platform operated by our Company through which customers can view and shop for WonderLab and WonderDewi products, accessible at https://wonderlab.com.my/all-product
WonderLab Sales Associates	: Contract employees who operate and manage the Group's Wonder Stores, and who may from time to time be deployed at third-party personal care stores where our WonderLab and WonderDewi products are stocked
WonderLab Sales Team	: Comprises the Wonder Star Team and WonderLab Sales Associates

GLOSSARY OF TECHNICAL TERMS

Wonder Managers	: Contract employees who mainly manage Wonder Stars
Wonder Star Team	: Comprises Wonder Managers and Wonder Stars
Wonder Stars	: Independent contractors who undertake the sale of WonderLab and WonderDewi products
Wonder Store	: A retail outlet used for the sales and promotion of WonderLab and WonderDewi products

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Nationality / Gender	Designation	Address
Koo Bon Hak	Korean / Male	Non-Independent Non-Executive Chairman	104-2204, 206 Seolleung-ro Gangnam-gu Seoul 06281 Republic of Korea
Hoe Kian Choon	Malaysian / Male	Non-Independent Executive Director / Chief Executive Officer	Unit 17, Villa Yarl No. 1 Jalan Awan Selimpat Taman Yarl 58200 Kuala Lumpur Malaysia
Low May-Teng	Malaysian / Female	Senior Independent Non-Executive Director	No 16, Jalan SS 4C/9 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia
Kwon Yoo Kyung	Korean / Female	Independent Non-Executive Director	#202, 91, Sapyeong-daero 6-gil Seocho-gu Seoul 06583 Republic of Korea
Marieta binti Abdull Hamid	Malaysian / Female	Independent Non-Executive Director	21, Aman Kiara Jalan Kiara 5 Mont Kiara 50480 Kuala Lumpur Malaysia

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Low May-Teng	Chairman	Senior Independent Non-Executive Director
Kwon Yoo Kyung	Member	Independent Non-Executive Director
Marieta binti Abdull Hamid	Member	Independent Non-Executive Director

NOMINATION AND REMUNERATION COMMITTEE

Name	Designation	Directorship
Kwon Yoo Kyung	Chairman	Independent Non-Executive Director
Low May-Teng	Member	Senior Independent Non-Executive Director
Marieta binti Abdull Hamid	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY

- COMPANY SECRETARIES** : **Tan Tong Lang**
Chartered Secretary and Chartered Governance Professional
(MAICSA Membership No. 7045482)
(CCM Practising Certificate No. 202208000250)
No. 38, Jalan Taming Indah 2
Taman Taming Indah
43000 Kajang
Selangor Darul Ehsan
Malaysia
- Tan Lay Khoon**
Chartered Secretary and Chartered Governance Professional
(MAICSA Membership No. 7077867)
(CCM Practising Certificate No. 202208000544)
No. 41, Jalan Udang Pasir 1
Taman Megah Kepong
52100 Kuala Lumpur
Malaysia
- REGISTERED OFFICE** : B-21-1, Level 21, Tower B
Northpoint Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur
Malaysia
Tel. No.: +603 9770 2200
- HEAD OFFICE** : Level 16, Menara Bangkok Bank
Laman Sentral Berjaya
No. 105, Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel. No.: 1800 88 8181 (toll-free)
+603 9078 2839
Website: www.cuckoo.com.my
E-mail: info@cuckoo.com.my
- SOLE PRINCIPAL ADVISER,
JOINT GLOBAL
COORDINATOR, JOINT
BOOKRUNNER, MANAGING
UNDERWRITER AND JOINT
UNDERWRITER** : **RHB Investment Bank Berhad**
Level 10, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel. No.: +603 9287 3888
- JOINT GLOBAL
COORDINATOR, JOINT
BOOKRUNNER, AND JOINT
UNDERWRITER** : **AmInvestment Bank Berhad**
Level 22, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel. No.: +603 2036 2633
- AUDITORS AND REPORTING
ACCOUNTANTS** : **KPMG PLT**
Level 10, KPMG Tower
No. 8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No.: +603 7721 3388

1. CORPORATE DIRECTORY

Partner-in-charge: Eric Kuo Sze-Wei
Professional qualification: Member of the Malaysian Institute of Accountants (MIA Membership No.: CA34269) and Certified Practising Accountant Australia (CPA Membership No.: 9314666)

LEGAL ADVISERS

: *To our Company as to Malaysian law*

Rahmat Lim & Partners

Suite 33.01, Level 33
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: +603 2299 3888

To our Company as to United States federal securities law and Singaporean law

Clifford Chance Pte. Ltd.

12 Marina Boulevard #25-00
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. No.: +65 6410 2200

To our Company as to Korean law

Jipyong LLC

26F, Grand Central A
14 Sejong-daero, Jung-gu
Seoul 04527
Republic of Korea
Tel. No.: +82 2 6200 1600

To the Joint Global Coordinators, Joint Bookrunners, Managing Underwriter, and Joint Underwriters as to Malaysian law

Christopher & Lee Ong

Level 22, Axiata Tower
No. 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia
Tel. No.: +603 2273 1919

To the Joint Global Coordinators and the Joint Bookrunners as to United States federal securities law

Baker & McKenzie.Wong & Leow

8 Marina Boulevard #05-01
Marina Bay Financial Centre Tower 1
Singapore 018981
Tel. No.: +65 6338 1888

1. CORPORATE DIRECTORY

**INDEPENDENT
RESEARCHER**

MARKET : **Frost & Sullivan GIC Malaysia Sdn Bhd**
Level 6.06, KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No.: +603 2023 2000

Name of signing partner: Narciso Podda (Director, Business & Financial Services)

Professional qualification: Bachelor in Business Administration from Bocconi University, Italy and Master in International Economics and Finance from Chulalongkorn University, Thailand

(Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)

ISSUING HOUSE

: **Malaysian Issuing House Sdn Bhd**
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No.: +603 7890 4700

SHARE REGISTRAR

: **Boardroom Share Registrars Sdn Bhd**
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel. No.: +603 7890 4700

LISTING SOUGHT

: Main Market of Bursa Securities

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

2.1.1 SC

- (i) The SC had, via its letter dated 6 November 2024, approved the relief we sought from having to comply with the following requirements under the Equity Guidelines. The details of the relief sought and the corresponding conditions imposed by the SC are set out below:

Reference	Details of relief sought	Conditions imposed (if any)
Paragraphs 2(a) and 2(b) of Appendix 4, Part IV of the Equity Guidelines	Relief from complying with the requirement in respect of placement of our IPO Shares to be offered under the Institutional Offering to persons connected to the placement agents.	-

- (ii) The SC had, via its letter dated 21 January 2025 ("**Approval Letter**"), approved our IPO and our Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

Details of condition imposed	Status of compliance
RHB Investment Bank and our Company to fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of our Listing.	To be complied
The SC had, via the Approval Letter, approved our application under the Bumiputera equity requirement for public listed companies pursuant to our Listing, subject to our Company allocating Shares equivalent to 12.5% of our enlarged number of issued Shares upon our Listing to Bumiputera investors to be approved by MITI in conjunction with our Listing. In addition, we are to make available at least 50% of Shares offered to the Malaysian Public investors via balloting to Bumiputera public investors.	

2.1.1 Bursa Securities

Bursa Securities had, via its letter dated 5 March 2025, approved our admission to the Official List and our Listing ("**Bursa Securities Approval Letter**").

In the Bursa Securities Approval Letter, our Company and RHB Investment Bank are required to comply with the following conditions:

No.	Details of condition imposed	Status of compliance
(i)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements. In this respect, we are advised to include the stock code, stock short name and International Securities Identification Number (ISIN) Code upon making the announcement on the timetable for our IPO.	To be complied
(ii)	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public security holding spread requirements based on our entire issued share capital on the first day of listing.	To be complied

2. INTRODUCTION

2.1.2 MITI

The MITI had, via its letter dated 19 November 2024, taken note of and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

2.2.1 Moratorium pursuant to the Equity Guidelines

In accordance with the Equity Guidelines, our Shares held by CKH, Koo Bon Hak and Hoe Kian Choon after our IPO are subject to a moratorium for a period of six months from the date of our Listing as set out below:

Shareholders	No. of Shares	% ⁽¹⁾
CKH	745,056,000	52.0
Koo Bon Hak	157,608,000	11.0
Hoe Kian Choon	143,280,000	10.0
Total	1,045,944,000	73.0

Note:

(1) Based on our enlarged total number of 1,432,800,000 Shares after our IPO.

CKH, Koo Bon Hak and Hoe Kian Choon have fully accepted the moratorium and provided written undertakings that they will not sell, transfer or assign any part of their respective shareholdings under moratorium during the moratorium period, in accordance with the Equity Guidelines.

The moratoriums are specifically endorsed on the share certificates representing our Shares held by CKH, Koo Bon Hak and Hoe Kian Choon which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that is not in compliance with such moratorium restrictions. In compliance with the restrictions, the Share Registrar will issue share certificates representing the moratorium block of shares with the moratorium clause endorsed on them together with a letter providing details of the moratorium to Bursa Depository.

2.2.2 Voluntary moratorium

(i) **Hoe Kian Choon**

Pursuant to a letter of undertaking dated 18 July 2024 issued by Hoe Kian Choon to our Company, CKH and Koo Bon Hak, Hoe Kian Choon has agreed and undertaken not to sell, transfer or assign our Shares held by him after our IPO for an additional period of 18 months from the date immediately following the expiry of the moratorium period referred to in Paragraph 2.2.1 of this Prospectus. During this additional period, Hoe Kian Choon may charge and / or pledge his Shares to a Malaysian financial institution regulated by BNM (“MFI”) (“**HKC Charge/Pledge**”) for the purpose of obtaining personal financing. In such event, Hoe Kian Choon shall ensure that it shall be a condition in the financing arrangement with the MFI that CKH shall be given a first right of refusal to acquire the Shares which are subject to the HKC Charge/Pledge if the MFI were to call on the HKC Charge/Pledge pursuant to the terms of the financing arrangement.

2. INTRODUCTION

(ii) Toh Seng Lee, Goh Hui Teng, Mak Wai Hoong, Tan Yu Liang and Lye Siew Lay

Pursuant to the letters of undertaking issued to our Company, CKH and Koo Bon Hak by each of Toh Seng Lee, Goh Hui Teng, Mak Wai Hoong, Tan Yu Liang and Lye Siew Lay each dated 18 July 2024, each of them has agreed and undertaken not to sell, transfer or assign their respective Shares held by them after our IPO for a period of two years from the date of our Listing. During this period, they may each charge and / or pledge their respective Shares to an MFI (“**Charge/Pledge**”) for the purpose of obtaining personal financing. In such event, they shall ensure that it shall be a condition in the financing arrangement with the MFI that CKH shall be given a first right of refusal to acquire the Shares which are subject to the Charge/Pledge if the MFI were to call on the Charge/Pledge pursuant to the terms of the financing arrangement.

The details of the Shares which will be held under the voluntary moratoriums as described in sub-paragraphs (i) and (ii) above are set out below:

Name	No. of Shares	%⁽¹⁾
Hoe Kian Choon	143,280,000	10.0
Toh Seng Lee	4,298,401	0.3
Goh Hui Teng	4,298,401	0.3
Mak Wai Hoong	4,298,399	0.3
Tan Yu Liang	4,298,399	0.3
Lye Siew Lay	4,298,400	0.3
Total	164,772,000	11.5

Note:

(1) Based on our enlarged total number of 1,432,800,000 Shares after our IPO.

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

Subject to the terms and conditions set out in this Prospectus, our IPO of up to 365,364,000 IPO Shares, representing 25.5% of our enlarged total number of 1,432,800,000 Shares comprises:

- (a) the Institutional Offering at the Institutional Price to be determined by way of bookbuilding; and
- (b) the Retail Offering at the Retail Price of RM1.29 per Issue Share, payable in full upon application and subject to refund of the difference between the Retail Price and the Final Retail Price in the event that the Final Retail Price is less than the Retail Price.

The Company intends to allocate the IPO Shares in the following manner:

	Public Issue		Offer for Sale		Total	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Retail offering						
Malaysian Public (via balloting)						
- Bumiputera	14,328,000	1.0	-	-	14,328,000	1.0
- Non-Bumiputera Eligible Persons	14,328,000	1.0	-	-	14,328,000	1.0
Institutional offering						
Institutional and selected investors ⁽²⁾	100,296,000	7.0	42,984,000	3.0	143,280,000	10.0
Identified Bumiputera investors approved by MITI	-	-	179,100,000	12.5	179,100,000	12.5
Total	143,280,000	10.0	222,084,000	15.5	365,364,000	25.5

Market capitalisation upon Listing (based on the Retail Price and the enlarged number of issued Shares after our IPO) (RM) **1,848,312,000**

Notes:

- (1) Computed based on the enlarged total number of 1,432,800,000 Shares after our IPO.
- (2) Includes foreign institutional and selected investors outside the United States in reliance on Regulation S.

In accordance with the Equity Guidelines, our Shares held by CKH, Koo Bon Hak and Hoe Kian Choon after our IPO are subject to a moratorium for a period of six months from the date of our Listing. In addition, pursuant to:

- (i) a letter of undertaking dated 18 July 2024 issued by Hoe Kian Choon to our Company, CKH and Koo Bon Hak, Hoe Kian Choon has agreed and undertaken not to sell, transfer or assign our Shares held by him after our IPO for an additional period of 18 months from the date immediately following the expiry of the moratorium period referred to above; and
- (ii) letters of undertaking dated 18 July 2024 issued to our Company, CKH and Koo Bon Hak by each of Toh Seng Lee, Goh Hui Teng, Mak Wai Hoong, Tan Yu Liang and Lye Siew Lay, where each of them have agreed and undertaken not to sell, transfer or assign their respective Shares held by them after our IPO for a period of two years from the date of our Listing.

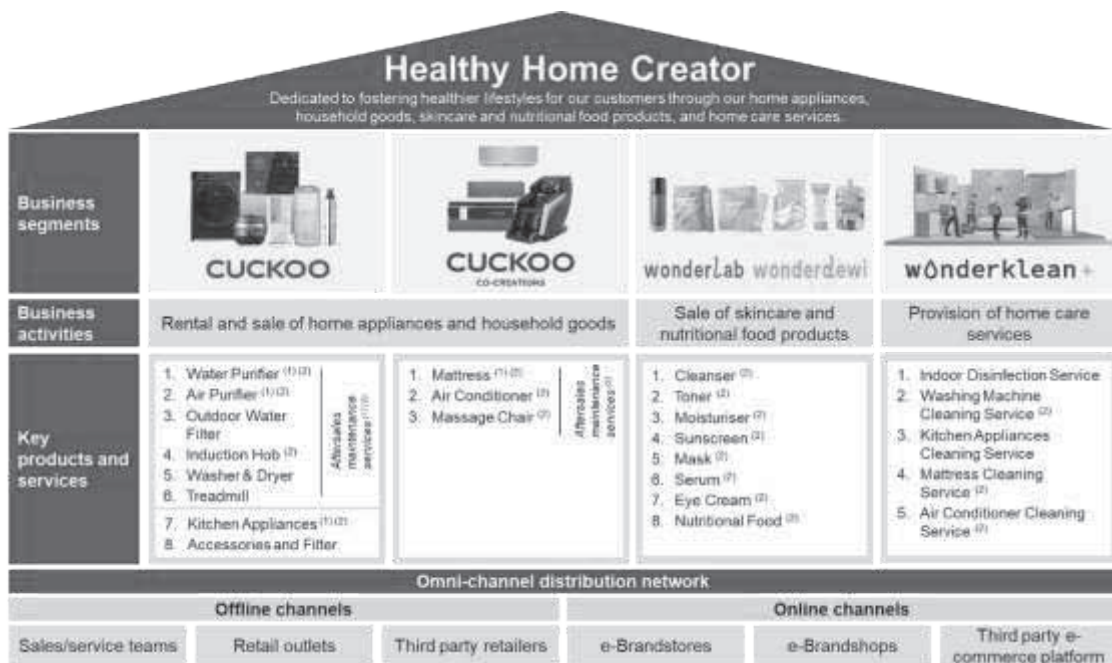
3. PROSPECTUS SUMMARY

3.2 OUR BUSINESS

Our Company was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 24 July 2014 under the name of CUCKOO International (MAL) Sdn Bhd and is deemed registered under the Act. On 5 August 2024, our Company was converted into a public limited company and assumed our present name of CUCKOO International (MAL) Berhad to facilitate our Listing.

Our Company is principally involved in the trading and rental of home appliances, mattresses and furniture, trading of beauty care products, provision of home care services, and investment holding activities. Our Company is the sole and exclusive distributor of CUCKOO-branded products in Malaysia, Singapore and Brunei.

We are a company dedicated to fostering healthy lifestyles for our customers through our home appliances, household goods, skincare and nutritional food products, and home care services across our four business segments: CUCKOO-branded; CUCKOO Co-Created; WonderLab and WonderDewi; and WonderKlean, in Malaysia and where indicated, Singapore and Brunei, as below:



Notes:

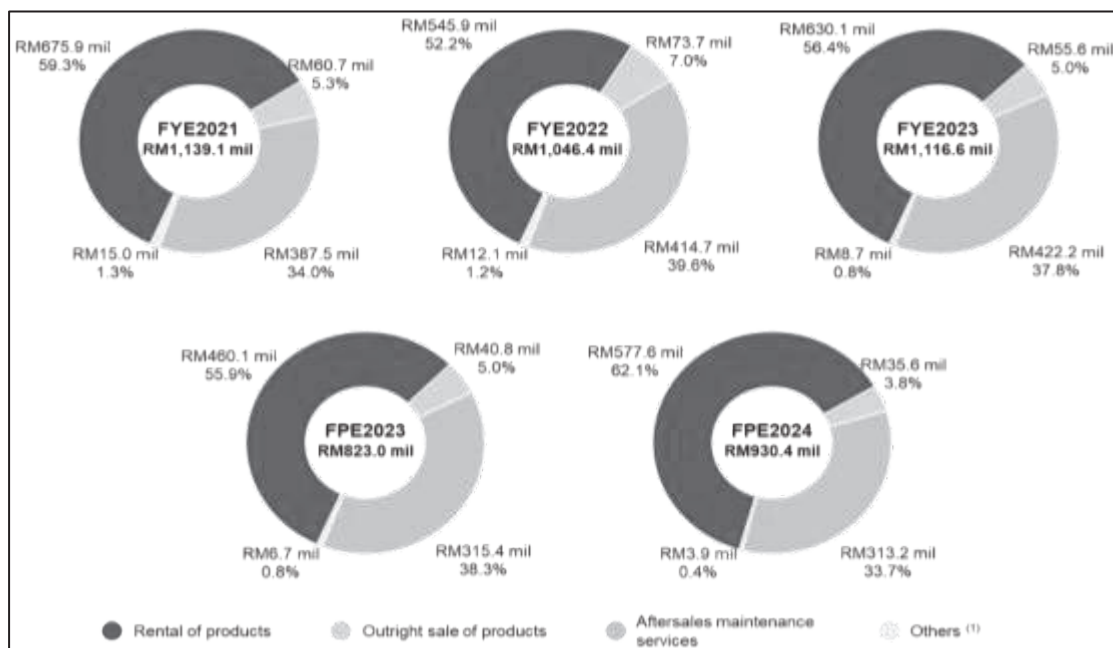
(1) Also available in Singapore.

(2) Also available in Brunei.

We derive our revenue mainly from the rental and outright sale of our products, and provision of aftersales maintenance services for such products under our CUCKOO-branded and CUCKOO Co-Created segments.

3. PROSPECTUS SUMMARY

Our revenue contribution by business activities for the Financial Years Under Review and the Financial Periods Under Review are set out below:



Note:

- (1) Others comprise revenue from our WonderLab and WonderDewi segment, WonderKlean segment, and IT support and maintenance services.

Our Group has recently received the following awards:

Year	Awards and Accreditations	Awarding Body
2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024	Gold Trusted Brand Award in Water Purifier Category	Reader's Digest
2019, 2020, 2021, 2022, 2023, 2024	Best Companies to Work for in Asia Award	HR Asia
2020, 2023, 2024	Most Caring Company Award	HR Asia
2020, 2021, 2022, 2023, 2024	Best Customer Experience Award	CXP
2022, 2023	Malaysia Home Water Purifier Company of the Year Award	Frost & Sullivan
2022, 2023, 2024	Silver Award for the Home Improvement Products and Stores Category	Putra Aria Brand Awards / Putra Brand Awards
2023	Silver Award for the Personal, Household and Outdoor Appliances Category	Putra Brand Awards

For further details on (i) our history, see Section 7.1 of this Prospectus; (ii) our group structure, see Section 6.2 of this Prospectus; and (iii) our business, see Section 7.5 of this Prospectus.

3. PROSPECTUS SUMMARY

Our competitive strengths are as follows:

- (i) we have built a **strong brand presence** in Malaysia over the past 10 years that has allowed us to: (i) promote a positive image that is dedicated to fostering healthy lifestyles for our customers; (ii) secure new customers; and (iii) build brand loyalty to retain our existing customers and to cross-sell more of our products / services to them;
- (ii) we have an **effective business model focused on providing flexible rental plans at affordable rates** which allows us to cater to a wide range of consumers with differing budgets, preferences and lifestyles, enabling us to sustain and grow our business;
- (iii) we have **diversified our product and service offerings** by continuously working to understand customer needs and preferences in our local markets while leveraging on the CUCKOO brand name;
- (iv) we have **adopted various digitised systems** in the management of sales, billing, supply chain and inventory, monitoring of service quality, collections, customer credit processing and customer data analysis to help drive efficiency in our operations and enhance our customer experience;
- (v) we have an **omni-channel distribution network** that allows us to distribute our products and services widely. This improves our market reach as we are able to connect with our customers through their preferred touchpoints, thus providing accessibility and visibility of our products and services;
- (vi) we have a **strong and incentivised network of sales and service personnel to drive sales performance**, which we motivate with a sales-driven compensation plan;
- (vii) we have **consistently maintained steady revenue** by promoting higher collection rates, balancing the ratio of outright sales to rental plans, managing our upfront expenses through revenue-sharing arrangements. The higher collection rates result in better cash flows which allow us to fund the purchase of products from our suppliers and pay commissions and in turn grow our revenue steadily; and
- (viii) we **have an experienced Key Senior Management team**, being led by our CEO, Hoe Kian Choon, who has over 18 years of experience in the rental industry for home appliances and household goods, and who is supported by our other experienced Key Senior Management team based in Malaysia who have 19 to 25 years of experience in their respective areas of expertise including in the rental industry for home appliances and household goods in Malaysia.

Our future plans and strategies are as follows:

- (i) we plan to continue to leverage on our strong brand presence, effective business model, and omni-channel distribution network to capitalise on the growing industry in Malaysia by increasing product SKUs and home care services, which we believe will support the **growth of our market share in the rental industry for home appliances and household goods**.
- (ii) we plan to **expand our omni-channel distribution network**. We intend to increase customer touchpoints and increase customer experience mainly by:
 - (a) introducing CUCKOO “cash and carry” Brandshops in Malaysia;
 - (b) expanding the product range to be made available through the CUCKOO e-Brandshop and WonderLab e-Brandshop; and
 - (c) opening five third-party retail outlets and continuing to expand our distribution channels in Singapore and leverage on distribution networks of more partners such as department stores and retail shops to build brand awareness. For further details on such third-party retail outlets, see Section 7.5.5.4 of this Prospectus.

3. PROSPECTUS SUMMARY

We aim to further grow the CUCKOO Sales Team by about 20% to over 7,000 personnel in 2025 to expand our distribution network by expanding our CUCKOO Sales Team distribution footprint in regions where we have lower retail outlet penetration rate, which includes Kelantan, Terengganu, Pahang and Malacca.

- (iii) we plan to **improve operational efficiency and capability to serve a larger market** through the enhancement of logistic capabilities and warehouse management system, and upgrading of data servers.

3.3 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM184.8 million from the Public Issue will be utilised by our Group in the following manner, and as further set out in Section 4.5 of this Prospectus:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from date of Listing
	(RM'mil)	%	
Capital to fund product purchases for expansion of rental business	104.7	56.7	Within 12 months
Repayment of bank borrowings	40.0	21.6	Within 9 months
Capital expenditure:			
(a) Opening of 'Brandshops'	5.0	2.7	Within 24 months
(b) Upgrading of IT systems	5.6	3.0	Within 24 months
Expansion of Singapore business	10.0	5.4	Within 24 months
Estimated listing expenses	19.5	10.6	Immediate
Total	184.8	100.0	

3.4 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. For further details of the risk factors, see Section 9 of this Prospectus.

Risks relating to our business and operations:

- (a) **Our business operations and financial condition are dependent on CUCKOO Holdings Group** - we have been granted, amongst others, the sole and exclusive rights to distribute the CUCKOO-branded products in Malaysia, Singapore and Brunei pursuant to the CKH Distribution Agreement. If this agreement is terminated without any alternative arrangements entered into, CKH will no longer be required to supply us with CUCKOO-branded products and we will be required to cease the use of the "CUCKOO" trademarks in Malaysia, Singapore and Brunei;
- (b) **Any disruption in the supply of our products from our suppliers may have an adverse impact on our business operations and financial condition** - supply risks include our suppliers experiencing a reduced production capacity, failure to meet production deadlines, failure to meet our product quality standards as well as shipping and port disruptions. If these suppliers fail to produce or deliver sufficient products of acceptable quality to meet our needs in a timely manner, it may adversely affect our business;
- (c) **We require significant upfront capital and sustainable cashflow for us to offer our customers rental plans for our products** – our business model requires us to have significant upfront capital to fund the purchase of products from our suppliers and pay sales commissions, whilst our operating cash inflows are dependent on our collection of rental payments from our customers over their contract terms. As such, if capital resources are not available to us on a timely basis or a significant number of our customers fail to settle their payments in a timely manner or at all, our business operations and financial condition may be materially and adversely affected;

3. PROSPECTUS SUMMARY

- (d) **We may not be able to secure other sources of financing to fund our product purchases to offer rental plans to our customers** – we will need to rely on third-party financing rather than incurring higher amounts owing to our suppliers to fund the purchase of new products and the repayment of our existing trade liabilities. We may not be able to obtain additional financing in a timely manner or on acceptable terms in the future, if at all, which could delay our ability to pursue our business plans, which could adversely affect our business operations and financial condition;
- (e) **We are subject to payment-related risks arising from defaults or late payments by our customers** - if the creditworthiness of our customers deteriorates, or if a significant number of our customers fail to settle their payments in a timely manner for any reason, we may incur impairment losses and our business operations and financial condition could be adversely affected; and
- (f) **Our business depends on our brand image** – factors that could affect our brand image include negative commentary, product safety or quality failures, and counterfeiting. Any event which negatively impacts our brands and / or reputation may deter customers from purchasing our products and / or services as well as discourage our business partners from conducting business with us.

Risks relating to the industry in which we operate

- (a) **We face intense competition within the home appliances and household goods industry from many foreign and local players.** There can be no assurance that we will be able to compete successfully with our competitors, and failure to do so would have an adverse effect on our business operations and financial condition; and
- (b) **Our business and future growth prospects rely on consumer demand for our products or rental plans.** If we misjudge consumer demand, we may incur unrecoverable development, production and marketing costs which will adversely affect our business operations and financial condition.

Risks relating to our Shares

- (a) **We and our Directors may be subject to sanctions under the Financial Investment Services and Capital Markets Act and relevant regulations of the Republic of Korea (“Korea”) (“Korea Capital Markets Act”).** As at the date of this Prospectus, we have not submitted the securities registration statement required under the Korea Capital Markets Act as it would result in a breach of Malaysian regulations and we have been unable to obtain waivers for this requirement in Korea. Pursuant to the Korea Capital Markets Act, if found liable, we and our Directors may be subject to among others, fine and / or imprisonment, surcharge and restrictions relating to the IPO.

3.5 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
Directors	
Koo Bon Hak	Non-Independent Non-Executive Chairman
Hoe Kian Choon	Non-Independent Executive Director and Chief Executive Officer
Low May-Teng	Senior Independent Non-Executive Director
Kwon Yoo Kyung	Independent Non-Executive Director
Marieta binti Abdull Hamid	Independent Non-Executive Director
Key Senior Management	
Hoe Kian Choon	Non-Independent Executive Director and Chief Executive Officer
Yeong Kian Peng	Chief Financial Officer
Toh Seng Lee	Chief Operating Officer
Goh Hui Teng	Chief Marketing Officer

Please refer to Sections 5.2 and 5.4 of this Prospectus for further details.

3. PROSPECTUS SUMMARY

3.6 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Details of our Promoters' and Substantial Shareholders' shareholdings in our Company before and after our IPO are as follows:

Name	Nationality / Country of Incorporation	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and Substantial Shareholders</u>									
CKH	Republic of Korea	806,424,244	62.54	-	-	745,056,000	52.00	-	-
Koo Bon Hak	Korean	256,422,997	19.89	⁽³⁾ 806,424,244	62.54	157,608,000	11.00	⁽³⁾ 745,056,000	52.00
Hoe Kian Choon	Malaysian	147,363,326	11.43	⁽⁴⁾ 36,364,146	2.82	143,280,000	10.00	-	-
<u>Substantial Shareholder</u>									
CUCKOO Holdings	Republic of Korea	-	-	⁽⁵⁾ 806,424,244	62.54	-	-	⁽⁵⁾ 745,056,000	52.00

Notes:

- (1) Based on the total number of 1,289,520,000 Shares as at the LPD and before our IPO.
- (2) Based on the enlarged total number of 1,432,800,000 Shares after our IPO.
- (3) Deemed interested through CKH and CUCKOO Holdings pursuant to Section 8(4) of the Act.
- (4) Deemed interested through his spouse, Mak Foong Ling, pursuant to Section 59(11)(c) of the Act.
- (5) Deemed interested through CKH pursuant to Section 8(4) of the Act.

Koo Bon Hak and Hoe Kian Choon are our beneficial owners. Please refer to Section 5.1 of this Prospectus for further details.

3. PROSPECTUS SUMMARY

3.7 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following sets out a summary of our consolidated financial information for the Financial Years Under Review and Financial Periods Under Review, and as further set out in Sections 12 and 13 of this Prospectus:

	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,139,076	1,046,446	1,116,649	823,003	930,365
Cost of sales	(738,736)	(661,439)	(746,534)	(545,533)	(640,428)
GP	400,340	385,007	370,115	277,470	289,937
Other income	17,653	12,458	3,825	3,362	3,280
Distribution expenses	(58,009)	(77,889)	(84,870)	(56,392)	(63,388)
Administrative expenses ⁽¹⁾	(51,303)	(201,059)	(62,740)	(44,155)	(53,835)
Net losses on impairment of financial instruments	(20,661)	(27,772)	(52,258)	(43,498)	(36,014)
Results from operating activities	288,020	90,745	174,072	136,787	139,980
Finance income	1,637	2,473	2,739	2,065	10,901
Finance costs	(40,230)	(41,246)	(38,180)	(37,460)	(14,597)
PBT	249,427	51,972	138,631	101,392	136,284
Tax expense	(62,991)	(49,917)	(51,762)	(42,286)	(32,595)
PAT	186,436	2,055	86,869	59,106	103,689
PAT attributable to:					
Owners of our Company	186,694	2,440	87,260	59,232	104,003
Non-controlling interests	(258)	(385)	(391)	(126)	(314)
PAT	186,436	2,055	86,869	59,106	103,689
Other comprehensive expense:					
Item that is or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	(70)	(502)	(706)	(550)	1,183
Total comprehensive income	186,366	1,553	86,163	58,556	104,872
Total comprehensive income attributable to:					
Owners of our Company	186,624	1,938	86,554	58,682	105,186
Non-controlling interests	(258)	(385)	(391)	(126)	(314)
Total comprehensive income	186,366	1,553	86,163	58,556	104,872
EBITDA (RM'000)	366,172	156,064	234,312	183,305	176,128
Adjusted PAT (RM'000) ⁽²⁾	186,436	151,081	100,585	59,106	103,689
EBITDA margin (%) ⁽³⁾	32.1	14.9	21.0	22.3	18.9
GP margin (%)	35.1	36.8	33.1	33.7	31.2
PBT margin (%)	21.9	5.0	12.4	12.3	14.6
Effective tax rate (%) ⁽⁴⁾	25.3	96.0	37.3	41.7	23.9
PAT margin (%)	16.4	0.2	7.8	7.2	11.1
Adjusted PAT margin (%)	16.4	14.4	9.0	7.2	11.1
Basic and diluted EPS (sen) ⁽⁵⁾	13.0	0.2	6.1	4.1	7.3
Gearing ratio (times) ⁽⁶⁾	0.3	0.2	0.1	-	0.4

3. PROSPECTUS SUMMARY

Notes:

- (1) Our administrative expenses increased in FYE2022 compared to FYE2021 by RM149.7 million mainly due to a one-off recognition of RM137.5 million pursuant to an employee share option scheme to reward our Directors and management team in FYE2022. See Section 12.2.3 of this Prospectus for further details.
- (2) The following table sets out the computation in arriving at our adjusted PAT for the respective Financial Years Under Review and Financial Periods Under Review:

	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	186,436	2,055	86,869	59,106	103,689
Add/(Less):					
Share-Based Expenses	-	137,509	-	-	-
Prosperity tax	-	11,517	-	-	-
Additional tax expense arising from SVDP2.0 ^(a)	-	-	13,716	-	-
Adjusted PAT	186,436	151,081	100,585	59,106	103,689

Note:

- (a) In order to mitigate the tax risk that the IRB may regard the finance lease interest income as part of the deemed profit amount under the Income Tax Leasing Regulations 1986 which should be taxed upfront rather than over the duration of the rental contract, we had participated in the Special Voluntary Disclosure Programme 2.0. See Section 12.2.3 of this Prospectus for further details.
- (3) Computed based on EBITDA divided by revenue.
- (4) Computed based on taxation divided by PBT.
- (5) Computed based on PAT attributable to the owners of our Company divided by the enlarged total number of 1,432,800,000 Shares immediately after our IPO.
- (6) Computed based on total loans and bank borrowings and total lease liabilities, divided by total equity.

	Audited			
	FYE2021	FYE2022	FYE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000
Non-current assets	656,661	633,642	752,040	904,464
Current assets	500,008	608,552	522,968	586,582
Total assets	1,156,669	1,242,194	1,275,008	1,491,046
Non-current liabilities	240,746	98,849	14,433	158,155
Current liabilities	348,680	437,040	463,219	504,041
Total liabilities	589,426	535,889	477,652	662,196
Equity attributable to owners of our Company / NA	568,177	707,624	799,066	830,874
Non-controlling interests	(934)	(1,319)	(1,710)	(2,024)
Total equity	567,243	706,305	797,356	828,850
Total equity and liabilities	1,156,669	1,242,194	1,275,008	1,491,046

3. PROSPECTUS SUMMARY

	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from/(used in) operating activities	60,613	149,496	103,389	89,827	(114,026)
Net cash used in investing activities	(4,166)	(25,825)	(40,630)	(40,662)	(216)
Net cash (used in)/from financing activities	(49,929)	(74,930)	(111,475)	(76,228)	132,086
Net increase/(decrease) in cash and cash equivalents	6,518	48,741	(48,716)	(27,063)	17,844
Cash and cash equivalents at the beginning of the financial year	78,717	85,240	133,483	133,483	84,099
Effect of exchange rate fluctuations on cash held	5	(498)	(668)	(564)	344
Cash and cash equivalents at the end of the financial year	85,240	133,483	84,099	105,856	102,287

3.8 DIVIDEND POLICY

We target a payout ratio of at least 20% of our net profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account of our working capital, maintenance capital (which refers to capital which are mainly used for the maintenance of our Retail Outlets and CUCKOO+ Service Centres) and committed capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plan approved by our Board.

As at the LPD, our Group has banking facilities with Bank of China (Malaysia) Berhad, Affin Islamic Bank Berhad, AmBank (M) Berhad and RHB Islamic Bank Berhad, pursuant to which we are restricted from declaring dividends without the said financial institutions' written consents. These restrictions will remain in place for as long as the facilities are subsisting, unless the terms are otherwise varied or amended.

We did not declare or pay any dividends to our shareholders for the FYE2021, FYE2022, and FPE2024. For the FYE2023, we declared a dividend of RM73.4 million (dividend payout ratio of 84.1%), which was paid on 25 April 2024 ("**Dividend**"). The Dividend was funded via internally generated funds, and our Board confirms that such dividend declared and paid is not expected to affect the execution and implementation of our Group's future plans and strategies moving forward. We do not intend to declare any dividends prior to our Listing.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 9.1.4 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

4. DETAILS OF OUR IPO

4.1 PARTICULARS OF OUR IPO AND PLAN OF DISTRIBUTION

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus.

Our IPO comprises the Institutional Offering and the Retail Offering, totaling up to 365,364,000 IPO Shares, representing 25.5% of our enlarged total number of issued Shares.

4.1.1 Institutional Offering

The Institutional Offering involves the offering of up to 322,380,000 IPO Shares (comprising 100,296,000 Issue Shares and up to 222,084,000 Offer Shares), representing up to 22.5% of our enlarged total number of issued Shares, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus, at the Institutional Price to be allocated in the following manner:

- (i) up to 179,100,000 Offer Shares, representing up to 12.5% of our enlarged total number of issued Shares to Bumiputera investors approved by the MITI; and
- (ii) 100,296,000 Issue Shares and up to 42,984,000 Offer Shares, representing up to 10.0% of our enlarged total number of issued Shares to the following persons:
 - (a) Malaysian institutional and selected investors (other than Bumiputera investors approved by the MITI); and
 - (b) foreign institutional and selected investors outside the United States in reliance on Regulation S.

As part of the Institutional Offering, on 10 March 2025, our Company, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors have entered into the Master Cornerstone Placement Agreement where the Cornerstone Investors have agreed to acquire and / or subscribe for an aggregate of 64,724,000 IPO Shares, representing approximately 4.5% of our enlarged total number of issued Shares, at the Institutional Price, subject to the terms of the Master Cornerstone Placement Agreement and the individual cornerstone placement agreements. None of the Cornerstone Investors will individually acquire or subscribe for 5.0% or more of our enlarged total number of issued Shares under the individual cornerstone placement agreements.

The cornerstone placement agreements are conditional upon, among others, the Retail Underwriting Agreement and the Placement Agreement being entered into and not having been terminated pursuant to their respective terms.

4.1.2 Retail Offering

The Retail Offering involves the offering of 42,984,000 Issue Shares, representing approximately 3.0% of our enlarged total number of issued Shares, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus, at the Retail Price to be allocated in the following manner:

(i) Malaysian Public

28,656,000 Issue Shares, representing 2.0% of our enlarged total number of issued Shares, will be made available for application by the Malaysian Public through balloting, of which at least 50.0% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and / or institutions.

4. DETAILS OF OUR IPO

(ii) Eligible Persons

14,328,000 Issue Shares, representing 1.0% of our enlarged total number of issued Shares, will be made available for application by the Eligible Persons as follows:

<u>Eligible Persons ⁽¹⁾</u>	<u>No. of persons</u>	<u>Aggregate number of Issue Shares allocated</u>
Eligible employees of our Group ⁽²⁾	1,323	8,596,800
Persons who have contributed to the success of our Group ⁽³⁾	3,416	5,731,200
Total	<u>4,739</u>	<u>14,328,000</u>

Notes:

- (1) Subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus, all the Eligible Persons are eligible to apply for any amount of Excess Shares (as defined below) over and above their pre-determined allocation.
- (2) The criteria for allocation to our eligible employees is based on, amongst others, the following factors:
- (i) for our permanent employees, the length of employment with our Company, seniority and position; and
 - (ii) for our contract employees, the seniority and position.
- The number of Issue Shares allocated to our Key Senior Management, namely Yeong Kian Peng, is 1,000,000 Issue Shares.
- (3) The criteria for allocation to persons who have contributed to the success of our Group (i.e. our independent contractors) is based on their years of contribution to our Group.

4. DETAILS OF OUR IPO

4.1.3 Summary of our IPO Shares to be allocated

In summary, our IPO Shares will be allocated under the Retail Offering and Institutional Offering (subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus) in the following manner:

Category	Public Issue		Offer for Sale		Total	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Retail Offering:						
Eligible Persons						
- Eligible employees of our Group	8,596,800	0.6	-	-	8,596,800	0.6
- Persons who have contributed to the success of our Group	5,731,200	0.4	-	-	5,731,200	0.4
Malaysian Public (via balloting)						
- Bumiputera investors	14,328,000	1.0	-	-	14,328,000	1.0
- Non-Bumiputera investors	14,328,000	1.0	-	-	14,328,000	1.0
Sub-total	42,984,000	3.0	-	-	42,984,000	3.0
Institutional Offering:						
Bumiputera investors approved by the MITI	-	-	179,100,000	12.5	179,100,000	12.5
Malaysian and foreign institutional and selected investors	100,296,000	7.0	42,984,000	3.0	143,280,000	10.0
Sub-total	100,296,000	7.0	222,084,000	15.5	322,380,000	22.5
Total	143,280,000	10.0	222,084,000	15.5	365,364,000	25.5

Note:

(1) Based on our enlarged total number of 1,432,800,000 Shares.

The completion of the Retail Offering and the Institutional Offering are inter-conditional. Our IPO is also subject to the public shareholding spread requirement under the Listing Requirements as set out in Section 4.1.5 of this Prospectus.

There is no over-allotment or “greenshoe” option which will increase the number of IPO Shares.

4. DETAILS OF OUR IPO

4.1.4 Clawback and reallocation

Our IPO shall be subject to the minimum subscription as detailed in Section 4.1.5 below and the following clawback and reallocation provisions:

- (i) if our Offer Shares allocated to the identified Bumiputera investors approved by the MITI ("**MITI Tranche**") are under-subscribed, and there is an over-subscription for our Issue Shares by the Bumiputera public investors under the Retail Offering, such Offer Shares will be clawed back from the remaining MITI Tranche and allocated to the Bumiputera public investors under the Retail Offering.

If after the above reallocation, the MITI Tranche is still under-subscribed, the Offer Shares will be clawed back from the remaining MITI Tranche and allocated in the following manner:

- (a) firstly, to the Malaysian institutional investors under the Institutional Offering; and
 - (b) secondly, if there is a corresponding over-subscription for our Issue Shares by the Malaysian Public under the Retail Offering, to the Malaysian Public under the Retail Offering;
- (ii) if our Issue Shares allocated to the Eligible Persons are under-subscribed following the allocation procedures of the Excess Shares (as defined below) set out below, such Issue Shares may be allocated to the Malaysian and foreign institutional and selected investors under the Institutional Offering or the Malaysian Public under the Retail Offering or a combination of both, at the discretion of the Joint Global Coordinators and us;
 - (iii) subject to items (i) and (ii) above, if there is an over-subscription in the Retail Offering and there is a corresponding under-subscription in the Institutional Offering, our IPO Shares may be clawed back from the Institutional Offering and allocated to the Retail Offering; and
 - (iv) subject to items (i) and (ii) above, if there is an over-subscription in the Institutional Offering and there is a corresponding under-subscription in the Retail Offering, our Issue Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and Institutional Offering.

Any Issue Shares allocated to Eligible Persons but not taken up by them ("**Excess Shares**") shall be made available to other Eligible Persons who have applied for excess Issue Shares (if any) in addition to their pre-determined allocation of Issue Shares. The Excess Shares will be allocated to these other Eligible Persons in the following priority:

- (a) firstly, allocation on a proportionate basis to Eligible Persons who have applied for the Excess Shares based on the number of Excess Shares applied for; and
- (b) secondly, to minimise odd lots.

Our Board reserves the right to allot the Excess Shares applied in such manner as it may deem fit and expedient in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) and (b) above are achieved. Our Board also reserves the right to accept or reject any Excess Shares application, in full or in part, without assigning any reason.

4. DETAILS OF OUR IPO

Once completed, the steps involving items (a) and (b) above will not be repeated. Should there be any Excess Shares thereafter, such balance will be made available for clawback and reallocation as described in (ii) above. Any Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by our Joint Underwriters in accordance with the terms and conditions of the Retail Underwriting Agreement.

As at the LPD, to the best of our knowledge and belief:

- (i) none of our substantial shareholders, Directors or Key Senior Management have indicated that they intend to subscribe for our IPO Shares, save for our IPO Shares made available to the Eligible Persons under the Retail Offering; and
- (ii) there is no person who intends to subscribe for more than 5.0% of our IPO Shares.

The demand for our IPO Shares shall be firstly satisfied with the Issue Shares, and following that, any excess demand will be satisfied with the Offer Shares.

4.1.5 Minimum subscription

There is no minimum subscription in terms of the amount of proceeds to be raised from our IPO. However, in order to comply with the public shareholding spread requirement of the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by public shareholders. Under the Listing Requirements, we are required to have at least 25.0% of the total number of our Shares in the hands of a minimum number of 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the aforesaid public shareholding spread requirement is not met, we may not be able to proceed with our Listing. Please refer to Section 9.3.9 of this Prospectus for details on the risk of delay or failure of our Listing.

4.1.6 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of shares, being ordinary shares in our Company.

Our Issue Shares will, upon allotment and issue, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all rights, dividends and other distributions that may be declared, paid or made after the date of allotment of the Issue Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attaching to any Shares we may issue in the future, our shareholders shall, in proportion to the amount paid or credited as paid on our Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if we are liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At our general meeting, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. Subject to the Listing Requirements, any resolution put to vote at the meeting shall be decided by way of poll. On a poll, each shareholder present either in person or by proxy, attorney or by other duly authorised representative, shall have one vote for every Share held or represented. A proxy may but need not be a member of our Company.

4. DETAILS OF OUR IPO

4.1.7 Share capital

Upon completion of our IPO, our enlarged issued share capital would be as follows:

Details	No. of Shares	RM
As at the LPD	1,289,520,000	186,427,633
To be issued pursuant to the Public Issue	143,280,000	⁽¹⁾ 177,945,745
Enlarged issued share capital upon Listing	1,432,800,000	364,373,378
Retail Price (RM)		1.29
Market capitalisation upon Listing (based on the Retail Price and the enlarged number of issued Shares after our IPO)		1,848,312,000

Note:

- (1) Calculated based on the Retail Price and after deducting the estimated listing expenses of approximately RM6.9 million which is directly attributable to the Public Issue and offset against our share capital.

4. DETAILS OF OUR IPO

4.2 SELLING SHAREHOLDERS

The Offer Shares to be offered by each Selling Shareholder and their respective direct shareholdings in our Company before and after our IPO, and their material relationship with our Group within the past three years are as follows:

Name / Address	Material relationship with our Group	As at the LPD / Before our IPO		Offer Shares Offered			After our IPO	
		No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
CKH / 349, Emtibeuibuk-ro, Siheung-si, Gyeonggi-do 15117, Republic of Korea	Promoter and substantial shareholder	806,424,244	62.5	61,368,244	4.8	4.3	745,056,000	52.0
Koo Bon Hak / 104-2204, 206 Seolleung-ro, Gangnam- gu, Seoul 06281, Republic of Korea	Promoter, substantial shareholder and Director	256,422,997	19.9	98,814,997	7.7	6.9	157,608,000	11.0
Hoe Kian Choon / Unit 17, Villa Yarl, No. 1 Jalan Awan Selimpat, Taman Yarl, 58200 Kuala Lumpur, Malaysia	Promoter, substantial shareholder, Director and Chief Executive Officer	147,363,326	11.4	4,083,326	0.3	0.3	143,280,000	10.0
Mak Foong Ling ⁽¹⁾ / Unit 17, Villa Yarl, No. 1 Jalan Awan Selimpat, Taman Yarl, 58200 Kuala Lumpur, Malaysia	Shareholder and our former employee	36,364,146	2.8	36,364,146	2.8	2.5	-	-
Toh Seng Lee / No. 38, Garden Manor, Jalan Sierramas Utama, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Shareholder and Chief Operating Officer	8,589,058	0.7	4,290,657	0.3	0.3	4,298,401	0.3
Goh Hui Teng ⁽²⁾ / No. 38, Garden Manor, Jalan Sierramas Utama, 47000 Sungai Buloh, Selangor Darul Ehsan, Malaysia	Shareholder and Chief Marketing Officer	8,589,058	0.7	4,290,657	0.3	0.3	4,298,401	0.3

4. DETAILS OF OUR IPO

Name / Address	Material relationship with our Group	As at the LPD / Before our IPO		Offer Shares Offered			After our IPO	
		No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾	% ⁽⁵⁾	No. of Shares	% ⁽⁵⁾
Lye Siew Lay / No. 196, Jalan SS9A/6, Seri Setia, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Shareholder and Senior Manager of Quality Control and Restoration Division	8,589,057	0.7	4,290,657	0.3	0.3	4,298,400	0.3
Tan Yu Liang / C-38-01, Nidoz Residence, Desa Petaling, No. 22, Jalan 2/125, Taman Desa Petaling, 57100 Kuala Lumpur, Malaysia	Shareholder and former Chief Strategy Officer	8,589,057	0.7	4,290,658	0.3	0.3	4,298,399	0.3
Mak Wai Hoong ⁽³⁾ / Unit 3, Villa Yarl, No. 1, Jalan Awan Selimpat, Taman Yarl, 58200 Kuala Lumpur, Malaysia	Shareholder and former Chief Revenue Officer	8,589,057	0.7	4,290,658	0.3	0.3	4,298,399	0.3
Total		1,289,520,000	100.0	222,084,000	17.2	15.5	1,067,436,000	74.5

Notes:

- (1) Mak Foong Ling is the spouse of Hoe Kian Choon and the sister of Mak Wai Hoong.
- (2) Goh Hui Teng is the spouse of Toh Seng Lee.
- (3) Mak Wai Hoong is the brother of Mak Foong Ling and the brother-in-law of Hoe Kian Choon.
- (4) Based on the total number of 1,289,520,000 Shares before our IPO.
- (5) Based on our enlarged total number of 1,432,800,000 Shares after our IPO.

4. DETAILS OF OUR IPO

4.3 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES AND REFUND MECHANISM

4.3.1 Retail Price

The Retail Price was determined and agreed upon between our Directors and the Selling Shareholders, together with the Joint Global Coordinators, after taking into consideration the following factors:

- (i) price-to-earnings ratio of approximately 21.2 times based on our Group's EPS of approximately RM0.06 after taking into account our audited consolidated PAT attributable to owners of RM87.3 million for the FYE2023 and our enlarged total number of 1,432,800,000 Shares upon Listing;
- (ii) our pro forma consolidated NA per Share of RM0.70 as at 30 September 2024 after adjusting for the use of proceeds from our Public Issue and based on our enlarged total number of 1,432,800,000 Shares upon Listing;
- (iii) our detailed financial performance and operating history as described in Sections 12.1 and 12.2 of this Prospectus respectively;
- (iv) our competitive strengths as well as our future plans and prospects of our Group as described in Sections 7.3 and 7.4 of this Prospectus;
- (v) overview and outlook of the rental industry for the home appliance and household goods industry in which our Group operates as well as the prevailing market conditions as described in Section 8 of this Prospectus;
- (vi) the prevailing market conditions, including market performance of key global indices and companies involved in similar businesses listed on the stock exchange, current market trends as well as investors' sentiments; and
- (vii) the market performance of Bursa Securities and anticipated demand for our IPO Shares.

The Final Retail Price will be determined after the Institutional Price is fixed, on the Price Determination Date and will be the lower of:

- (i) the Retail Price; or
- (ii) the Institutional Price.

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. See Section 4.3.3 of this Prospectus for further details on the refund mechanism.

The Final Retail Price and the Institutional Price will be announced within two Market Days from the Price Determination Date via Bursa Listing Information Network. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment of our IPO Shares.

4. DETAILS OF OUR IPO

4.3.2 Institutional Price

The Institutional Price will be determined via a bookbuilding process where prospective institutional and selected investors will be invited to bid for portions of the Institutional Offering by specifying the number of our IPO Shares they would be prepared to acquire and the price they would be prepared to pay for our IPO Shares in respect of the Institutional Offering. Upon completion of the bookbuilding process, the Institutional Price will be fixed by our Directors and the Selling Shareholders in consultation with the Joint Global Coordinators on the Price Determination Date.

4.3.3 Refund mechanism

If the Final Retail Price is lower than the Retail Price, the difference between the Retail Price and the Final Retail Price will be refunded to the successful applicants without any interest thereon. The refund will be made:

- (i) in the form of cheques to be despatched by ordinary post to the address maintained with Bursa Depository for applications made via the Application Form; or
- (ii) by crediting into the accounts of the successful applicants with the Participating Financial Institution for applications made via the Electronic Share Application or by crediting into the accounts of the successful applicants with the Internet Participating Financial Institution for applications made via the Internet Share Application,

within 10 Market Days from the date of final ballot of applications, at the successful applicants' own risk. For further details on the refund mechanism, see Section 16.9 of this Prospectus.

4.3.4 Expected market capitalisation

Based on the Retail Price and our enlarged total number of 1,432,800,000 Shares after our IPO, our total market capitalisation upon our Listing would be approximately RM1.85 billion.

4.4 DILUTION

Dilution is computed as the difference between our IPO Price paid by retail, institutional and selected investors for our Shares and our pro forma consolidated NA per Share after our IPO.

The following table illustrates the effect in our Group's pro forma consolidated NA for each Share to our shareholders, assuming the Retail Price is equal to the Final Retail Price/ Institutional Price.

		<u>RM</u>
Final Retail Price / Institutional Price	(A)	1.29
Pro forma consolidated NA per Share as at 30 September 2024 after the use of proceeds from our Public Issue	(B)	0.70
Dilution in the pro forma consolidated NA per Share to new investors	(A – B)	0.59
Dilution in the pro forma consolidated NA per Share to new investors as a percentage of the Final Retail Price / Institutional Price	(A - B) / (A)	45.7%

4. DETAILS OF OUR IPO

Save as disclosed below, there is no substantial disparity between our Retail Price and effective cash cost of our Shares acquired by our Promoters, Directors, substantial shareholders, Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares in the past three years and up to the LPD:

Name	Date	Allotted / Transferred	No. of Shares	Total consideration (RM)	Average price per Share (RM)
CKH	10 July 2024 ⁽¹⁾	Transferred	1,669,690	1,669,690	*
	11 July 2024 ⁽²⁾	Allotted	775,832,249	-	-
Total			777,501,939	1,669,690	*
Koo Bon Hak	10 July 2024 ⁽¹⁾	Transferred	530,920	530,920	*
	11 July 2024 ⁽²⁾	Allotted	246,695,498	-	-
Total			247,226,418	530,920	*
Hoe Kian Choon	6 April 2023 ⁽³⁾	Allotted	3,258,292	3,258,292	1.00
	11 July 2024 ⁽²⁾	Allotted	141,773,045	-	-
Total			145,031,337	3,258,292	0.02
Goh Hui Teng	6 April 2023 ⁽³⁾	Allotted	325,829	325,829	1.00
	11 July 2024 ⁽²⁾	Allotted	8,263,229	-	-
Total			8,589,058	325,829	1.00
Toh Seng Lee	6 April 2023 ⁽³⁾	Allotted	325,829	325,829	1.00
	11 July 2024 ⁽²⁾	Allotted	8,263,229	-	-
Total			8,589,058	325,829	0.04
Mak Foong Ling	11 July 2024 ⁽²⁾	Allotted	34,984,659	-	-
Total			34,984,659	-	-

Notes:

- * Negligible
- (1) Pursuant to a transfer of shares from Hoe Kian Choon to CKH and Koo Bok Hak on 10 July 2024.
- (2) Pursuant to the Bonus Issue which was undertaken to facilitate our IPO. Please refer to Section 6.1.2 of this Prospectus for further details.
- (3) Pursuant to the exercise of options granted under an employee share option scheme which has been fully exercised on 6 April 2023.

4. DETAILS OF OUR IPO

4.5 UTILISATION OF PROCEEDS

We expect to utilise the gross proceeds of approximately RM184.8 million from our Public Issue in the following manner:

Utilisation of proceeds	Amount of proceeds ⁽¹⁾		Estimated timeframe for utilisation from the date of our Listing
	(RM'mil)	%	
Capital to fund product purchases for expansion of rental business	104.7	56.7	Within 12 months
Repayment of bank borrowings	40.0	21.6	Within 9 months
Capital expenditure:			
(a) Opening of 'Brandshops'	5.0	2.7	Within 24 months
(b) Upgrading of IT systems	5.6	3.0	Within 24 months
Expansion of CUCKOO Singapore	10.0	5.4	Within 24 months
Estimated Listing expenses	19.5	10.6	Immediate
Total	184.8	100.0	

Note:

- (1) Based on the assumption that the Institutional Price and Final Retail Price will be equal to the Retail Price.

If the actual proceeds are lower than budgeted above, the proceeds shall be allocated in accordance with the following order of priority:

- (i) firstly, for our listing expenses as disclosed in Section 4.5.5 of this Prospectus;
- (ii) secondly, to repay our bank borrowings as disclosed in Section 4.5.2 of this Prospectus;
- (iii) thirdly, for our capital expenditure as disclosed in Section 4.5.3 of this Prospectus;
- (iv) fourthly, for our capital to fund product purchases for expansion of rental business as disclosed in Section 4.5.1 of this Prospectus; and
- (v) lastly, for our expansion of CUCKOO Singapore as disclosed in Section 4.5.4 of this Prospectus.

If the actual proceeds are higher than budgeted above, the excess will be used for capital to fund product purchases for expansion of rental business.

Any shortfall to any of the above allocated proceeds will be funded through internally generated funds and / or external financing. Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, the funds will be placed in short-term deposits with licensed Islamic financial institutions or Islamic short-term money market instruments.

Our Company will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of approximately RM286.5 million based on the Retail Price, which will accrue entirely to the Selling Shareholders. The Selling Shareholders will bear their own placement fee in respect of our IPO.

4. DETAILS OF OUR IPO

Further details on the use of proceeds from our Public Issue are as follows:

4.5.1 Capital to fund product purchases for expansion of rental business

We intend to allocate approximately RM104.7 million or 56.7% of the total gross proceeds from the Public Issue to fund product purchases for the expansion of our Group's rental business.

The growth of our rental business is dependent on the availability of cashflows to fund our upfront purchase of products from our suppliers and pay our sales commissions. This is as our business of offering rental plans provides our customers the ability to use and pay for our products through monthly rental payments over the tenure of the rental contracts without making full payment for such products upfront. We generally offer our customers rental contracts for our products with tenures ranging from 36 months to 84 months whilst the credit period granted to us by our suppliers ranges from 30 days to 90 days.

Further, our ability to grow our rental business is dependent on our ability to collect payments from our customers (see Section 7.6 of this Prospectus for further details on our credit assessment checks that we conduct on our customers and our payment collections). These result in a mismatch of cashflows due to the timing difference in which we pay our suppliers for the purchase of products and our collection of monthly rental payments from our customers.

In line with our plans to grow our market share in Malaysia, we intend to allocate the proceeds to fund upfront purchase of products to meet the growing demand for rental plans in Malaysia, as forecasted by Frost & Sullivan as set out in the IMR Report in Section 8 of this Prospectus. We expect to purchase products from our existing suppliers, and potentially from new suppliers for the launch of new products to expand and diversify our product offerings under all our business segments.

4.5.2 Repayment of bank borrowings

We intend to allocate RM40.0 million or about 21.6% of the total gross proceeds from the Public Issue towards part repayment of a term loan facility of RM220.0 million obtained from Bank of China (Malaysia) Berhad ("**BoC Facility**").

The BoC Facility was obtained for the purposes of partially repaying amounts owing by us to CKH which were outstanding for more than 90 days as at 31 July 2024, including any interest charges up to 31 December 2023 ("**2023 Interest**"). The amounts owing arose mainly from the purchase of CUCKOO-branded products from CKH. The 2023 Interest was at the range of 4.0% to 7.2% on outstanding amounts owing by us to CKH and determined on an arm's length basis with reference to the interest rates imposed by financial institutions on our then existing bank borrowings. The interest rate on outstanding amounts owing by us to CKH for the FYE2024 was in the range of 4.0% to 4.8% and determined on an arm's length basis with reference to the interest rates imposed by financial institutions on our existing bank borrowings.

As at the LPD, the outstanding amount under the BoC Facility is RM183.4 million. The BoC Facility bears an interest rate of cost of funds (COF) plus 1.0% per annum (effective rate of approximately 4.8% per annum as at the LPD). The BoC Facility is to be repaid within 36 months starting from one month from 31 July 2024, being the date of first drawdown, subject to a mandatory prepayment of RM40.0 million by 31 August 2025. The above repayment of the BoC Facility is expected to result in interest savings of approximately RM1.9 million per annum.

In addition to the BoC Facility, we had obtained financing facilities from AmBank(M) Berhad of RM55.0 million and Affin Islamic Bank Berhad of RM35.0 million, to partially repay the remaining amounts owing by us to CKH which were outstanding for more than 90 days, including any interest, and the remaining outstanding amount was settled through internally generated funds.

4. DETAILS OF OUR IPO

4.5.3 Capital expenditure

(a) Opening of 'Brandshops'

We intend to allocate approximately RM5.0 million or 2.7% of the total gross proceeds from the Public Issue towards the introduction and opening of 10 CUCKOO "cash and carry" Brandshops ("CUCKOO Brandshops") over the next two years, in line with our strategy to expand our omni-channel distribution network. We intend to directly operate and manage these CUCKOO Brandshops.

The CUCKOO Brandshops will allow us to cater for customers who wish to purchase and collect products immediately upon full payment. As at the LPD, none of our existing outlets provides for this method of sale and collection of CUCKOO-branded products. These Brandshops will be at least 1,000 square feet in size to eventually allow us to display the full range of our CUCKOO-branded and CUCKOO Co-Created products, and stock smaller products for sale. In addition, we intend to also carry out product demonstrations in the CUCKOO Brandshops. We will also provide repair and exchange services for CUCKOO-branded rice cookers in these Brandshops to enhance our customer experience. These Brandshops will be operated and managed by our permanent employees, as opposed to our existing CUCKOO Brandstores and CUCKOO Brandkiosks which are operated and managed by our Sales Managers who comprise our contract employees.

Please refer to Section 7.4.2 of this Prospectus for further details on our plans with respect to the expansion of our omni-channel distribution network, including the introduction of our CUCKOO Brandshops. We intend to open (i) three CUCKOO Brandshops in 2025 in Kuala Lumpur, Penang and Johor which set-up costs are estimated to amount to RM1.5 million; and (ii) seven CUCKOO Brandshops in 2026 in Sabah, Selangor, Malacca, Perak, Kedah, Kelantan and Terengganu, which set-up costs are estimated to amount to RM3.5 million. The locations of the Brandshops are subject to change pursuant to our continuous review based on the factors below.

The factors that we will take into consideration when selecting the locations for our Brandshops include:

- (a) the rental terms of the outlet including the duration of the tenancy offered;
- (b) the visibility and accessibility of the outlet by existing and potential customers;
- (c) the set-up costs for the outlet; and
- (d) the strategic value of the location.

We have estimated the indicative costs for the opening of ten Brandshops to amount to approximately RM5.0 million. The breakdown for the estimated set-up costs for one Brandshop of approximately 3,000 square feet is as follows:

Details	First Setup (RM'000)
Setup costs (renovation)	400
Utilities Deposit	21
Rental Deposit	64
Miscellaneous costs	15
Total	500

4. DETAILS OF OUR IPO

If the actual amount required for the opening of Brandshops is lower than estimated, the excess will be used as capital to fund product purchases for expansion of our rental business. Conversely, any excess amount required for the opening of Brandshops will be funded from the amount allocated for capital to fund product purchases for expansion of our rental business.

(b) Upgrading of IT systems

We intend to allocate approximately RM5.6 million or 3.0% of the total gross proceeds from the Public Issue to upgrade our current IT systems through (i) enhancing our internal warehouse management system; (ii) setting up a physical server; and (iii) enhancing the capabilities of our existing private cloud server by migrating our data to a public cloud server.

Our Group's current warehouse management system involves our warehouse team manually capturing the receipt of stock into our enterprise resource planning ("**ERP**") system. Please see Section 7.8.3 of this Prospectus for further details on our warehouse management system. We intend to enhance our internal warehouse management system through the introduction of a barcode system that is to be developed by our internal IT department and fully implemented by the end of 2025. The barcode system will automate the capture of the receipt of stock into our ERP system and tracing of products. The barcode system will be progressively implemented in all of our warehouses throughout Malaysia. This will streamline our operations and processes which is necessary to support the growth of our business.

Further, we intend to set up a physical server in addition to our existing cloud server to enhance our data security and to cater for our growing customer base. A physical server allows us to better manage the access and storage of data stored in the physical server, and reduces certain security vulnerabilities as the physical server is not shared by other users. In addition, the physical server acts as a backup for our data stored on the cloud server and should help to ensure business continuity in the event of any cyber-attack on the cloud server.

Additionally, as compared to our existing private cloud server, a public cloud server offers better scalability to meet our growing data processing and storage requirements. The public cloud server that we plan to use will also improve the server's speed when adding new users to our CUCKOO+ mobile application, reduce energy consumption, and improve downtime recovery and server processing speed during sudden traffic surges.

Please refer to Section 7.4.3 of this Prospectus for further details on our plans with respect to improving our operational efficiency and capability to serve a larger market.

4. DETAILS OF OUR IPO

The estimated costs for the upgrading of IT systems, based on quotes obtained from vendors, are as follows:

Details	Estimated Costs (RM'000)
Warehouse management system enhancements (internally developed implementation of barcode system)	
- Set-up costs including hardware costs	1,990
- Software and manpower	1,480
Set-up and enhancement of servers	
- Set-up by the third quarter of 2025, and license subscription and maintenance of physical server up until the third quarter of 2027	360
- Set-up of public cloud server by a service provider by the second quarter of 2025, and license subscription and maintenance of cloud server up until the second quarter of 2027	1,770
Total	5,600

If the actual amount required for the upgrading of our IT systems is lower than estimated, the excess will be used as capital to fund product purchases for expansion of our rental business. Conversely, any excess amount required for the upgrading of our IT systems will be funded from the amount allocated for capital to fund product purchases for expansion of our rental business.

4.5.4 Expansion of CUCKOO Singapore

We intend to allocate approximately RM10.0 million or 5.4% of the total gross proceeds from the Public Issue to fund the expansion of our Singapore business. Such proceeds are expected to finance CUCKOO Singapore's day-to-day operations which include expanding of CUCKOO Singapore's sales distribution network and running more sales and promotional campaigns to build stronger brand affinity, as well as diversifying its product offerings to cater to the consumer demand in Singapore. Please see Section 7.4.2 of this Prospectus for our plans to increase customer touchpoints, including opening retail outlets and expanding our distribution channels in Singapore.

A breakdown of the estimated costs of the expansion plans is as follows:

Item	Estimated costs (RM'mil)	Estimated timeframe for utilisation from the date of our Listing
Advertisement and promotion	6.1	Within 24 months
Store set-up and maintenance	1.2	Within 24 months
Operation expenses	2.7	Within 24 months
Total	10.0	

The allocated proceeds will be denominated in RM whilst the use of proceeds for such expansion plans in Singapore is in SGD. If the actual RM amount required is higher than the RM amount set out above due to movements in exchange rate, the deficit will be funded through internally generated funds. However, if the actual RM amount required as at the payment date is lower than the RM amount set out above due to movements in exchange rate, the excess will be used as capital to fund product purchases for expansion of our rental business.

4. DETAILS OF OUR IPO

If the actual amount required for the expansion of the Singapore business is lower than estimated, the excess will be used as capital to fund product purchases for expansion of our rental business. Conversely, any excess amount required for the expansion of the Singapore business will be funded from the amount allocated for capital to fund product purchases for expansion of our rental business.

4.5.5 Estimated listing expenses

We intend to allocate a total of approximately RM19.5 million or 10.6% of the Public Issue proceeds to defray the estimated listing expenses comprising the following:

Details	RM'mil
Professional fees ⁽¹⁾	11.9
Fees to authorities	1.1
Underwriting commission, brokerage fee and placement fee	4.5
Other fees and expenses relating to our Listing and contingencies ⁽²⁾	2.0
Total	19.5

Notes:

- (1) This includes advisory fees for, among others, our Sole Principal Adviser, legal advisers, Reporting Accountants and IMR.
- (2) This includes other incidental charges or related expenses in connection with the Public Issue.

If the actual amount required to defray the estimated listing expenses is lower than estimated, the excess will be used as capital to fund product purchases for expansion of our rental business. Conversely, any excess amount required to defray the estimated listing expenses will be funded from the amount allocated for capital to fund product purchases for expansion of our rental business.

4.6 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES

4.6.1 Brokerage fee

We will pay the brokerage fee in respect of our Issue Shares under the Retail Offering at the rate of 1.0% (exclusive of applicable tax) of the Final Retail Price in respect of all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and / or the Issuing House.

The Joint Global Coordinators and Joint Bookrunners are entitled to charge brokerage commission to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission under the Institutional Offering will not be payable by us or the Selling Shareholders.

4.6.2 Underwriting Commission

As stipulated in the Retail Underwriting Agreement, we will pay the Managing Underwriter and Joint Underwriters an underwriting commission of 1.6% (exclusive of applicable tax) of the Retail Price multiplied by the total number of IPO Shares underwritten under the Retail Offering.

4. DETAILS OF OUR IPO

4.6.3 Placement Fee

We and the Selling Shareholders will pay the Joint Global Coordinators and Joint Bookrunners a placement fee of 1.5% (exclusive of applicable tax) and may pay a discretionary fee of up to 0.5% (exclusive of applicable tax) of the Institutional Price multiplied by the number of IPO Shares placed out to Malaysian and foreign institutional and selected investors in accordance with the terms of the Placement Agreement.

4.7 DETAILS OF UNDERWRITING, PLACEMENT AND LOCK-UP ARRANGEMENTS

4.7.1 Underwriting

We had on 10 March 2025, entered into the Retail Underwriting Agreement with the Managing Underwriter and Joint Underwriters to severally and not jointly (nor jointly and severally) underwrite 42,984,000 Issue Shares under the Retail Offering, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus and upon the terms and conditions of the Retail Underwriting Agreement.

The salient terms of the Retail Underwriting Agreement are as follows:

- (i) the underwriting obligations of the Managing Underwriter and Joint Underwriters are subject to certain conditions precedent which must be fulfilled or waived on or before the date specified or if none is stated, on or before the closing date of the Retail Offering (“**Closing Date**”), as stated in this Prospectus. To the extent permitted by law, the Managing Underwriter (acting on behalf of themselves and the Joint Underwriters), may at its sole discretion (upon consultation with the Joint Underwriters) waive the compliance with any of the conditions precedent or extend the deadline for the compliance with any of the same;
- (ii) the Managing Underwriter (for and on behalf of the Joint Underwriters) may at any time before the date of Listing terminate, cancel and withdraw their respective underwriting commitment by giving written notice to our Company, if:
 - (a) there is any breach or failure on the part of our Company to perform any obligations contained in the Retail Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Managing Underwriter within seven “**Business Days**” (being any day (other than a Saturday, Sunday or any other day which is a public holiday in Kuala Lumpur) on which Bursa Securities is open for trading in securities and banks are open for general banking business in Kuala Lumpur) from receipt of the notice of such breach being given to our Company by the Managing Underwriter (upon consultation with, and on behalf of the Joint Underwriters) or such other date which the parties may mutually agree in writing, but in any event no later than the Closing Date;

4. DETAILS OF OUR IPO

- (b) there is an occurrence of any event or discovery of any fact or circumstances rendering any of the warranties set out in the Retail Underwriting Agreement untrue, inaccurate, incorrect or misleading or ceases to be true, accurate and correct or becomes misleading, in any respect or any of the undertakings made by our Company under the Retail Underwriting Agreement is not complied with, breached and / or failed to be performed in any respect which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Managing Underwriter within seven Business Days from receipt of the notice of such breach being given to our Company by the Managing Underwriter (upon consultation with, and on behalf of the Joint Underwriters) or such other date which the parties to the Retail Underwriting Agreement may mutually agree in writing, but in any event no later than the Closing Date;
- (c) our Company withholds any information from the Managing Underwriter and the Joint Underwriters, which has a **“Material Adverse Effect”** (being any event, development or occurrence, or series of events, developments or occurrences, which, in the sole and reasonable opinion of the Managing Underwriter, have or could be expected to have a material adverse effect (including any prospective material adverse effect) or change, whether individually or in the aggregate, and whether or not arising in the ordinary course of business, on any of the following: (A) the condition (financial or otherwise), contractual commitments, management, general affairs, business, assets, liquidity, liabilities, prospects, earnings, undertakings, shareholders’ equity, properties or results of operations of our Group, taken as a whole, or our Company; (B) the ability of our Company or any of the Selling Shareholders to perform our or their obligations under or with respect to, or to consummate the transactions contemplated by, this Prospectus or the Retail Underwriting Agreement, the Placement Agreement, each lock-up agreement, the Master Cornerstone Placement Agreement, and each individual cornerstone agreement (collectively, the **“Transaction Agreements”**); (C) the ability of our Company or any of our subsidiaries to conduct our businesses and to own or lease our assets and properties as described in this Prospectus; or (D) our IPO including but not limited to the success of our IPO or the distribution or the sale of our IPO Shares pursuant to our IPO);
- (d) in the sole and reasonable opinion of the Managing Underwriter, there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of our Company, the Managing Underwriter and the Joint Underwriters by reason of Force Majeure (as defined herein) which would have a Material Adverse Effect or which would have or is likely to have the effect of making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms. **“Force Majeure”** means causes which are unpredictable and beyond the reasonable control of the party claiming Force Majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
1. war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of a hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
 2. riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military takeover or usurped power;
 3. natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, or other acts of God; or

4. DETAILS OF OUR IPO

4. any local, national or international occurrence or outbreak of disease, or pandemic (including any material worsening of the existing COVID-19 pandemic or endemic), epidemic, the imposition of lockdowns or similar measures to control the spread of any epidemic, any outbreak or material escalation of hostilities or national emergency, whether war has been declared or not, or insurrection or armed conflict or terrorist event (whether or not involving financial markets), the occurrence of any other calamity or crisis or emergency or any event or series of events in the nature of force majeure, or deterioration of any such condition;
- (e) there shall have occurred any government requisition which would have a Material Adverse Effect;
- (f) there shall have occurred any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which would have a Material Adverse Effect, or would have or is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market) on the value or price of our IPO Shares. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI (“**Index**”) is, at the close of normal trading on Bursa Securities, on any Market Day:
1. on or after the date of the Retail Underwriting Agreement; and
 2. prior to the Closing Date,
- lower than 90% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Retail Underwriting Agreement and remains at or below that level for at least three consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (g) trading in shares or securities generally on Bursa Securities, the Singapore Exchange Securities Trading Limited, the Hong Kong Stock Exchange, Nasdaq, the New York Stock Exchange or the London Stock Exchange PLC, has been restricted or suspended or minimum prices have been established on Bursa Securities, the Singapore Exchange Securities Trading Limited, the Hong Kong Stock Exchange, Nasdaq, the New York Stock Exchange or the London Stock Exchange for three consecutive Market Days or more;
- (h) there shall have been announced or carried into force any new law or change in law in any jurisdiction, interpretation or application by any court or the relevant authorities which may: (i) have a Material Adverse Effect; or (ii) in the sole and reasonable opinion of the Managing Underwriter, prejudice the success of our IPO or the Listing or which would have or is likely to have the effect of making it impracticable to enforce contracts to allot and / or transfer our IPO Shares or making any obligation under the Retail Underwriting Agreement incapable of performance in accordance with its terms;
- (i) our IPO is stopped or delayed by our Company or any relevant authorities for any reason whatsoever (unless such delay has been approved by the Managing Underwriter);
- (j) the Closing Date does not occur by 10 April 2025 or such other extended date as may be agreed in writing by the Managing Underwriter;

4. DETAILS OF OUR IPO

- (k) the Listing does not take place by 22 May 2025 or such other extended date as may be agreed in writing by the Managing Underwriter;
- (l) any commencement of legal proceedings, formal investigations, enquiries or action against any member of our Group or any of our Group's directors or executive officers, or any of the Selling Shareholders, which would have a Material Adverse Effect or in the sole and reasonable opinion of the Managing Underwriter, make it impracticable to market our IPO or to enforce contracts to allot and / or transfer our IPO Shares;
- (m) any breach of any of the obligations of our Company or the Selling Shareholders under any one of the Transaction Agreements which has a Material Adverse Effect;
- (n) any one of the Transaction Agreements (i) having been terminated or rescinded in accordance with its terms thereof; (ii) ceases to have any effect whatsoever; or (iii) is varied or supplemented upon its terms and such variation or supplementation would have a Material Adverse Effect;
- (o) any of the resolutions or approvals in relation to, among others, our IPO, the Listing, the transactions contemplated by each of the same (including the execution of the Retail Underwriting Agreement), the allotment and issue of the Issue Shares and the issuance, registration and lodgement of the Prospectus, is revoked, withdrawn, suspended or ceases to have any effect whatsoever, or is varied or supplemented upon terms which would have a Material Adverse Effect;
- (p) in the event the Listing is withdrawn or not procured or procured but subject to conditions not acceptable to the Managing Underwriter;
- (q) if the SC or any other relevant authority issues an order pursuant to Malaysian law, or a prohibition on our Company or any of the Selling Shareholders has been imposed for whatever reason, such as to make it impracticable to market our IPO or to enforce contracts to issue, allot, sell and / or transfer our IPO Shares;
- (r) any statements of material fact contained in this Prospectus and the application or forms for our IPO Shares under the Retail Offering accompanying this Prospectus ("**Offer Documents**") has become or been discovered to be untrue, inaccurate or misleading in any respect, or matters have arisen or have been discovered which would, if any of the Offer Documents were to be issued at that time, constitute a material omission therefrom;
- (s) in the sole and reasonable opinion of the Managing Underwriter, there is a change or development in law on taxation, foreign investment or currency exchange control in Malaysia or Singapore or an announcement of such change or development which would have a Material Adverse Effect;
- (t) a banking moratorium has been declared by the relevant authorities in Malaysia, Singapore, Hong Kong, United States, the European Union (or any member thereof) or the United Kingdom, or a disruption of commercial banking activities, foreign exchange trading or securities settlement or clearance services has occurred in Malaysia, Singapore, Hong Kong, United States, the European Union (or any member thereof), or the United Kingdom which would have a Material Adverse Effect;

4. DETAILS OF OUR IPO

- (u) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any affiliate of our Company listed or quoted on a stock exchange or an over-the-counter market; or
- (v) any other event in which a Material Adverse Effect having occurred or which is likely to occur.

4.7.2 Placement

We and the Selling Shareholders expect to enter into the Placement Agreement with the Joint Global Coordinators and the Joint Bookrunners in relation to the placement of up to 322,380,000 IPO Shares under the Institutional Offering, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus. We and the Selling Shareholders will be requested to give various representations, warranties and undertakings, and to indemnify the Joint Global Coordinators and the Joint Bookrunners against certain liabilities in connection with our IPO. The terms of the Placement Agreement are subject to negotiations and may include termination events that are different from those under the Retail Underwriting Agreement as set out in Section 4.7.1 of this Prospectus.

4.7.3 Lock-up arrangements

- (i) We have agreed that subject to offerings under our IPO and certain exceptions, we shall not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, on and from the date of the lock-up letter until the date falling six months from the date of Listing (“**Listing Date**”) (the “**Lock-Up Period**”), directly or indirectly, conditionally or unconditionally:
 - (a) issue, allot, offer, pledge, sell, contract to sell, mortgage, charge, assign, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right, contract or warrant to purchase or subscribe for, or create any encumbrance over, lend, hypothecate or otherwise transfer or dispose of, or agree to transfer or dispose of any Shares including any interest therein (or any securities convertible into or exercisable or exchangeable for our Shares or are substantially similar to, our Shares) including any Shares held in treasury (A) held by us as at the date of the lock-up letter, and (B) acquired by us after the date of the lock-up letter hereof, other than pursuant to our IPO, regardless of whether any such transaction is to be settled by the delivery of any Shares or such other securities, in cash or otherwise;
 - (b) enter into any swap, hedge or derivative or other agreement, transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, our Shares), regardless of whether any such transaction is to be settled by the delivery of any Shares or such other securities, in cash or otherwise;
 - (c) deposit any of our Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, our Shares) in any depository receipt facilities;

4. DETAILS OF OUR IPO

- (d) agree to do or announce any intention to do any of the above or an offering or sale of, any of our Shares (or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares) or any interest therein or in respect thereof, with respect to any of the foregoing; or
 - (e) agree to enter into or effect, or enter into or effect any transaction with the same economic effect as any transactions described in Section 4.7.3(i)(a) to (d) above.
- (ii) The Selling Shareholders, save for Mak Foong Ling who will not hold any Shares after our IPO, have agreed that subject to offerings under our IPO and certain exceptions, they shall not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, during the Lock-Up Period, directly or indirectly, conditionally or unconditionally:
 - (a) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue, or sell any option or contract to purchase, purchase any option or contract to sell, grant, or agree to grant any option, right, contract, or warrant to purchase or subscribe for, or create any encumbrance over, lend, hypothecate or otherwise transfer or dispose of, or agree to transfer or dispose of any Shares including any interest therein (or any securities convertible into or exercisable or exchangeable for Shares or are substantially similar to, the Shares) (i) held by them as at the date of the lock-up letter, and (ii) acquired by them after the date of the lock-up letter and until and including the Listing Date (other than the Shares being offered and sold by the Shareholder (as a selling shareholder) in connection with our IPO (collectively, the "**Relevant Shares**"), regardless of whether any such transaction is to be settled by the delivery of any Relevant Shares or such other securities, in cash or otherwise;
 - (b) enter into any swap, hedge or derivative or other agreement, transaction or arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Relevant Shares), regardless of whether any such transaction is to be settled by the delivery of any Relevant Shares or such other securities, in cash or otherwise;
 - (c) deposit any of the Relevant Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Relevant Shares) in any depository receipt facilities;
 - (d) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Relevant Shares (or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Relevant Shares) or any interest therein or in respect thereof, with respect to any of the foregoing;
 - (e) sell, transfer or otherwise dispose of any interest in any shares in any company or other entity controlled by them which is directly, or through another company or other entity indirectly, the beneficial owner of the Relevant Shares; or
 - (f) agree to enter into or effect, or enter into or effect any transaction with the same economic effect as any transactions described in Section 4.7.3(ii)(a) to (e) above.

4. DETAILS OF OUR IPO

In addition, Hoe Kian Choon, Toh Seng Lee, Goh Hui Teng, Lye Siew Lay, Tan Yu Liang and Mak Wai Hoong agreed that subsequent to the expiry of the Lock-Up Period, the restriction in Section 4.7.3(ii)(a) shall continue to apply to the Relevant Shares from the date of expiry of the Lock-Up Period (“**Lock-Up Period Expiry Date**”) until the date falling 18 months from the Lock-Up Expiry Date (the “**Second Lock-Up Period**”), except that the Second Lock-Up Period shall not apply in the event that any of the Relevant Shares are to be charged or pledged to a Malaysian financial institution regulated by BNM (“**MFI**”) for the purpose of obtaining personal financing provided that the shareholder shall ensure that it shall be a condition in the financing arrangement with the MFI that CKH shall be given a first right of refusal to acquire the Relevant Shares which are subject to the charge or pledge, in the event the MFI were to call on the charge or pledge pursuant to the terms of the financing arrangement.

The restrictions in Sections 4.7.3(i) and (ii) above do not apply to the offer, transfer and sale of any Shares by the Selling Shareholders issued or sold pursuant to our IPO.

4.8 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected based on the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to the subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS Accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller’s CDS Account being debited with the number of Shares sold and the buyer’s CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fees of RM10.00 payable for each transfer not transacted on the market.

Shares held in CDS Accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in “board lots” of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot market. Settlement and payment of trades done on a “ready” basis on Bursa Securities generally takes place on the second Market Day following the transaction date.

Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfer to other CDS Account in circumstances which do not involve a change in beneficial ownership) before the commencement of trading on Bursa Securities.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.1 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and Substantial Shareholders

Details of our Promoters' and Substantial Shareholders' shareholdings in our Company before and after our IPO are as follows:

Name	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and Substantial Shareholders</u>								
CKH	806,424,244	62.5	-	-	745,056,000	52.0	-	-
Koo Bon Hak	256,422,997	19.9	⁽³⁾ 806,424,244	62.5	157,608,000	11.0	⁽³⁾ 745,056,000	52.0
Hoe Kian Choon	147,363,326	11.4	⁽⁴⁾ 36,364,146	2.8	143,280,000	10.0	-	-
<u>Substantial Shareholder</u>								
CUCKOO Holdings	-	-	⁽⁵⁾ 806,424,244	62.5	-	-	⁽⁵⁾ 745,056,000	52.0

Notes:

- (1) Based on the total number of 1,289,520,000 Shares as at the LPD and before our IPO.
- (2) Based on the enlarged total number of 1,432,800,000 Shares after our IPO.
- (3) Deemed interested through CKH and CUCKOO Holdings pursuant to Section 8(4) of the Act.
- (4) Deemed interested through his spouse, Mak Foong Ling, pursuant to Section 59(11)(c) of the Act.
- (5) Deemed interested through CKH pursuant to Section 8(4) of the Act.

Our Promoters and Substantial Shareholders do not have different voting rights from the other shareholders of our Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Save as disclosed above, there are no persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement the operation of which may result in the change in control of our Company at a subsequent date to our IPO and our Listing.

5.1.2 Profiles of our Promoters and Substantial Shareholders

(i) CKH

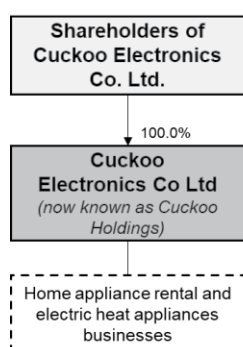
Promoter and substantial shareholder

CKH was incorporated in South Korea under the Commercial Act of the Republic of Korea as a company limited by shares (*ju-sik-hoe-sa*) on 1 December 2017. The setup of CKH was in connection with an internal reorganisation of CUCKOO Electronics Co., Ltd. (now known as CUCKOO Holdings)'s business divisions through a company division procedure prescribed under the Commercial Act of the Republic of Korea which was approved by the shareholders of CUCKOO Electronics Co., Ltd (now known as CUCKOO Holdings) with an effective date of division being 1 December 2017 and that entailed the following:

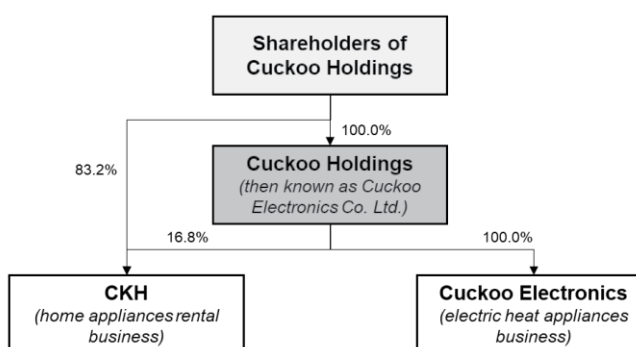
- (a) the transfer of the home appliances rental business of CUCKOO Electronics Co., Ltd. (now known as CUCKOO Holdings) to CKH. This resulted in CUCKOO Holdings and its shareholders holding shares directly in CKH; and
- (b) the transfer of the electric heat appliances business of CUCKOO Electronics Co., Ltd. (now known as CUCKOO Holdings) to the current CUCKOO Electronics Co., Ltd. ("**CUCKOO Electronics**"). This resulted in CUCKOO Electronics becoming a wholly-owned subsidiary of CUCKOO Holdings.

(collectively, the "**CUCKOO Korea Internal Reorganisation**").

Before the CUCKOO Korea Internal Reorganisation:



Immediately after the CUCKOO Korea Internal Reorganisation:



CKH changed its name to its present name on 11 December 2017 and was listed on the Korea Exchange on 11 January 2018.

CKH and its subsidiaries are principally engaged in (i) manufacturing of household goods, plastic goods, liquid filters (water purifiers); (ii) manufacturing, rental and sale of home furniture, kitchenware and electric appliances; and (iii) import and export and aftersales service for the foregoing products.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

As at the LPD:

- (a) the issued share capital of CKH is KRW2,243,733,000 comprising 22,437,330 ordinary shares of KRW100 each;
- (b) the directors of CKH are Koo Bon Hak, Lee Sung Ho, Ha Dae Young and Kim Sang Hee; and
- (c) the substantial shareholders of CKH and their respective shareholdings in CKH are as follows:

Name	Ordinary shares			
	Direct		Indirect	
	No. of shares	%	No. of shares	%
CUCKOO Holdings ⁽¹⁾	9,097,905	40.6	-	-
Koo Bon Hak	4,606,180	20.5	⁽²⁾ 9,097,905	40.6
<ul style="list-style-type: none"> • Baring Asset Management Korea Limited (for customer accounts)⁽³⁾ • Baring High Dividend Equity Fund⁽⁴⁾ • Baring High Dividend Balanced 60 Securities Investment Trust-Equity Balanced Fund⁽⁴⁾ 	1,397,144 ⁽⁶⁾	6.2	-	-

(as joint holders)⁽⁵⁾

Notes:

- (1) CUCKOO Holdings is listed on the Korea Exchange. Please refer to Section 5.1.2(iv) of this Prospectus for further details.
- (2) Deemed interested through CUCKOO Holdings pursuant to Section 8(4) of the Act.
- (3) Baring Asset Management Korea Limited (“**Baring Korea**”) is wholly-owned by Baring Asset Management (Asia) Limited. The principal activities of Baring Asset Management Korea Limited include collective investment business, investment advisory and private equity fund management business.
- (4) Baring Asset Management Korea Limited is the collective investment manager of the Baring High Dividend Equity Fund, and Baring High Dividend Balanced 60 Securities Investment Trust-Equity Balanced Fund (collectively, the “**Baring Funds**”). The Baring Funds are discretionary in nature and made available for investment by the general public.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

- (5) Under the Financial Investment Services and Capital Markets Act of Korea (“**FISCMA**”), entities which have agreed to jointly acquire, vote or dispose securities are deemed joint holders whose shareholdings are required to be aggregated under the FISCMA.
- (6) Based on the latest confirmation obtained from Baring Korea on the shareholdings of Baring Korea and the Baring Funds in CKH as at 31 January 2025.

The Directors, Promoters and Key Senior Management do not have any interest in Barings Asset Management Korea Limited, and the Baring Funds.

(ii) Koo Bon Hak

Promoter, Non-Independent Non-Executive Chairman and substantial shareholder

Koo Bon Hak, a Korean male aged 56, was appointed to our Board on 11 May 2015. As the Chairman of our Board, he is currently responsible to lead our Board in the adoption of good corporate governance practises, including ensuring appropriate steps are taken to facilitate effective stakeholder communication. Further, he is responsible to steer our Board to perform its responsibilities efficiently, including the setting of our Board agenda and ensuring that our Directors receive complete and accurate information in a timely manner to facilitate their contribution at Board meetings.

He graduated from Korea University with a Bachelor Degree in Business Administration in February 1992, and a Master Degree in Accounting Science from the University of Illinois in May 1994.

He began his career in January 1995 when he joined the management support department at CUCKOO Holdings (then known as Sungkwang Electronics Co., Ltd.). He was promoted to be a director in December 1999 and subsequently to Chief Executive Officer in November 2006, where he was responsible for the management of the company’s day-to-day operations, and development and execution of the company’s business plans and corporate strategies. He also managed product development and developed marketing strategies to drive revenue growth.

After the CUCKOO Korea Internal Reorganisation in December 2017, he assumed his current position as (i) a non-executive director of CUCKOO Holdings, and (ii) the Chief Executive Officer, executive director and representative director of CKH, both of which are public listed companies on the Korea Exchange. In March 2019, he was also appointed as the Chief Executive Officer, executive director and representative director of CUCKOO Electronics. His responsibilities from prior to the CUCKOO Korea Internal Reorganisation were unchanged by the reorganisation.

In addition, in May 2015, he was appointed as a director of our Company where he was involved in the review of, and advised on, the cash flow management of our Group. On 12 July 2024, he relinquished his executive role and became our Non-Independent Non-Executive Chairman where he assumed his current responsibilities.

As at the LPD, he is also a director and shareholder of several other private limited companies as disclosed in Section 5.2.3 of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(iii) Hoe Kian Choon

Promoter, Non-Independent Executive Director, Chief Executive Officer and substantial shareholder

Hoe Kian Choon, a Malaysian male aged 50, is the founder and Chief Executive Officer of our Group. He has over 18 years of experience in the rental industry for household appliances and household goods industry. He was appointed to our Board on 5 September 2014 and is responsible to spearhead and oversee the overall direction of our Group which entails developing and implementing strategic plans to ensure the sustainability and growth of our Group's businesses.

He graduated with a Bachelor of Business Administration from Universiti Putra Malaysia in August 1999. After his graduation, he co-founded a restaurant business under the company name U-8 Sdn Bhd. In April 2000, he joined AsiaEP.com Berhad as a sales, marketing and customer service manager, a position he held until he left the company in April 2004.

In April 2004, he co-founded Isomedia (M) Sdn Bhd ("**Isomedia**"), a business involved in domain name registration, and website hosting and design, where he was a director and substantial shareholder. In June 2006, Isomedia changed its name to One2Source Sdn Bhd and its principal activities to the provision of multi-channel marketing services for the furniture industry. He was responsible for sales and business development. One2Source Sdn Bhd was dissolved in April 2008.

In April 2007, he joined Woongjin Coway (M) Sdn Bhd (now known as Coway (Malaysia) Sdn Bhd) ("**Coway**") as a Sales Manager. In January 2008, he was promoted to Sales General Manager where he was in charge of nationwide sales of Coway. He was subsequently made Senior Sales General Manager in October 2009, where his responsibilities expanded to include overseeing the services team, and also managing operations nationwide for Coway until his departure in August 2014.

In September 2014, he founded our Company as our Director and Chief Executive Officer, where he commenced our business through the distribution and sale of CUCKOO water purifiers and rice cookers in Malaysia. Under his stewardship, he has led the management team in the growth and expansion of our business.

In September 2020, he founded the business of Abletech Solutions Sdn Bhd ("**Abletech**") (see Section 5.2.3(ii) for further details on the principal activities of Abletech). He was appointed as a director of Abletech in May 2020 and Group Chief Executive Officer in September 2020 until his departure in December 2023. Thereafter, in May 2024, he disposed the entirety of his shareholdings of approximately 65.0% in Abletech.

His notable achievements in his personal capacity include being awarded The Most People-Focused CEO by Human Resources Online at the HR Excellence Awards 2022, Entrepreneur of the Year (Consumer Goods Industry) in 2022 by the Asia Pacific Enterprise Awards, and the Young Entrepreneur of the Year under the Asia Corporate Excellence & Sustainability Awards (ACES) organised by the MORS Group in 2023.

As at the LPD, he is also a director and shareholder of several other private limited companies as disclosed in Section 5.2.3 of this Prospectus, and he does not hold any directorship in public listed companies.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(iv) CUCKOO Holdings *Substantial shareholder*

CUCKOO Holdings was incorporated in South Korea under the Commercial Act of the Republic of Korea on 15 November 1978 as a company limited by shares (*ju-sik-hoe-sa*) under the name of Sungkwang Electronics Co., Ltd. The company changed its name to CUCKOO Electronics Co., Ltd. on 29 October 2002. It was listed on the Korea Exchange on 6 August 2014 and subsequently changed its name to its present name on 1 December 2017.

CUCKOO Holdings is principally involved in investment holding whilst its subsidiaries are involved in manufacturing, rental and sale of home furniture, kitchen appliances, and electrical appliances.

As at the LPD:

- (a) the issued share capital of CUCKOO Holdings is KRW3,556,218,500 comprising 35,562,185 ordinary shares of KRW100 each;
- (b) the directors of CUCKOO Holdings are Koo Bon Hak, Koo Ja Shin, Heo Jun Young, Kim Dae Yeol and Lee Myo Seung; and
- (c) the substantial shareholders of CUCKOO Holdings and their respective shareholdings in CUCKOO Holdings as at the LPD are as follows:

Name	Ordinary shares			
	Direct		Indirect	
	No. of shares	%	No. of shares	%
Koo Bon Hak	16,042,975	45.1	-	-
Koo Bon Jin ⁽¹⁾	5,413,890	15.2	-	-

Note:

- (1) Koo Bon Jin is the brother of Koo Bon Hak, our Promoter, substantial shareholder and Non-Independent Non-Executive Chairman.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholdings

Save as disclosed below, there has been no changes in our Promoters' and Substantial Shareholders' shareholdings in our Company in the past three years up to the LPD:

Name	As at 31 December 2022 ⁽¹⁾				As at 31 December 2023 ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
CKH	28,922,305	65.7	-	-	28,922,305	59.1	-	-
Koo Bon Hak	9,196,579	20.9	⁽⁴⁾ 28,922,305	65.7	9,196,579	18.8	⁽⁴⁾ 28,922,305	59.1
Hoe Kian Choon	4,532,599	10.3	⁽⁵⁾ 1,379,487	3.1	⁽⁷⁾ 7,790,891	15.9	⁽⁵⁾ 1,379,487	2.8
CUCKOO Holdings	-	-	⁽⁶⁾ 28,922,305	65.7	-	-	⁽⁶⁾ 28,922,305	59.1
Name	As at 31 December 2024 ⁽³⁾				As at LPD ⁽³⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of shares	%	No. of Shares	%	No. of Shares	%
CKH	⁽⁸⁾ 806,424,244	62.5	-	-	⁽⁸⁾ 806,424,244	62.5	-	-
Koo Bon Hak	⁽⁸⁾ 256,422,997	19.9	⁽⁴⁾⁽⁸⁾ 806,424,244	62.5	⁽⁸⁾ 256,422,997	19.9	⁽⁴⁾⁽⁸⁾ 806,424,244	62.5
Hoe Kian Choon	⁽⁸⁾ 147,363,326	11.4	⁽⁵⁾⁽⁸⁾ 36,364,146	2.8	⁽⁸⁾ 147,363,326	11.4	⁽⁵⁾⁽⁸⁾ 36,364,146	2.8
CUCKOO Holdings	-	-	⁽⁶⁾⁽⁸⁾ 806,424,244	62.5	-	-	⁽⁶⁾⁽⁸⁾ 806,424,244	62.5

Notes:

- (1) Based on the total number of 44,030,970 Shares.
- (2) Based on the total number of 48,918,407 Shares, pursuant to the exercise of an employee share option which shares were allotted on 6 April 2023.
- (3) Based on the total number of 1,289,520,000 Shares, pursuant to the Bonus Issue as detailed in Section 6.1.2 of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

- (4) Deemed interested through CKH and CUCKOO Holdings pursuant to Section 8(4) of the Act.
- (5) Deemed interested through his spouse, Mak Foong Ling, pursuant to Section 59(11)(c) of the Act.
- (6) Deemed interest through CKH pursuant to Section 8(4) of the Act.
- (7) Hoe Kian Choon was allotted 3,258,292 Shares on 6 April 2023 pursuant to his exercise of options granted to him under an employee share option scheme, at an exercise price of RM1.00 per Share.
- (8) After the transfer from Hoe Kian Choon of 1,669,690 Shares to CKH and 530,920 Shares to Koo Bon Hak on 10 July 2024 and the Bonus Issue on 11 July 2024.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.1.4 Amounts or benefits paid or to be paid to our Promoters and Substantial Shareholders

Save as disclosed below, the aggregate remuneration and benefits in-kind paid or to be paid to our Promoters who are also our Directors as disclosed in Section 5.2.4 of this Prospectus and the amounts transacted with CUCKOO Holdings and its group of companies as disclosed in Section 10.1.2 of this Prospectus, there are no other amounts or benefits paid or intended to be paid or given to our Promoters and/or substantial shareholders within two years preceding the date of this Prospectus:

Promoters and Substantial Shareholders	Dividend paid on 25 April 2024 (RM'000)
CKH	43,383
Koo Bon Hak	13,795
Hoe Kian Choon	11,686

5.2 BOARD OF DIRECTORS

5.2.1 Shareholdings of our Directors

Save for Koo Bon Hak and Hoe Kian Choon, as set out in Section 5.1.1 of this Prospectus, none of our Directors hold our Shares, directly or indirectly, as at the LPD and immediately after our IPO.

5.2.2 Profiles of our Directors

Please refer to the profiles of Koo Bon Hak and Hoe Kian Choon set out in Section 5.1.2 of this Prospectus. The profiles of our other Directors are as follows:

(i) Low May-Teng
Senior Independent Non-Executive Director

Low May-Teng, a Malaysian female aged 54, is our Senior Independent Non-Executive Director. She was appointed to our Board on 12 July 2024. She is also the Chairman of our Audit and Risk Management Committee, and a member of our Nomination and Remuneration Committee.

She received her ACCA qualification from the Association of Chartered Certified Accountants, United Kingdom in 1994. She is also a chartered accountant under the Malaysian Institute of Accountants.

She began her career at IBM Malaysia Sdn Bhd (“**IBM Malaysia**”) as an Assistant Accountant in March 1995. Throughout her tenure in IBM Malaysia until her departure in April 2008, she held various positions and roles which involved financial reporting and analysis, operational and financial controls assurance, and handling of sales operations.

In June 2008, she joined SAP Malaysia Sdn Bhd (“**SAP Malaysia**”) as a Senior Controller where she was responsible for financial operations in emerging market countries such as Pakistan, Vietnam and Cambodia until July 2009.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

In July 2009, she returned to IBM Malaysia and assumed the position of Senior Professional Auditor where she was part of the internal audit team that conducted internal audits and investigations on allegations of non-compliance with IBM Malaysia's code of conduct. She also oversaw the operational and financial-related matters at one of IBM Malaysia's subsidiaries. In April 2013, she assumed the position of Senior Accounting Manager of IBM Malaysia, where she managed a team to perform monthly general ledger management and ensured timely and accurate reporting of the company's financial transactions. In May 2015, she was re-designated as Financial Analysis Senior Manager where she led IBM Malaysia in its transformation to a cloud company and was also in charge of its sales and financial analysis until February 2017.

In March 2017, she joined Tech Data Advanced Solutions (M) Sdn Bhd as a Financial Controller where she oversaw the strategic direction and all operational and financial matters of the company until her departure in January 2020.

In March 2020, she returned to SAP Malaysia and assumed her current position of Chief Financial Officer until now where she provides commercial support in contract negotiation and executes global finance/administration transformation goals and strategies.

Since October 2023, she has also been serving as an independent non-executive director of Parkwood Holdings Berhad ("**Parkwood Holdings**"), a public listed company on Bursa Securities, and is currently the Chairman of its Remuneration Committee, and a member of its Audit Committee and Nomination Committee.

As at the LPD, she does not hold any directorships or shares in other private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(ii) Kwon Yoo Kyung
Independent Non-Executive Director

Kwon Yoo Kyung, a Korean female aged 56, is our Independent Non-Executive Director. She was appointed to our Board on 12 July 2024. She is also the Chairman of our Nomination and Remuneration Committee, and a member of our Audit and Risk Management Committee.

In February 1993, she graduated from Ewha Woman's University, Seoul with a Bachelor Degree in Journalism and Broadcasting. She has over 30 years of working experience in global financial institutions where she held various leadership positions.

She began her career in January 1993 in the internal audit department of HSBC Bank (Korea), Seoul branch. She was subsequently transferred to the trade services department in August 1993 where she remained until December 1995. Thereafter, she worked in the financial control department from December 1995 until November 2000, where she was in charge of monthly financial and regulatory reports to the head office and other authorities, and performed financial and risk reporting for global market products to the head office.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

In November 2000, she joined Deutsche Bank (Korea), Seoul branch as the Head of Financial Accounting and Management Reporting. She was transferred to Deutsche Securities Korea and assumed the position of Deputy Chief Financial Officer in June 2003 and thereafter, Chief Financial Officer in August 2005, a position which she held until her departure in March 2008. As Chief Financial Officer of Deutsche Securities Korea, she was in charge of ensuring the financial statements were prepared and published in accordance with the United States and Korean Generally Accepted Accounting Principles (GAAP), and coordinated the financial forecast and annual plans. She also provided operational support and financial information to the Chief Executive Officer and other key management of Deutsche Securities Korea as well as the regional Chief Financial Officer of Deutsche Bank based in Hong Kong.

In March 2008, she was appointed as the Chief Financial Officer of Morgan Stanley Securities Korea, where she led all finance-related matters, including adoption of revised financial standards, audit inspections and in-sourced finance functions of the Company until her departure from the company in August 2011.

She was then appointed as the Chief Financial Officer of Societe Generale Securities Korea Co., Ltd. ("**SG Securities Korea**") in August 2011 and continued to hold that position until May 2022, where she was in charge of cash management, treasury and finance-related matters for regulatory audits. She was later appointed as the Country Chief Financial Officer for both Societe Generale Seoul branch and SG Securities Korea in June 2022. She held this position until her resignation in July 2023 to take a career break until now.

As at the LPD, she is also a director of a private limited company as disclosed in Section 5.2.3 of this Prospectus, and she does not hold directorships in public listed companies.

(iii) **Marieta binti Abdull Hamid** *Independent Non-Executive Director*

Marieta binti Abdull Hamid, a Malaysian female aged 41, is our Independent Non-Executive Director and a member of our Audit and Risk Management Committee, and Nomination and Remuneration Committee. She was appointed to our Board on 15 October 2024.

She graduated with a double degree in Bachelor of Commerce (Accounting) and Bachelor of Law from the University of Melbourne, Australia in August 2007. She obtained her Certificate in Legal Practice from the Legal Profession Qualifying Board, Malaysia in September 2009 and was admitted to the High Court of Malaya as an Advocate and Solicitor in February 2012.

In October 2007, she joined Sime Darby Berhad (then known as Sime Darby Holdings Sdn Bhd) ("**Sime Darby**") as an Executive under the Group Legal department. She was later promoted to Senior Executive in July 2010, a position which she held until she joined Messrs Raja, Darryl & Loh ("**RDL**") in February 2011 to undertake her pupillage.

Upon completing her nine months' pupillage at RDL, she resumed her role as Senior Executive at Sime Darby until her promotion to Assistant Vice President II of Group Legal in July 2012. She held the same position until her departure from Sime Darby in January 2015.

During her time at Sime Darby, she assisted in various mergers, acquisitions, joint ventures and cross border transactions involving Sime Darby as well as its subsidiaries which were in the plantation, property, motors, healthcare and energy divisions.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

In February 2015, she joined Messrs PW Tan & Associates and assumed her current position as a partner, where she advises on a wide range of corporate and commercial related matters including mergers and acquisitions, and joint venture transactions and had acted in major capital expenditure projects, infrastructure projects and concessions.

Since August 2022, she has also been serving as an independent non-executive director of Able Global Berhad (“**Able Global**”), a public listed company on Bursa Securities, and is currently the Chairman of its Nomination Committee, and a member of its Audit Committee and Remuneration Committee.

As at the LPD, she is also a director and shareholder of several other private limited companies as disclosed in Section 5.2.3 of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.2.3 Principal business activities performed by our Directors outside our Group

The following table sets out our Directors' principal directorships and principal business activities outside our Group as at the LPD (“**Present Involvement**”), and principal directorships outside our Group for the past five years preceding the LPD (“**Past Involvement**”):

(i) **Koo Bon Hak**

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Present Involvements						
CUCKOO Holdings	Investment holding company and through its subsidiaries, manufacturing, rental and sales of home furniture, kitchen appliances, and electrical appliances	Director and shareholder	45.1	-	2 October 2003	-
CKH	Manufacturing, rental and sales of home furniture, kitchen appliances, and electrical appliances	Director, representative director, Chief Executive Officer and shareholder	20.5	40.6	1 December 2017	-
CUCKOO Electronics	Manufacturing and sales of home furniture, kitchenware, and electrical appliances	Director, representative director, Chief Executive Officer and shareholder	-	100.0	29 March 2019	-
CUCKOO Electronics Malaysia	Real estate activities with own or leased property	Director and shareholder	-	100.0	12 February 2016	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
CUCKOO Oceania Pty. Ltd.	Retail and rental business of household appliances	Director and shareholder	-	100.0	30 June 2020	-
Qingdao CUCKOO Electronics Co., Ltd.	Wholesale, retail, import and export of household electronic appliances, rice cookers, pressure cookers and other kitchen appliances	Director and shareholder	-	100.0	1 November 2008	-
Shenyang Homesys Trading Co., Ltd.	<ul style="list-style-type: none"> • Import and export of products, agent for import and export of products; and • Wholesale, retail business and e-commerce of kitchenware, bathroom ware, daily necessities and household appliances 	Director and shareholder	-	100.0	1 July 2019	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
CUCKOO Liaoning Electronic Commerce Co., Ltd.	<ul style="list-style-type: none"> E-commerce of household appliances, kitchenware and electrical appliances; and Wholesale and retail business of kitchenware, bathroom ware, daily necessities and household appliances 	Director and shareholder	-	100.0	3 April 2020	-
CUCKOO Appliances Private Limited	Business of import, export, processing, packing, re-packing, manufacturing, assembling, trading in, purchase, sale of home appliances and kitchen appliances specially water purifier, air purifier, electric rice cooker and other white goods within India or any other country	Director and shareholder	16.7	83.3	6 March 2018	-
CUCKOO Indonesia	Wholesale business of household appliances and equipment	Director and shareholder	-	71.6	25 May 2021	-
CUCKOO Electronics America, Inc.	Wholesale and retail sale of household appliances such as electric rice cooker, microwave and air purifier	Director, Executive Secretary and shareholder	-	100.0	27 December 2016	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
CUCKOO Rental America, Inc.	Rental for general merchandise	Director, Executive Secretary and shareholder	-	100.0	27 January 2021	-
CUCKOO Vina Co., Ltd.	Retail business of household appliances	Director and shareholder	-	100.0	1 February 2019	-
nTop Corporation	Manufacture and sale of fluorocarbon resin-coated aluminium plates	Shareholder	25.7	42.2	-	-

Past Involvements

Nil

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(ii) Hoe Kian Choon

<u>Name of company</u>	<u>Principal activities</u>	<u>Involvement in business activities</u>	<u>Equity interest (%)</u>		<u>Directorship</u>	
			<u>Direct</u>	<u>Indirect</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
<u>Present Involvements</u>						
Great Hoe Holdings	Activities of holding companies; export & import of variety of goods without any particular specialisation not elsewhere classified (“ n.e.c. ”); and real estate activities with own or leased property n.e.c.	Director and shareholder	90.0	-	6 December 2017	-
Six Fun Media Sdn Bhd	Activities of holding companies; reproduction of recorded media; and motion picture, video and television programme production activities	Director and shareholder	20.8	-	28 May 2021	-
Smart Circle Resources Sdn Bhd	Property investment; Real estate activities with own or leased property n.e.c.	Director and shareholder	-	50.0	15 July 2020	-
Gazeum Sdn Bhd	Wholesale of coffee, tea, cocoa and other beverages; activities of holding company	Shareholder	60.6	-	25 October 2021	15 March 2024

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Palaterium Sdn Bhd	To carry on all or any of the business of wholesalers, retailers, importers, exporters, processing, receiving and forwarding agents, carriers and distributors of cocoa, coffee-related products and all kinds of food products	Shareholder	-	70.0	5 November 2021	15 February 2024
Strictly Gourmet Sdn Bhd	Wholesale of coffee, tea, cocoa and other beverages; To carry on all or any of the business of wholesalers, retailers of cocoa, coffee-related products & all kinds of food products	Shareholder	-	100.0	-	-
Kejap Food Sdn Bhd	Other food service activities; retail sale of food, beverages and tobacco products via stalls or markets; mobile food carts	Shareholder	-	51.0	-	-
Purple Cane (Sixth) Sdn Bhd	Investment holding in private companies principally involved in the tea business	Shareholder	2.0	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Gourmet Nation Sdn Bhd	Business as dealers, wholesalers, importers, exporters and distributors of cocoa, coffee related products and otherwise deal in all kinds of food products; Business of restaurant, café, kiosks, tea and catering services	Shareholder	20.1	51.0	-	-
<u>Past Involvements</u>						
Abletech Solutions Sdn Bhd	Advertising agency that conducts media planning and media buying; Event management; E-commerce (marketplace); E-commerce and IT solution; Trading business of all types of products with a wide range of goods and services (electronic home appliances, baby and children's products, mothercare products) via retail and online	Director	-	-	20 May 2020	31 December 2023

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Movon Sdn Bhd	Business of direct selling, selling and marketing of product and services (home/office appliances, security appliance, baby and children's products, mother care products, cosmetics and skincare products and a wide range of goods, services products and solutions) and other information technology service activities	Director	-	-	28 May 2021	31 December 2023
Ablepay Sdn Bhd	Provision of easy payment schemes, personal financing schemes and money lending services	Director	-	-	2 September 2021	31 December 2023
Seventyfive Group Sdn Bhd	Activities of holding companies (Creative agency)	Director	-	-	10 February 2021	26 February 2021
Mystartr Group Sdn Bhd	Investment advisory services; activities of holding companies; Equity crowd-funding platform.	Director	-	-	1 August 2022	18 March 2024

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Dynamic Directions Sdn Bhd (formerly known as Wonderklean Multiservices Sdn Bhd)	General trading; To carry on the business of marketing all kinds of goods, products, commodities and services	Director	-	-	9 October 2020	9 December 2020
Wonderkare Service Sdn Bhd	Business management consultancy services	Director	-	-	15 May 2020	The company was dissolved on 3 May 2024

(iii) Low May-Teng

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Present Involvements						
Parkwood Holdings Berhad	Investment holding where its subsidiaries are principally involved in property development and property investment	Director	-	-	4 October 2023	-
Past Involvements						
Crossroads Community Sdn Bhd	Activities of holding companies	Director	-	-	15 January 2008	The company was dissolved on 4 December 2020

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(iv) Kwon Yoo Kyung

<u>Name of company</u>	<u>Principal activities</u>	<u>Involvement in business activities</u>	<u>Equity interest (%)</u>		<u>Directorship</u>	
			<u>Direct</u>	<u>Indirect</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
<u>Present Involvements</u>						
JA Consulting Co., Ltd.	Real estate development and consulting services	Director and shareholder	15.0	-	7 October 2021	-
<u>Past Involvements</u>						
Nil	-	-	-	-	-	-

(v) Marieta binti Abdull Hamid

<u>Name of company</u>	<u>Principal activities</u>	<u>Involvement in business activities</u>	<u>Equity interest (%)</u>		<u>Directorship</u>	
			<u>Direct</u>	<u>Indirect</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
<u>Present Involvements</u>						
Able Global Berhad	Investment holding where its subsidiaries are principally involved in the manufacturing of tins, cans and manufacturing and selling of food and beverage products and provision of management services	Director	-	-	19 August 2022	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
All Series Sdn Bhd	To provide consultancy, data and management services and information technology; To procure the advice and assistance of consultants and experts; Human resource consultant	Shareholder	50.0	-	-	-
Myseminars Sdn Bhd	Publisher of law books, newspapers, journals, reviews, magazines books; Conducting post-graduate studies and provide academic consulting; Seminars and workshops in the areas of human resources	Shareholder	80.0	-	-	-
Data Solutions Sdn Bhd	To provide consultancy, data in information technology-based products, computer hardware and software; E-commerce related business and research development of technical knowledge and call centre operations; Seminars and workshops in the areas of human resources	Shareholder	40.0	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Effectus Sdn Bhd	Investment holding in and provision of management support to a private company involved in the importing, exporting and trading of fish oil products	Shareholder	95.0	-	-	-
Past Involvements						
Ahlan Trading Sdn Bhd	Dormant	Director	-	-	26 January 2016	The company was dissolved on 22 April 2022

The involvement of our Directors as disclosed above excludes shares in public listed companies held by our Directors as minority shareholders (less than 5.0% of the total number of issued shares of a public listed company) and in which they do not hold any directorship, and is only for trading and personal investment purposes.

The involvement of:

- (i) Hoe Kian Choon, our Non-Independent Executive Director and Chief Executive Officer, in other businesses outside our Group does not preclude him from allocating or committing his time and effort to our Group as the day-to-day operations of those other businesses are managed by the respective companies' management team and personnel, or the companies are investment holding companies which generate passive income. He only attends meetings of the boards on which he serves and accordingly discharges his principal areas of responsibility as a director of those companies. He has been and will continue to ensure that he would be able to fulfil and discharge his duties and responsibilities effectively as our Non-Independent Executive Director and Chief Executive Officer; and
- (ii) our Non-Executive Directors in other businesses outside our Group does not preclude them from allocating or committing their time and effort to our Group.

As such, our Board is of the view that this would not affect their contribution to and performance for our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.2.4 Directors' remuneration and material benefits in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for their services rendered in all capacities within our Group for the FYE2024 and the FYE2025 are set out below:

FYE2024 (Paid)	Salary RM'000	Directors' fees RM'000	Bonus RM'000	Allowances RM'000	Benefits-in- kind RM'000	Contributions to EPF, SOCSO and EIS RM'000	Total RM'000
Executive Director							
Hoe Kian Choon	1,027	-	(1)335	60	-	231	(2)1,653
Koo Bon Hak	-	152	-	-	-	-	152
Non-Executive Directors							
Low May-Teng	-	23	-	-	-	-	23
Kwon Yoo Kyung	-	23	-	-	-	-	23
Marieta binti Abdull Hamid	-	10	-	-	-	-	10

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

<u>FYE2025 (Proposed)</u>	<u>Salaries RM'000</u>	<u>Directors' fees RM'000</u>	<u>Bonus RM'000</u>	<u>Allowances RM'000</u>	<u>Benefits-in- kind RM'000</u>	<u>Contributions to EPF, SOCSO and EIS RM'000</u>	<u>Total RM'000</u>	<u>Actual amounts paid in 2025 up to the LPD RM'000</u>
Executive Director								
Hoe Kian Choon	1,022	-	(3)-	62	-	(3)167	1,251	229
Non-Executive Directors								
Koo Bon Hak ⁽⁴⁾	-	324	-	-	-	-	324	-
Low May-Teng	-	48	-	-	-	-	48	-
Kwon Yoo Kyung	-	48	-	-	-	-	48	-
Marieta binti Abdull Hamid	-	48	-	-	-	-	48	-

Notes:

- (1) This bonus relates to the previous financial year.
- (2) This includes bonus and its related EPF contribution for FYE2023 but paid in FYE2024.
- (3) Bonus and its related EPF contribution, if any, to be paid in respect of the previous financial year have not been determined as at the LPD.
- (4) Koo Bon Hak assumed the position as our Non-Independent Non-Executive Chairman on 12 July 2024.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

The remuneration of our Directors, which includes Directors' fees, bonus and such other allowances as well as other benefits, must be considered and recommended by our Nomination and Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting.

Our Directors have not exercised any share options for the FYE2024 and FYE2025. As at the LPD, there are no outstanding options in respect of our Shares.

5.2.5 Service agreements with our Directors

As at the LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors which provide for benefits upon termination of employment.

5.3 BOARD PRACTICES

Our Board is entrusted with the responsibility of the overall direction, strategy, performance and oversight of our Group. Our Board is also committed to achieving and sustaining high standards of corporate governance.

5.3.1 Board

Our Board has adopted a board charter which sets out, among others, the following key responsibilities, which serves as a reference to assist our Board in performing their fiduciary duties:

- (i) review and approve the annual corporate plan for our Group, which includes the overall corporate strategy, sustainability strategy, business development and marketing plan, human resources plan, financial and budget plan, regulatory plan and risk management plan and ensure that such plans are effectively integrated and appropriately balanced;
- (ii) promote and adopt best practices in relation to risk management, legal, compliance management and internal control systems to safeguard our Group's reputation, employees and assets including preparing a corporate governance overview statement in compliance with the MCCG for the annual report;
- (iii) monitor the relationship between our Group and the management of our Company ("**Management**"), shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group;
- (iv) take responsibility together with the Management for the governance of sustainability in our Group including setting our Group's sustainability strategies, priorities and targets and ensure such strategies, priorities and targets as well as performance against these targets are communicated to internal and external stakeholders;
- (v) approve the nomination, selection, succession policies, and remuneration packages for our Board members, Board Committee members, nominee Directors on the functional Boards of our subsidiaries and the principal officers, and the annual manpower budget for our Group, including managing succession planning, training, fixing the compensation of, appointment of, and where appropriate replacing the Management or key management personnel;
- (vi) review and approve investment policies and guidelines for our Group's surplus funds, asset allocation policy and policy on exposure limits on investment with banking institutions;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

- (vii) review and approve the Audit and Risk Management Committee report and Statement of Risk Management and Internal Control for the annual report; and
- (viii) review conflict of interest issues relating to a Director or persons connected including approving related party transactions, subject to shareholders' approval, where required.

In addition, the roles and responsibilities of our Non-Independent Non-Executive Chairman and Chief Executive Officer are clearly segregated to further enhance and preserve a balance of authority and accountability.

Our Non-Independent Non-Executive Chairman is primarily responsible for the following:

- (i) overseeing and ensuring the effectiveness of all aspects of our Board's functioning, including its composition, structure, processes, and performance;
- (ii) leading our Board in the adoption and implementation of good corporate governance practices;
- (iii) being responsible for organising and ensuring the efficient conduct of our Board functions and meetings;
- (iv) setting our Board agenda and ensuring that Directors receive complete and accurate information in a timely manner to facilitate the effective contribution of all Directors at our Board meetings;
- (v) promoting constructive and respectful relations among Directors, and between our Board and Management fostering an environment conducive to open dialogue and collaboration; and
- (vi) ensuring appropriate steps are taken to provide effective communication with stakeholders and that stakeholder's views are communicated to our Board as a whole.

In contrast, our Chief Executive Officer is primarily responsible for the implementation of the business strategies and policies formulated by our Board as well as overseeing the day-to-day management and operations of our Group.

The details of the members of our Board, the expiry date of the current term of office for each of our Directors and the period for which our Directors have served in office as at the LPD are as follows:

Director	Expiry date of the current term of office	Approximate no. of years in office as at LPD
Koo Bon Hak	At the AGM in 2025	10
Hoe Kian Choon	At the AGM in 2025	11
Low May-Teng	At the AGM in 2025	Less than one
Kwon Yoo Kyung	At the AGM in 2025	Less than one
Marieta binti Abdull Hamid	At the AGM in 2025	Less than one

Save for Koo Bon Hak who represents CKH, none of our Directors represent any corporate shareholders. For details on the associations and family relationships between our Promoters, substantial shareholders, Directors and Key Senior Management, see Section 5.6 of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee comprises the following members:

Name	Designation	Directorship
Low May-Teng	Chairman	Senior Independent Non-Executive Director
Kwon Yoo Kyung	Member	Independent Non-Executive Director
Marieta binti Abdull Hamid	Member	Independent Non-Executive Director

Our Audit and Risk Management Committee undertakes, amongst others, the following functions:

(i) Financial Reporting

To review the quarterly and annual financial statements of our Group prepared by the Management, where necessary, together with the external auditor, focusing particularly on:

- (a) any significant changes to accounting policies and practices;
- (b) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
- (c) significant adjustments arising from the audit;
- (d) compliance with accounting standards and other legal requirements; and
- (e) going concern assumption.

(ii) Risk Management and Internal Control

- (a) to oversee and recommend the risk management strategies and policies and risk tolerance levels for our Board's approval;
- (b) to conduct periodic reviews on the effectiveness of the internal control system and risk management framework adopted within our Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow our Group to mitigate losses and maximise opportunities;
- (c) to perform risk identification and assessment regarding major asset/business acquisition or divestment, or business diversification or business consolidation;
- (d) to recommend to our Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit and Risk Management Committee itself; and
- (e) to report to our Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of our Board.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(iii) Internal Audit

- (a) to review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and / or outsourced internal auditors (if any) to perform its duties;
- (b) to review the adequacy of the scope, functions, competency, resources and budget, and that it has the necessary authority and independence from management to carry out its work;
- (c) to review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;
- (d) to review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and
- (e) to request and review any special audit which the Audit and Risk Management Committee deems necessary.

(iv) External Audit

- (a) to review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;
- (b) to review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to our Board on the appointment or re-appointment of the external auditors;
- (c) to review the external auditor's audit report, and management letter and the management's response to the management letter;
- (d) to review the external auditor's findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of our Group in order to be satisfied that appropriate action is being taken; and
- (e) to review with the external auditors for the Statement on Risk Management and Internal Control of our Group for inclusion in the annual report.

(v) Related Party Transactions / Conflict of Interest Situations

- (a) to review any related party transactions and conflict of interest situations that arose, persist or may arise within our Group including any transaction, procedure or course of conduct that raises questions of Management integrity and the measures taken to resolve, eliminate or mitigate such conflicts; and
- (b) to ensure that our Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

(vi) Audit and Risk Management Committee Reports

To prepare the annual Audit and Risk Management Committee report to our Board for inclusion in the annual report and to review our Board's statements on compliance with the MCCG for inclusion in the annual report.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Our Audit and Risk Management Committee may obtain advice from independent parties and other professionals in discharging their duties.

5.3.3 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee comprises the following members:

Name	Designation	Directorship
Kwon Yoo Kyung	Chairman	Independent Non-Executive Director
Low May-Teng	Member	Senior Independent Non-Executive Director
Marieta binti Abdull Hamid	Member	Independent Non-Executive Director

Our Nomination and Remuneration Committee undertakes, amongst others, the following functions:

(i) Nomination Matters

- (a) to establish an appropriate (fit and proper) selection criteria and process, recruitment process and to recommend to our Board, candidates for all directorships of our Company and members of the relevant Board committees;
- (b) to formulate and undertake an annual review on our Board and senior management succession plans, taking into consideration the present size, structure and composition of our Board and senior management, as well as the required mix of skills, knowledge, experience, diversity and competency as required by the Listing Requirements;
- (c) to facilitate an annual evaluation on the effectiveness of our Board as a whole, the various Board committees and each individual Director's contribution to the effectiveness of the decision-making process of our Board and make recommendations to our Board concerning the re-election / reappointment of our Directors according to the satisfactory evaluation of our Director's performance and contribution to our Board;
- (d) to review on an annual basis, the length of service of each independent Director; and
- (e) to undertake an annual review of the training programmes attended by our Directors for each financial year as well as to identify the training programmes required by our Directors to effectively discharge their duties and to keep them abreast with industry developments and trends.

(ii) Remuneration Matters

- (a) to ensure the establishment of a formal and transparent procedure for developing policies, strategies, and frameworks for the remuneration of our executive Directors and senior management;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

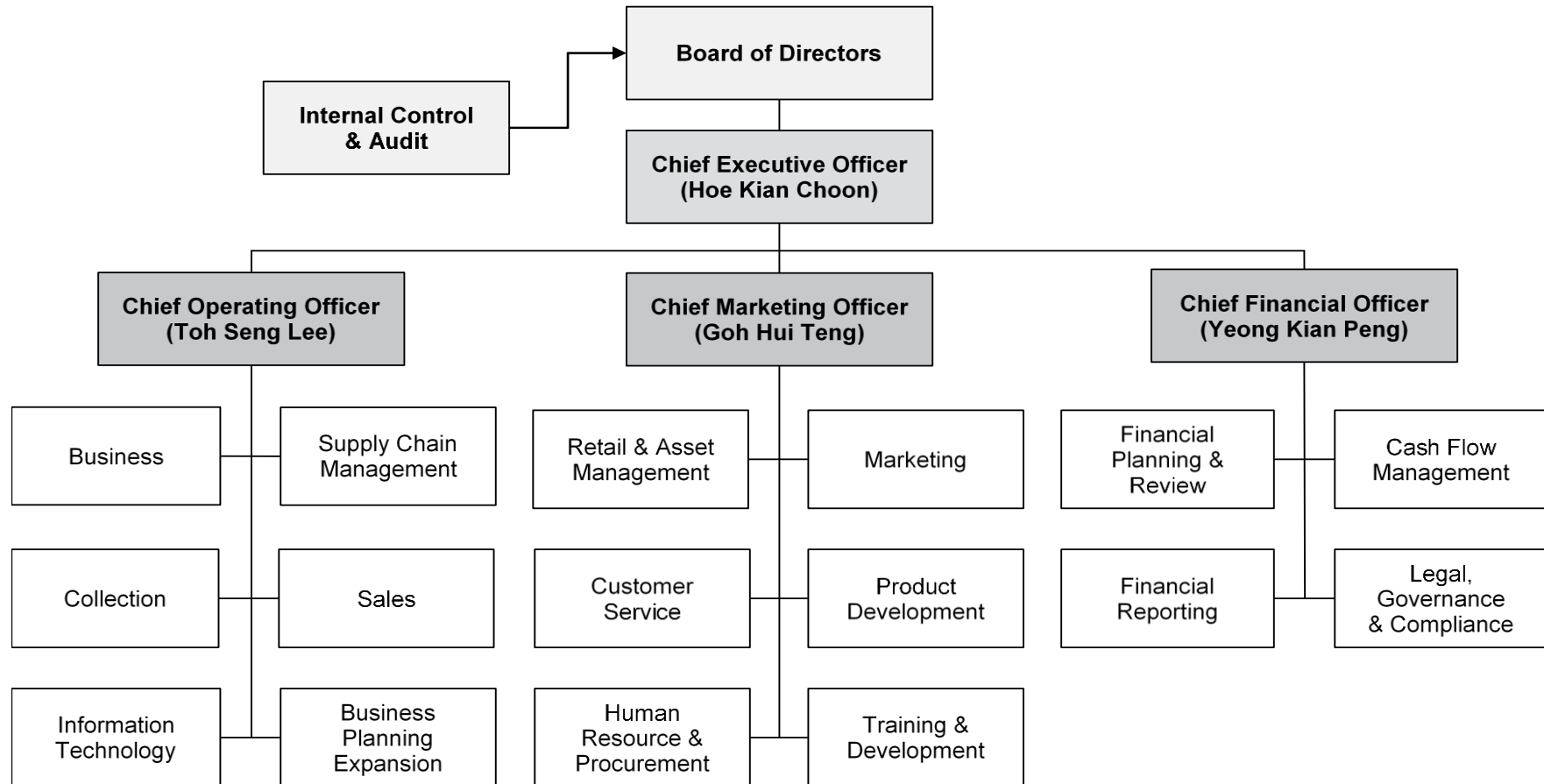
- (b) to implement the remuneration policies and procedures including reviewing and recommending to our Board on the remuneration packages of our Directors and senior management personnel in all forms, particularly on whether the remuneration remains appropriate to the contribution of each of our Directors and senior management personnel, by taking into account the level of expertise, commitment and responsibilities undertaken, with or without other independent professional advice or other outside advice, with reference to our Company's remuneration policy and procedure;
- (c) to ensure fees and benefits payable to our Directors, and any compensation for loss of employment of our executive Directors are approved by shareholders at general meetings; and
- (d) to provide a detailed disclosure of remuneration for individual Directors and top five senior management, which shall include fees, salary, bonus, benefits in-kind and other emoluments.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.4 KEY SENIOR MANAGEMENT

5.4.1 Management reporting structure

The management reporting structure of our Group is as follows:



5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.4.2 Shareholdings of our Key Senior Management

Please refer to Section 5.1.1 of this Prospectus for information on the shareholdings of Hoe Kian Choon in our Company. The details of our Key Senior Management's shareholdings in our Company before and after our IPO are as follows:

Key Senior Management	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yeong Kian Peng	-	-	-	-	1,000,000 ⁽³⁾	*	-	-
Toh Seng Lee	8,589,058	0.7	-	-	4,298,401	0.3	-	-
Goh Hui Teng	8,589,058	0.7	-	-	4,298,401	0.3	-	-

Notes:

* Negligible

(1) Based on our total number of 1,289,520,000 Shares before our IPO.

(2) Based on our enlarged total number of 1,432,800,000 Shares after our IPO.

(3) Assuming that Yeong Kian Peng fully subscribes to his entitlement under the Pink Form Allocation.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.4.3 Profiles of our Key Senior Management

Please refer to Section 5.1.2(iii) of this Prospectus for the profile of Hoe Kian Choon, our Chief Executive Officer. The profiles of our other Key Senior Management are as follows:

(i) Yeong Kian Peng
Chief Financial Officer

Yeong Kian Peng, a Malaysian male aged 50, is our Chief Financial Officer. He is responsible for overseeing our Group's financial planning and review, cash flow management, financial reporting as well as legal and compliance matters.

He graduated from Universiti Putra Malaysia with a Bachelor Degree in Business Administration in August 1999. He is a member of the Association of Chartered Certified Accountants since May 2003 and a fellow since May 2008. He is also a Chartered Accountant of the Malaysian Institute of Accountants since September 2003.

He joined KPMG Malaysia in January 2000 as an Audit Assistant. He was promoted to Senior Associate in January 2002 and held that position until he left KPMG Malaysia in June 2003. In July 2003, he joined Malaysian Airline System Berhad as a Senior Audit Executive, where he handled the internal audit of the company until January 2005.

He joined Ernst & Young (Shanghai) in February 2005 as a Senior Accountant until September 2006. In October 2006, he joined KPMG Huazhen (Shanghai) as an Audit Assistant Manager. He was subsequently promoted to Audit Manager and held that position until December 2008.

He returned to Malaysia in February 2009 and worked with Tranglo Sdn Bhd, a cross-border payment company, as a Senior Finance Manager until August 2010, where he was responsible for handling the company's accounting and compliance with Bank Negara Malaysia's reporting requirements.

In September 2010, he joined Huawei Technologies (Malaysia) Sdn Bhd ("**Huawei**") as the Head of Regional Compliance. In March 2013, he was promoted to Vice Director of Malaysia Accounting Shared Service Centre Account Closing and Report Analysis Department and held that position until November 2014. His responsibilities included overseeing the accounting and financial reporting for Huawei in the Asia Pacific region.

In December 2014, he joined redONE Network Sdn Bhd ("**redONE Network**") as a Finance Director where he was responsible for the company's accounting, budgetary, financial reporting, pricing management and treasury management. He left redONE Network in May 2018 and joined our Group, assuming his current position and responsibilities.

(ii) Toh Seng Lee
Chief Operating Officer

Toh Seng Lee, a Malaysian male aged 41, is our Chief Operating Officer. He is primarily responsible for overseeing the operations of our Group which include sales, service, collection, business expansion planning, supply chain management, and information technology.

He obtained a Diploma in Mass Communication from Han Chiang College Malaysia in June 2004. He then graduated with a Bachelor Degree of Arts in Journalism and Mass Communication from Ming Chuan University, Taiwan in June 2008.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

He began his career at WaterShop Matrix Valley (M) Sdn Bhd as an Assistant Franchise Manager in July 2004, where he was responsible for sales and operations. He left in July 2006 to further his studies at Ming Chuan University, Taiwan.

In September 2008, he joined Woongjin Coway (M) Sdn Bhd (now known as Coway (Malaysia) Sdn Bhd) ("**Coway**") as a Senior Sales Admin Executive. He was subsequently promoted to Assistant Manager in March 2010 and Manager in March 2012, a position which he held until his departure from Coway in August 2014. His responsibilities included sales and service planning and organisational support.

In September 2014, he joined our Group as a Natural Chief Manager where he handled sales performance. In March 2017, he was promoted to Director of Overseas Sales of our Company and held that position until October 2017. His responsibilities were expanded to include overseeing the sales strategies and performance of CUCKOO Singapore and CUCKOO Brunei (as our sub-distributor in Brunei) until October 2017. From November 2017 to June 2019, he was appointed as the President Director of CUCKOO Indonesia, where he was in charge of setting up and expanding the business of CUCKOO Indonesia.

In July 2019, he was transferred back to Malaysia and assumed the role of Chief Credit Officer where he was responsible for the collection division. Upon being re-designated as Chief Customer Officer in November 2019 his responsibilities were expanded to include the service division. In July 2022, he became our Chief Operating Officer where he has assumed his current responsibilities.

(iii) Goh Hui Teng
Chief Marketing Officer

Goh Hui Teng, a Malaysian female aged 42, is our Chief Marketing Officer. She is primarily responsible for overseeing marketing, product development, human resources and administration, retail and asset management, customer service, and training.

She obtained a Certificate in Communication Studies from IACT College (formerly known as Institute Advertising Communication Training) ("**IACT College**") in June 2002. She subsequently obtained a Diploma in Advertising and a Diploma in Marketing Communications from IACT College in August 2004.

She began her career as a Client Servicing Executive at Yellow Gecko Sdn Bhd in September 2004 and held that position until April 2005. Her responsibilities included the servicing of the company's client accounts.

In April 2005, she joined Journal Multimedia Sdn Bhd as an Event Management Executive where she was mainly involved in the preparation and coordination of events until her departure in January 2006. From February 2006 to February 2007, she worked with Asia Media Monitoring Sdn Bhd as a Client Servicing Executive, where she handled business development and client servicing for new accounts.

In March 2007, she joined Woongjin Coway (M) Sdn Bhd (now known as Coway (Malaysia) Sdn Bhd) ("**Coway**") as an Advertising and Promotion Executive. She was promoted several times while within Coway, namely as Senior Advertising and Promotion Executive in March 2008, Assistant Manager in March 2009 and Manager in March 2012, a position which she held until August 2014. During her tenure with Coway, she was in charge of handling brand communications, public relations, and events.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

She joined our Group in September 2014 as a Senior Marketing Manager. She was subsequently promoted to Director of Marketing in January 2017 where she was in charge of overseeing marketing, customer service and training. Thereafter, she was re-designated as Chief Marketing Officer in July 2019, where she assumed her current responsibilities.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.4.4 Principal directorships and principal business activities performed by our Key Senior Management outside our Group

The following table sets out our Key Senior Management's principal directorships and principal business activities outside our Group as at the LPD ("Present Involvement"), and principal directorships outside our Group for the past five years preceding the LPD ("Past Involvement"):

(i) Yeong Kian Peng

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Present Involvements						
Six Fun Media Sdn Bhd	Activities of holding companies; reproduction of recorded media; and motion picture, video and television programme production activities	Shareholder	12.5	-	-	-
Past Involvements						
Nil						

(ii) Toh Seng Lee

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Present Involvements						
TSL The Starting Line Sdn Bhd	Commission agents for all kinds of home appliances, as event organiser, exhibition, promotion fair, training and other related services	Director and shareholder	100.0	-	23 May 2016	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Involvement in business activities	Equity interest (%)		Directorship	
			Direct	Indirect	Date of appointment	Date of resignation
Smart Circle Resources Sdn Bhd	Property investment; Real estate activities with own or leased property n.e.c.	Director and shareholder	-	25.0	6 August 2020	
MNHero Sdn Bhd	Crowdfunding for charities	Shareholder	0.5	-	-	-
Six Fun Media Sdn Bhd	Activities of holding companies; reproduction of recorded media; and motion picture, video and television programme production activities	Shareholder	16.7	-	-	-
Affinity Merger Sdn Bhd	Buying, selling, renting and operating of self-owned or leased real estate	Shareholder	13.0	-	-	-
Achievement Meet Sdn Bhd	Business of café and restaurant	Shareholder	15.0	-	-	-
Past Involvements						
NCM Team Holding (M) Sdn Bhd	Investment holding (in non-listed securities)	Director	-	-	4 August 2016	The company was dissolved on 21 September 2023
360 Holdings Sdn Bhd	Export and import of a variety of goods without any particular specialization n.e.c.	Director	-	-	6 December 2017	9 March 2020

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

(iii) Goh Hui Teng

<u>Name of company</u>	<u>Principal activities</u>	<u>Involvement in business activities</u>	<u>Equity interest (%)</u>		<u>Directorship</u>	
			<u>Direct</u>	<u>Indirect</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
<u>Present Involvements</u>						
Six Fun Media Sdn. Bhd.	Activities of holding companies; reproduction of recorded media; and motion picture, video and television programme production activities	Director and shareholder	16.7	-	28 May 2021	-
Gazeum Sdn Bhd	Wholesale of coffee, tea, cocoa and other beverages; activities of holding companies.	Shareholder	0.8	-	-	-
<u>Past Involvements</u>						
Wonderklean Service Sdn Bhd	Other building and industrial cleaning activities, n.e.c.	Director	-	-	28 April 2020	The company was dissolved on 2 March 2023
360 Holdings Sdn Bhd	Export and import of a variety of goods without any particular specialization n.e.c	Director	-	-	6 December 2017	9 March 2020
Wealth Mastermind (M) Sdn Bhd (formerly known as Wonderlab Resources (M) Sdn Bhd)	General trading; to carry on the business of marketing all kind of goods, products, commodities and services	Director	-	-	9 October 2020	28 May 2024

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

The involvement of our Key Senior Management as disclosed above excludes shares in public listed companies held by our Key Senior Management as minority shareholders (less than 5.0% of the total number of issued shares of a public listed company) and in which they do not hold any directorship, and is only for trading and personal investment purposes.

The involvement of our Key Senior Management in other businesses outside of our Group does not affect their commitment, ability to perform their responsibilities and continued contribution to the day-to-day management and operations of our Group as the day-to-day operations of those other business are managed by the respective companies' management team and personnel, or the companies are investment holding companies which generate passive income.

5.4.5 Remuneration and material benefits-in-kind of our Key Senior Management

Please refer to Section 5.1.4 of this Prospectus for the remuneration and material benefits-in-kind of Hoe Kian Choon. The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for their services rendered or to be rendered to us in all capacities within our Group for the FYE2024 and the FYE2025 are as follows:

Key Senior Management	Remuneration band		Actual amount paid in FYE2025 up to the LPD ⁽¹⁾
	FYE2024 (Paid)	FYE2025 (Proposed)	
	RM'000	RM'000	RM'000
Yeong Kian Peng	700 – 750	650 – 700	100-150
Toh Seng Lee	850 – 900	800 – 850	100-150
Goh Hui Teng	650 – 700	600 – 650	100-150

Note:

(1) This includes bonus and its related EPF contribution for FYE2024, but paid in FYE2025.

The remuneration for our Key Senior Management, which include salaries, bonuses, allowances, contributions to EPF, SOCSO and EIS, and other benefits-in-kind must be considered and recommended by our Nomination and Remuneration Committee and subsequently approved by our Board.

Our Key Senior Management has not exercised any share options for the FYE2024 and the FYE2025. As at the LPD, there are no outstanding options in respect of our Shares.

5.4.6 Service agreements with our Key Senior Management

As at the LPD, there are no existing or proposed service agreements between the companies within our Group and our Key Senior Management which provide for benefits upon termination of employment.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, AND KEY SENIOR MANAGEMENT

5.5 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and Key Senior Management are or have been involved in any of the following events (whether within or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him / her or any partnership in which he / she was a partner or any corporation of which he / she was a director or a member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against him / her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his / her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, being subject to any civil proceeding involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his / her part that relates to the capital market;
- (vi) being the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him / her from engaging in any type of business practice or activity;
- (vii) being subject to any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgement against him / her.

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships or associations between our Promoters, Substantial Shareholders, Directors and Key Senior Management:

- (i) Koo Bon Hak, who is our Promoter, substantial shareholder and Non-Independent Non-Executive Chairman, is:
 - (a) the Chief Executive Officer, a director, representative director and substantial shareholder of CKH; and
 - (b) a director and substantial shareholder of CUCKOO Holdings.
- (ii) Toh Seng Lee, who is our Chief Operating Officer is the spouse of Goh Hui Teng, who is our Chief Marketing Officer.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 24 July 2014 under the name of CUCKOO International (MAL) Sdn Bhd and is deemed registered under the Act. On 5 August 2024, our Company was converted into a public limited company and assumed our present name of CUCKOO International (MAL) Berhad to facilitate our Listing.

The principal place of business of our Company is at Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur, Malaysia. We are principally involved in the trading and rental of home appliances, mattresses and furniture, trading of beauty care products, provision of home care services, and investment holding activities. Further details on our business activities are set out in Section 7.1 of this Prospectus.

As at the LPD, we have two subsidiaries, and our Group has no joint venture or associate companies. Please refer to Section 6.3 of this Prospectus for further details.

6.1.1 Share capital and changes in share capital

As at the LPD, our issued share capital is RM186,427,633 comprising 1,289,520,000 Shares. Details of changes to our issued share capital for the Financial Years Under Review and up to the LPD are shown below:

Date of allotment	Nature of transaction	No. of Shares allotted	Consideration (RM)	Cumulative issued share capital	
				No. of Shares	RM
6 April 2023	Employee share option scheme ("ESOS")	4,887,437	4,887,437	48,918,407	(1)186,427,633
11 July 2024	Bonus Issue(2)	1,240,601,593	-	1,289,520,000	186,427,633

Notes:

- (1) The issued share capital increased from RM44,030,970 to RM186,427,633 by way of issuance of 4,887,437 new Shares through the ESOS wherein the exercise price of a new Share under the ESOS was RM1.00, and when the share option was exercised, the amount from the share option reserve comprising the cumulative value of employee services received for the issue of share options was transferred to the share capital.
- (2) Please see Section 6.1.2 of this Prospectus for further details on the Bonus Issue.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for any allotments of our Shares.

Upon the completion of our IPO, our enlarged share capital will increase to RM364,373,378 comprising 1,432,800,000 Shares.

6. INFORMATION ON OUR GROUP

6.1.2 Bonus Issue

On 11 July 2024, our Company completed the Bonus Issue of 1,240,601,593 new Shares to our existing shareholders for the purposes of increasing the number of our issued Shares to facilitate our IPO and Listing. The Bonus Issue was implemented without capitalising the retained earnings or reserves of our Company and such new Shares were issued at no consideration. The effective shareholding of our existing shareholders in our Company before and after the Bonus Issue is the same, and is as follows:

Name	Before the Bonus Issue				After the Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
CKH	30,591,995	62.5	-	-	806,424,244	62.5	-	-
CUCKOO Holdings	-	-	⁽¹⁾ 30,591,995	62.5	-	-	⁽¹⁾ 806,424,244	62.5
Koo Bon Hak	9,727,499	19.9	⁽²⁾ 30,591,995	62.5	256,422,997	19.9	⁽²⁾ 806,424,244	62.5
Hoe Kian Choon	5,590,281	11.4	⁽³⁾ 1,379,487	2.8	147,363,326	11.4	⁽³⁾ 36,364,146	2.8
Mak Foong Ling	1,379,487	2.8	-	-	36,364,146	2.8	-	-
Toh Seng Lee	325,829	0.7	-	-	8,589,058	0.7	-	-
Goh Hui Teng	325,829	0.7	-	-	8,589,058	0.7	-	-
Lye Siew Lay	325,829	0.7	-	-	8,589,057	0.7	-	-
Tan Yu Liang	325,829	0.7	-	-	8,589,057	0.7	-	-
Mak Wai Hoong	325,829	0.7	-	-	8,589,057	0.7	-	-
Total	48,918,407	⁽⁴⁾100.0			1,289,520,000	⁽⁴⁾100.0		

Notes:

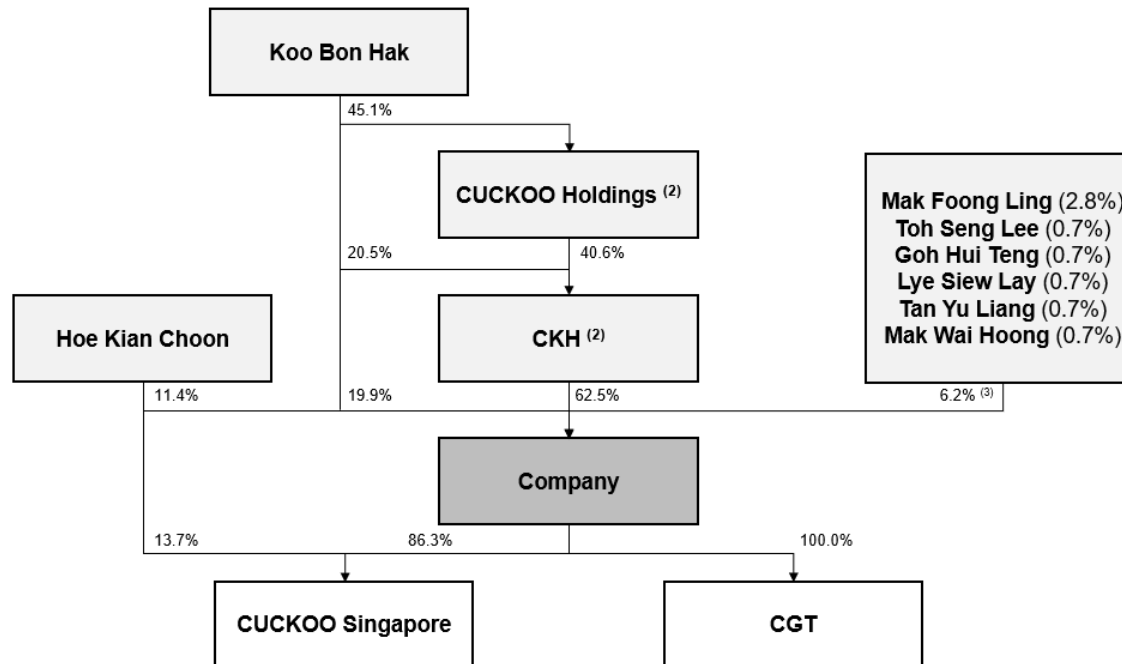
- (1) Deemed interested through CKH pursuant to Section 8(4) of the Act.
- (2) Deemed interested through CKH and CUCKOO Holdings pursuant to Section 8(4) of the Act.
- (3) Deemed interested through his spouse, Mak Foong Ling, pursuant to Section 59(11)(c) of the Act.
- (4) Does not add up due to rounding.

6. INFORMATION ON OUR GROUP

6.2 OUR GROUP SHAREHOLDING STRUCTURE

Our shareholding structures as at the LPD and after our IPO are set out below:

As at the LPD (after the Bonus Issue but before our IPO) ⁽¹⁾



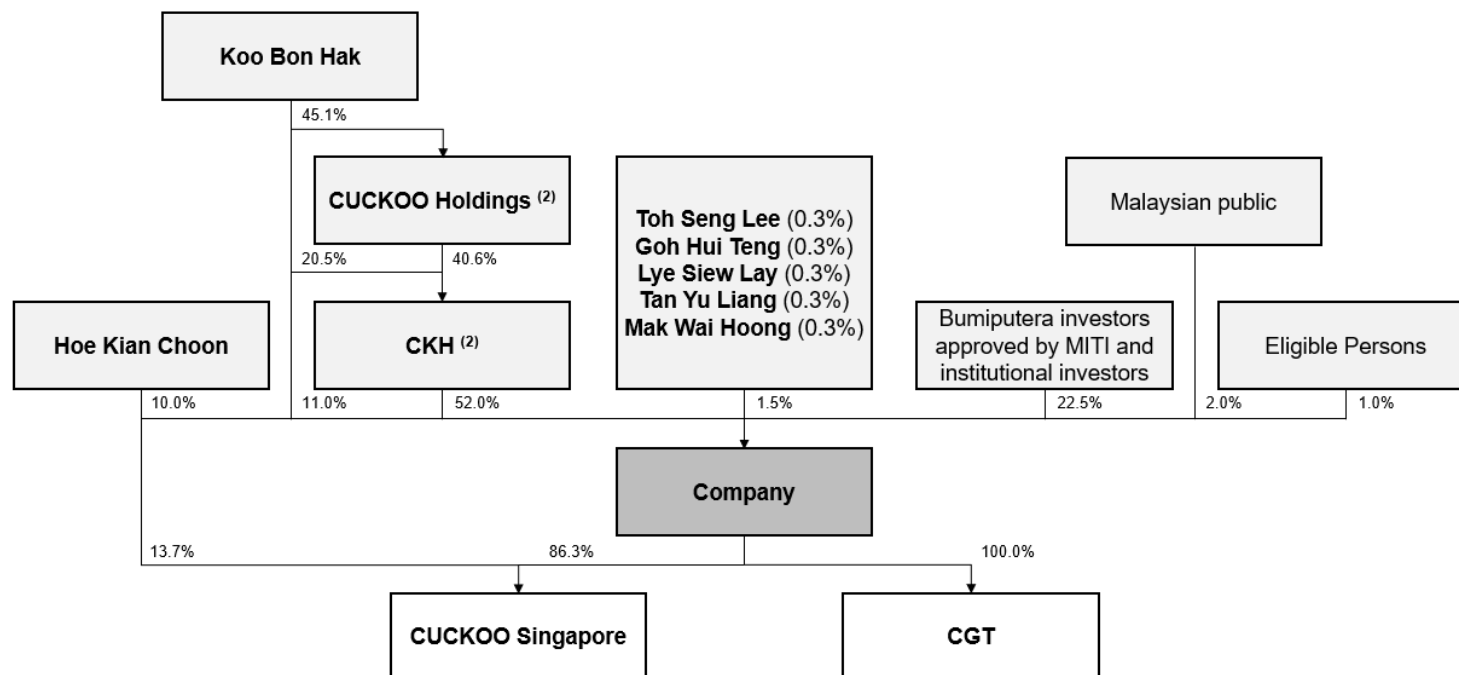
Notes:

- (1) Based on our total number of 1,289,520,000 Shares as at the LPD.
- (2) Please refer to Section 5.1.2 of this Prospectus for further details on the substantial shareholders of CKH and CUCKOO Holdings.
- (3) Does not add up due to rounding.

The beneficial owners of our Company are Hoe Kian Choon and Koo Bon Hak.

6. INFORMATION ON OUR GROUP

After our IPO ⁽¹⁾



Notes:

(1) Based on our enlarged number of 1,432,800,000 Shares after our IPO and assuming full subscription of our Shares allocated to the Eligible Persons.

(2) Please refer to Section 5.1.2 of this Prospectus for further details on the substantial shareholders of CKH and CUCKOO Holdings.

The beneficial owners of our Company are Hoe Kian Choon and Koo Bon Hak.

6. INFORMATION ON OUR GROUP

6.3 OUR SUBSIDIARIES

6.3.1 Information on CGT

CGT, our wholly-owned subsidiary, was incorporated in Malaysia under the Companies Act 1965 on 1 July 2016 as a private limited company under the name of CUCKOO Global Technology Sdn Bhd and is deemed registered under the Act. CGT is principally involved in software development, maintenance of computer software and consultancy services. Its principal place of business is Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

CGT's issued share capital as at the LPD is RM100 comprising 100 ordinary shares. There has been no change in the issued share capital of CGT for the past three years preceding the LPD.

As at the LPD, CGT does not have (i) any outstanding warrants, options, convertible securities or uncalled capital; and (ii) there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for any allotments of shares in CGT.

6.3.2 Information on CUCKOO Singapore

CUCKOO Singapore was incorporated in Singapore on 21 June 2016 as a private limited company under the name of CUCKOO International (S) Pte Ltd. CUCKOO Singapore is principally involved in the trading and rental of home appliances. Its registered address and principal place of business is 11 Irving Place #11-01, 369551 Singapore.

The issued share capital of CUCKOO Singapore as at the LPD is SGD611,050 comprising 550,000 ordinary shares. There has been no change in the issued share capital of CUCKOO Singapore for the past three years preceding the LPD.

As at the LPD, CUCKOO Singapore does not have (i) any outstanding warrants, options, convertible securities or uncalled capital; and (ii) there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for any allotments of shares in CUCKOO Singapore.

6.4 PUBLIC TAKE-OVERS

During the last financial year up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

7. BUSINESS OVERVIEW

7.1 OVERVIEW AND BACKGROUND

We are a company with a vision to be a "Healthy Home Creator", dedicated to fostering healthy lifestyles for our customers through our home appliances, household goods, skincare and nutritional food products, and home care services. We are guided by our 'Beyond Standards' philosophy to deliver exceptional products and services to our customers, which drives continuous improvement across our strategies and operations. We offer various rental plans for a selection of our products which provide accessibility and flexibility to our customers. According to Frost & Sullivan, we have a market share estimated at 19.6% based on revenue for the FYE2024, and a market share estimated at 23.1% based on the number of active orders as at 31 December 2024, in the rental industry for home appliances and household goods in Malaysia. According to Frost & Sullivan, based on our CUCKOO Retail Outlets, we have the largest number of outlets in Malaysia amongst the selected players in this industry as at the LPD.

Our business comprises four segments, namely, CUCKOO-branded, CUCKOO Co-Created, WonderLab and WonderDewi, and WonderKlean. See Section 7.5 of this Prospectus for further information on these segments.

Our CEO, Hoe Kian Choon, founded the business of our Company in 2014 to undertake the distribution of CUCKOO rice cookers and water purifiers under our CUCKOO-branded segment in Malaysia. Subsequently, he collaborated with CKH and Koo Bon Hak to grow our business. Hoe Kian Choon expanded our business further together with the rest of our Key Senior Management, who are based locally with extensive experience and understanding of the local market as well as consumer preferences. We have the flexibility to select from and distribute the full line of CUCKOO-branded products as well as products of other brands, tailoring the product specifications and our services to meet specific needs of the local market. Over time, we continued to expand our business and product offerings under our CUCKOO-branded segment to include air purifiers, kitchen appliances, home appliances and outdoor water filters. In 2016, we expanded our geographical presence to Singapore and Brunei to expand our footprint in new markets. Since 2020, we have entered into partnerships with LSK, Fujiaire and OGAWA Malaysia to diversify our product and service offerings through the launch of massage chairs, air conditioners and mattresses respectively under our CUCKOO Co-Created segment. As at the LPD, we have a portfolio of 64 SKUs in our portfolio of home appliances and household goods, which comprises 54 CUCKOO-branded products and 10 CUCKOO Co-Created products.

Under our CUCKOO-branded and CUCKOO Co-Created segments, we offer various rental plans for certain home appliances and household goods to facilitate accessibility to our products, under which our customers can make monthly rental payments, and eventually own our products upon full payment at the end of the relevant contract term. Alternatively, customers may also make outright purchases of our products by making full payment upfront. We offer aftersales maintenance services together with the rental and outright sale of our products throughout the tenure of our rental plans or for a limited term for outright sales. Such aftersales maintenance services include delivery, installation, periodic servicing, checks and maintenance, and product repair. Our aftersales maintenance services are also sold as packages separately from our products.

Our revenue from rental and outright sale of our products for the FYE2021, FYE2022, FYE2023, and FPE2024 under our CUCKOO-branded and CUCKOO Co-Created segments contributed to 64.6%, 59.2%, 61.4%, and 65.9% of our total revenue respectively, whilst our revenue from the provision of aftersales maintenance services contributed to 34.0%, 39.6%, 37.8%, and 33.7% of our total revenue respectively.

7. BUSINESS OVERVIEW

In 2020, we commenced our WonderLab and WonderDewi segment to diversify our business into the skincare and nutritional food products industry, and to promote healthy skincare and nutritional standards as part of our dedication to fostering healthy lifestyles for our customers. Under our WonderLab and WonderDewi segment, we provide beauty and wellness solutions including skincare and nutritional food products. We offer our customers a flexible beauty and lifestyle subscription plan, under which they can select a skincare or nutritional food product of their choice to be delivered to them on a monthly basis at a monthly rate. Alternatively, customers may also make outright purchases of our WonderLab and WonderDewi products. For the FYE2021, FYE2022, FYE2023, and FPE2024, revenue from our WonderLab and WonderDewi segment contributed to 0.8%, 0.4%, 0.3%, and 0.1% of our total revenue respectively.

Since 2020, we have also been providing home care services, such as our indoor disinfection and professional cleaning services under our WonderKlean segment which are sold as subscription plans. We ventured into the indoor disinfection and professional cleaning services industry as there was demand for such services during the Covid-19 pandemic, and to promote clean and hygienic living spaces as part of our vision to be a "Healthy Home Creator". For the FYE2021, FYE2022, FYE2023, and FPE2024, revenue from our WonderKlean segment contributed to 0.5%, 0.7%, 0.5%, and 0.3% of our total revenue respectively.

We distribute our products and services through an omni-channel distribution network. Our offline channels comprise our CUCKOO Sales Team and CUCKOO+ Service Group, Retail Outlets, and third-party retailers. Our online channels comprise our e-Brandstores, e-Brandshops, and third-party e-commerce platforms. See Section 7.5.5 of this Prospectus for further details on our omni-channel distribution network.

7.1.1 History and key milestones

The table below summarises our Group's key events and milestones in the history and development of our business:

Year	Key Events and Milestones
2014	<ul style="list-style-type: none"> • CUCKOO International (MAL) Sdn Bhd was incorporated in Malaysia to distribute CUCKOO-branded products in Malaysia, including rice cookers • Launched our mild alkaline water purifier which generates filtered water that complies with the standards for drinking water issued by the WHO
2015	<ul style="list-style-type: none"> • First obtained Halal Certification from Jabatan Hal Ehwal Agama Islam for our water purifiers and water filters
2016	<ul style="list-style-type: none"> • Acquired an interest in CUCKOO Singapore to distribute CUCKOO-branded products in Singapore • Entered into a sole sub-distributorship agreement with CUCKOO Brunei for the distribution of CUCKOO-branded products in Brunei
2017	<ul style="list-style-type: none"> • Launched CUCKOO GOODPLAN, our first flexible monthly payment plan in Malaysia which offers our customers flexible contract terms and pricing

7. BUSINESS OVERVIEW

Year	Key Events and Milestones
2018	<ul style="list-style-type: none"> Appointed as a sole distributor for CUCKOO Holdings Group in Malaysia, Singapore and Brunei Entered into the Malaysia Book of Records for the ‘Shortest Time for a Multi-Cooker to cook ‘GABA Rice’, which refers to germinated brown rice, and for having the ‘First In and Out Auto Electrolytic Sterilisation System in Water Purifier’
2019	<ul style="list-style-type: none"> Set up our first distribution centre in Subang Jaya and call centre in Kuala Lumpur
2022	<ul style="list-style-type: none"> Launched our “CUCKOO Co-Created with Fujiaire” air conditioners in partnership with Fujiaire Established our first CUCKOO Brand Gallery, an experiential and educational centre, in Kuching, together with our CUCKOO Café, which serves as an area for us to engage with our customers and educate our visitors on the history of our brand Obtained a 97% satisfaction rate rating in an IPSOS survey, where 97% of our customers indicated they will continue to use our water purifiers and air purifiers in the future
2023	<ul style="list-style-type: none"> Commenced our omni-channel distribution strategy (see Section 7.5.5 of this Prospectus for further details on our omni-channel distribution network) Set up our first wholly-owned and largest distribution hub in Subang Jaya, Malaysia Launched our “CUCKOO Co-Created with OGAWA” massage chair in partnership with OGAWA Malaysia
2024	<ul style="list-style-type: none"> Launched our CUCKOO e-Brandshop and WonderLab e-Brandshop

7.2 AWARDS AND RECOGNITION

Since our inception, our Group has received the following awards:

Year	Awards and Accreditations	Awarding Body
2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024	Gold Trusted Brand Award in Water Purifier Category	Reader’s Digest
2017, 2018	Malaysia Home Water Filter Growth Excellence Leadership Award	Frost & Sullivan
2018	“Shortest Time for a Multi-Cooker to cook ‘GABA’ Rice” (which refers to germinated brown rice) and “First In and Out Auto Electrolytic Sterilisation System in Water Purifier”	Malaysia Book of Records

7. BUSINESS OVERVIEW

Year	Awards and Accreditations	Awarding Body
2019, 2020	Malaysia Home Water Filter Customer Value Leadership Award	Frost & Sullivan
2019, 2020, 2021, 2022, 2023, 2024	Best Companies to Work for in Asia Award	HR Asia
2020, 2023, 2024	Most Caring Company Award	HR Asia
2020	Bronze Award for Excellence in Employer Branding	Human Resources Excellence Awards
2020, 2021, 2022, 2023, 2024	Best Customer Experience Award	CXP
2020	Malaysia Home Air Purifier Product Line Strategy Leadership Award	Frost & Sullivan
2021	Malaysia Home Air Purifier Competitive Strategy Leadership Award	Frost & Sullivan
2021	Malaysia Home Water Filter Company of the Year Award	Frost & Sullivan
2022, 2023	Malaysia Home Water Purifier Company of the Year Award	Frost & Sullivan
2021	Best Water Filtration System (Countertop) for Prince Top Water Purifier	Singapore Women's Weekly Domestic Diva Awards
2022	Southeast Asia Home Wellness Solutions Company of the Year Award	Frost & Sullivan
2022	Bronze Award for the Personal, Household and Outdoor Appliances Category	Putra Brand Awards
2022	Human Resources Minister Award	Human Resource Development Awards
2022, 2023, 2024	Silver Award for the Home Improvement Products and Stores Category	Putra Aria Brand Awards / Putra Brand Awards
2023	Silver Award for the Personal, Household and Outdoor Appliances Category	Putra Brand Awards
2024	Gold Award for the Personal, Household and Outdoor Appliances Category	Putra Aria Brand Awards
2024	Champion for Sustainability	Life at Work Awards

7. BUSINESS OVERVIEW

Year	Awards and Accreditations	Awarding Body
2024	Gold Award for Excellence in Leadership Development	Human Resources Excellence Awards

7.3 COMPETITIVE STRENGTHS

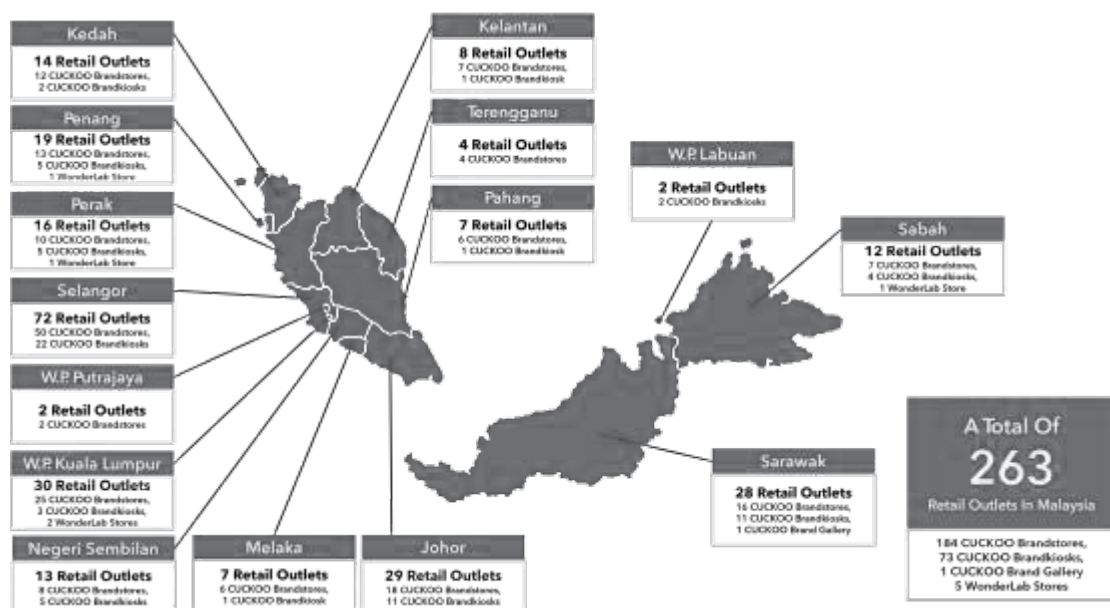
7.3.1 We have a strong brand presence in the rental industry for home appliances and household goods in Malaysia

We have built a strong brand presence in Malaysia over the past 10 years that has allowed us to: (i) promote a positive image that is dedicated to fostering healthy lifestyles for our customers; (ii) secure new customers; and (iii) build brand loyalty to retain our existing customers as well as to cross-sell more of our products and services to them. We have been the recipient of numerous awards in Malaysia (see Section 7.2 of this Prospectus for further details on our awards and recognition) that demonstrates our strong brand presence. We have also obtained a 97% satisfaction rate for our aftersales maintenance services in surveys conducted by an independent market research firm in 2019 and 2022.

We have built our strong brand presence through our effective business model focused on facilitating accessibility to a holistic wellness ecosystem, and extensive customer outreach through our geographical presence in Malaysia. According to Frost & Sullivan, we have a market share estimated at 19.6% based on revenue for the FYE2024, and a market share estimated at 23.1% based on number of active orders as at 31 December 2024, in the rental industry for home appliances and household goods in Malaysia.

As at the LPD, we have a wide geographical presence in Malaysia with 263 CUCKOO and WonderLab Retail Outlets located in shopping malls, department stores, supermarkets and hypermarkets, managed by more than 7,000 personnel in the CUCKOO Sales Team and WonderLab Sales Team collectively across Malaysia. According to Frost & Sullivan, based on our CUCKOO Retail Outlets, we have the largest number of retail outlets in Malaysia among the selected players in the industry as at the LPD.

The following diagram shows the geographical distribution of our Retail Outlets across Malaysia as at the LPD:



7. BUSINESS OVERVIEW

The following table shows the number of our Retail Outlets across Malaysia and Singapore as at 31 December 2021, 31 December 2022, 31 December 2023, 31 December 2024, and as at the LPD:

	<u>31 Dec 2021</u>	<u>31 Dec 2022</u>	<u>31 Dec 2023</u>	<u>31 Dec 2024</u>	<u>LPD</u>
Malaysia	390	326	283	263	263
Singapore⁽¹⁾	10	10	4	3	3

Note:

(1) Retail Outlets in Singapore comprise CUCKOO Brandstores only.

The number of our Retail Outlets across Malaysia and Singapore saw a decrease from 31 December 2021 up to 31 December 2024 arising from a rationalisation exercise to reduce our non-performing outlets, and the non-renewal and termination of our rental contracts for Retail Outlets in Malaysia which have not obtained the necessary licences.

7.3.2 Our effective business model focused on providing flexible rental plans at affordable rates enables us to sustain and grow our business

Our business model is premised on providing our customers accessibility to a holistic wellness ecosystem of our products and services. In creating this wellness ecosystem for our customers, we select and offer our customers high-value products, that are expected to promote healthier lifestyles for them, and offer such products through our rental plans, offering such products with various aftersales maintenance services. Offering our customers access to this wellness ecosystem through rental plans and outright purchases allows us to cater to a wide range of consumers with differing budgets, preferences and lifestyles. This approach enhances customer satisfaction and fosters strong customer loyalty.

In addition, our aftersales maintenance services which are included throughout the tenure of our rental plans or for a limited term for outright sales, allow us to provide our customers convenience if product maintenance, repairs or replacements are required. This customer-centric approach also fosters trust and brand loyalty, driving positive word-of-mouth referrals and opportunity for cross-selling.

We also offer our customers various rental contract terms and pricing options, offering our customers flexibility to pick a rental contract term and price point that suits their lifestyle and budget (see Section 7.5.4 of this Prospectus for further information on our rental plans). These options allow us to reach consumers across a wide range of income levels, appealing to low to middle-income consumers, and the hassle-free experience provided through our aftersales maintenance services are attractive to consumers of all income levels. According to Frost & Sullivan, the aggregate household debt in Malaysia increased at a CAGR of 5.2% from around RM1.25 trillion in 2019 to RM1.53 trillion in 2023, with the household debt-to-GDP ratio increasing from 82.7% to 84.2% during the same period. As at June 2024, the aggregated household debt slightly increased to RM1.57 trillion, resulting in a household debt-to-GDP ratio of 83.8%. This indicates that consumers allocate a significant portion of household income toward debt repayment, potentially reducing discretionary purchases. Consequently, consumers may opt for the rental of home appliances or household goods with lower monthly payments, thus contributing to the growth of the rental industry for home appliances and household goods.

According to Frost & Sullivan, in Malaysia, there are more companies that offer home appliances and household goods through outright purchase compared to those that offer rental plans for such products. As home appliances and household goods in Malaysia are typically considered big-ticket purchases, Malaysian consumers, especially the low- and middle-income

7. BUSINESS OVERVIEW

groups, tend to be more value-conscious and seek products with lower price points. Given these challenges in the home appliances and household goods in Malaysia, we believe that our effective business model focusing on providing flexible rental plans has enabled us to sustain and grow our business, including the number of active orders. The table below sets out the number of active orders as at 31 December and the number of new orders for the financial years and financial period indicated:

	<u>As at 31 Dec 2021</u>	<u>As at 31 Dec 2022</u>	<u>As at 31 Dec 2023</u>	<u>As at 30 Sep 2024</u>
Number of active orders	1,056,000	1,073,000	1,096,000	1,060,000
	<u>For FYE2021</u>	<u>For FYE2022</u>	<u>For FYE2023</u>	<u>For FPE2024</u>
Number of new orders	163,000	137,000	176,000	182,000

While customers who sign up for our CUCKOO Rental Plan can terminate their contracts after the third year of their plans without incurring any penalty fees, a significant number of our customers opt to continue with their contract after the third year or upgrade their products to a newer model with contract extensions. For the FYE2021, FYE2022, FYE2023, and FPE2024, 39%, 49%, 50%, and 40% of our customers under our CUCKOO Rental Plan extended their contracts and/or entered into new rental plans following the expiry of their respective contracts, respectively.

7.3.3 We have diversified our range of products and services to expand our customer base

We have diversified our product and service offerings by continuously working to understand customer needs and preferences in our local markets while leveraging on the CUCKOO brand name. Our wide and diverse range of products, aftersales maintenance services and omni-channel distribution strategy, enable us to enhance our customer outreach to expand our customer base and cross-sell our products to achieve a higher revenue per existing customer. As at the LPD, we have a portfolio of 64 SKUs in our portfolio of home appliances and household goods, which comprises 54 CUCKOO-branded products and 10 CUCKOO Co-Created products. According to Frost & Sullivan, as at the LPD, we have a wide range of product categories for home appliances and household goods, and our products are generally priced competitively (without consideration for product features) compared to our competitors in the home appliance and household goods rental market in Malaysia.

In recent years, we have successfully expanded our product offering range through our various partnerships with parties by providing our customers access to CUCKOO Co-Created mattresses, air conditioners and massage chairs and aftersales maintenance services offered for such products.

Further, we offer aftersales maintenance services with our products to further enhance customer loyalty by meeting their need for a one-stop experience. Since 2020, we have also been providing home care services in Malaysia under our WonderKlean brand, which include indoor disinfection services and professional cleaning services as well as beauty and wellness solutions including skincare and nutritional food products under our WonderLab and WonderDewi brands. A select range of such home care services are also available in Brunei via our sub-distributor (see Section 7.5.1 for further details on the products and services offered in Brunei).

7. BUSINESS OVERVIEW

7.3.4 We have adopted digitised systems to drive efficiency and provide convenience to our customers, and our CUCKOO Sales Team and CUCKOO+ Service Group

We have adopted various digitised systems in the management of sales, billing, supply chain and inventory, monitoring of service quality, collections, customer credit processing and customer data analysis to help drive efficiency in our operations and provide convenience to our customers.

Customer-facing applications and support tools

We developed our CUCKOO+ mobile application in collaboration with an external party, which allows our customers to schedule appointments for product servicing or home care services, check and manage their CUCKOO or WonderKlean orders, view and pay their bills, and get instantaneous support with our CUCKOO AI Chatbot. Our CUCKOO+ mobile application was launched in November 2020, and as at the LPD, there were 889,664 downloads and 518,318 active users (i.e., users who have logged in at least once in the last 12 months) of our CUCKOO+ mobile application. Through our CUCKOO+ mobile application, we can analyse customer behaviour, which helps drive our operational and business decisions including planning and managing our resources.

Our CUCKOO AI ChatBot provides our customers with self-help options for their products and services, allowing us to allocate our employee resources more efficiently.

Following the launch of our CUCKOO AI ChatBot in 2021, the number of customer queries resolved by our customer service agents as a percentage of the total number of customer queries decreased from 95% in 2020 to 17% for the FYE2021 and decreased further to 10% for the FYE2024.

In-house processes and systems

We developed our e-Brandstores, which are our sales platforms provided to each employee and independent contractor under the CUCKOO Sales Team, WonderLab Sales Team and CUCKOO+ Service Group. Our e-Brandstores provide a convenient platform for our CUCKOO Sales Team and CUCKOO+ Service Group to engage with our customers and allow them to view and shop for our products and services. Our marketing team also generates targeted marketing content for presentation on our e-Brandstores.

The CUCKOO+ Service Group uses our in-house service management platform, through which service appointments are allocated to the appropriate Service Specialist depending on the service required and location of the customer. Through the service management platform, our customers can also receive email notifications on the real-time location of their assigned specialist from the CUCKOO+ Service Group prior to their arrival at our customer's home to fulfil a service request.

Our collections team uses an in-house payment collection tracking system to track the collection of customer payments under our rental plans and length of payment defaults, enabling the collections team to act promptly on defaulting customers (see Section 7.6.2 of this Prospectus for further details on our collections process). We also have a credit assessment system which complements our payment collection tracking system, enabling our credit risk assessment team to conduct credit checks on customers signing up for rental plans (see Section 7.6.1 of this Prospectus for further details on our credit assessment process).

7. BUSINESS OVERVIEW

7.3.5 We have an omni-channel distribution network to market and distribute our products and services to improve our market reach

One of our key strengths is that we have an omni-channel distribution network that allows us to distribute our products and services widely. This improves our market reach as we are able to connect with our customers through their preferred touchpoints, thus providing accessibility and visibility of our products and services.

We have adopted our omni-channel distribution strategy since 2023 and our distribution network have expanded from our offline channels of sales teams and Retail Outlets to include our e-Brandshops, third-party e-commerce platforms, home appliance retailers, third-party personal care stores and department stores as at the LPD (see Section 7.5.5 of this Prospectus for further details on our omni-channel distribution network). These online sales channels (namely, our e-Brandshops, e-Brandstores and third-party e-commerce platforms) allow our customers to browse and shop for our products and services anytime and anywhere in Malaysia. This helps expand our market coverage to locations in Malaysia where we do not have physical outlets as well as generate brand awareness and supports our promotional activities. Our e-Brandshops and e-Brandstores are available to customers in Singapore and Brunei for browsing only as our products are only shipped to addresses within Malaysia.

In addition, our business model leverages on independent contractors, which are typically individuals who engage in flexible working arrangements within the gig economy. This model allows us to maintain a lean core workforce and scale up resources for our business needs when necessary, avoiding the logistical and administrative processes and costs associated with hiring permanent staff. Compared to a direct selling model under which we were only permitted to have one commission scheme, transitioning to an omni-channel distribution strategy allowed us to implement different compensation plans for the CUCKOO Sales Team, WonderLab Sales Team and the CUCKOO+ Service Group, which we believe better aligns the incentive to their efforts (see Section 7.3.6 of this Prospectus for further details). Through this compensation plan, we have been able to attract and retain our workforce and differentiate ourselves from direct competitors in the home appliance and household goods rental market in Malaysia.

7.3.6 We have a strong and incentivised network of sales and service personnel to drive sales performance

Our sales are primarily handled by the CUCKOO Sales Team and the WonderLab Sales Team, while aftersales maintenance services and home care services are carried out by the CUCKOO+ Service Group. As at the LPD, the CUCKOO Sales Team, WonderLab Sales Team, and CUCKOO+ Service Group comprise 6,640 personnel, 1,258 personnel, and 3,230 personnel respectively across Malaysia and Singapore. The CUCKOO Sales Team manages the sale of CUCKOO-branded products and CUCKOO Co-Created products, and the WonderLab Sales Team manages the sale of WonderLab and WonderDewi products. The CUCKOO+ Service Group carries out our aftersales maintenance services and our WonderKlean services, as well as cross-sells our CUCKOO-branded products and CUCKOO Co-Created products.

We motivate our sales and service personnel with a sales-driven compensation plan. We have structured different compensation plans for the CUCKOO Sales Team and the CUCKOO+ Service Group when they sell or cross-sell CUCKOO-branded products and CUCKOO Co-Created products. Our compensation plan for our Sales Managers and Sales Representatives are designed to incentivise them to drive sales and grow our business. Specifically, our Sales Managers' are paid a base salary as well as a commission component that is based on (i) the sales of the Sales Representatives that they manage; or (ii) the sales of the Sales Representatives managed by their lower-ranked Sales Managers. A similar sales-driven compensation plan is adopted for our Wonder Managers. Our Sales Representatives' and Wonder Stars' commission is computed based on their own sales only. See Section 7.5.5 of this Prospectus for further details.

7. BUSINESS OVERVIEW

For the CUCKOO+ Service Group, they are encouraged to cross-sell to existing customers and are paid a sales commission (based on sales volume) for every successful: (i) cross-sale to existing customers; (ii) trade in by existing customers; and (iii) contract upgrade or extension by existing customers. This is in addition to compensation paid to the CUCKOO+ Service Group for aftersales maintenance services rendered. The compensation for the provision of aftersales maintenance services includes a base component and a commission component that is computed based on the number of appointments handled, and additional commission for positive customer service reviews. The CUCKOO+ Service Group commenced cross-selling in the FYE2023, where they contributed to 26.4% and 45.9% of the total number of orders in the CUCKOO-branded and CUCKOO Co-Created segments, for the FYE2023 and FPE2024 respectively.

As at the LPD, 70.9% of our customers have only purchased or rented one product SKU within the CUCKOO-branded segment, which are mainly water purifiers. Accordingly, we have potential growth opportunities through cross-selling of our range of products within our existing customer pool (see Section 7.4.1 of this Prospectus for further details on our strategy with respect to growth of market share through cross-selling of products).

7.3.7 We have consistently maintained steady revenue for the Financial Years Under Review

We maintained steady revenue during the Financial Years Under Review. Our revenue for the FYE2021, FYE2022, FYE2023, and FPE2024 was RM1,139.1 million, RM1,046.4 million, RM1,116.6 million, and RM930.4 million respectively. Our business model, which involves offering rental plans of our products to our customers requires us to have significant upfront capital outlay to fund the purchase of products from our suppliers and pay sales commissions. Further, there is a mismatch between revenue recognition and cashflows as revenue from rental of our products is recognised upfront whilst cash inflows are dependent on the collection of rental payments from our customers over their contract terms. As such, the growth of revenue from our rental business will generally impact our operating cashflows. Nevertheless, we were able to sustain steady revenue for the Financial Years Under Review.

We have achieved our financial performance for the Financial Years Under Review using the approach below:

- Promoting higher collection rates:* We have adopted a multi-pronged approach to promote higher collection rates. We mitigate customer default risks through our collections team, collections management system, and customer credit checks on certain customer segments before onboarding them as our rental customers, (see Section 7.6 of this Prospectus for further details on our collections and credit assessment processes). We also have arrangements with payment gateways which allow us to make the appropriate deductions from our customers' accounts in the event of payment defaults.
- Balancing the ratio of outright sales to rental plans:* We manage the ratio of the number of outright sales and rental plans offered by pivoting our promotional activities and providing the CUCKOO Sales Team with incentives to promote either outright purchases or rental plans as needed. To do so, we limit rental sales for CUCKOO-branded products while at the same time increasing rental sales for CUCKOO Co-Created products.
- Managing our commission-related expenses paid upfront:* The commencement of our omni-channel distribution network enables us to manage our expenses and cashflows related to commissions paid to the CUCKOO Sales Team, Wonder Star Team and CUCKOO+ Service Group. The CUCKOO+ Service Group receives a lower commission for successful cross-selling, compared to the commission received by the CUCKOO Sales Team. Direct sales of products and services through our CUCKOO e-Brandshop, WonderLab e-Brandshop and WonderKlean e-Brandshop are also expected to reduce our expenses incurred for commission and incentives.

7. BUSINESS OVERVIEW

- *Revenue-sharing arrangements:* Our revenue-sharing arrangements with our business partners in respect of most of our CUCKOO Co-Created products which apply throughout the term of the rental contract for such CUCKOO Co-Created products, supported our positive operating cash flows for the Financial Years Under Review. Our business partners are paid as and when we receive rental payments from our customers (based on an agreed ratio with each business partner) throughout the term of the rental contract. Such arrangements mitigate the misalignment in revenue recognition and cashflows as our payments are made to our business partners as rental payments are collected from our customers.

7.3.8 We have an experienced Key Senior Management team and strong support from substantial shareholders and business partners

We are led by our CEO, Hoe Kian Choon, who has over 18 years of experience in the rental industry for home appliances and household goods. Hoe Kian Choon has been named Entrepreneur of the Year at the 2022 Asia Pacific Enterprise Awards, and Young Entrepreneur of the Year at the Asia Corporate Excellence and Sustainability Awards 2023. He is supported by our other experienced Key Senior Management team based in Malaysia who have 19 to 25 years of experience in their respective areas of expertise including in the rental industry for home appliances and household goods in Malaysia. Leveraging on their experience and understanding of the home appliance and household goods industry as well as local demographics in locations where we operate, our Key Senior Management has been successful in driving our growth and develop relationships with our business partners, as well as ensuring that we are able to adapt to local market consumer needs and preferences.

Our largest supplier for the FYE2021, FYE2022, FYE2023, and FPE2024 was CKH, one of our substantial shareholders. Founded in 2017, CKH is listed on the Korea Exchange and is a well-established household brand with an in-house product design, research and development and manufacturing team. We leverage on our distribution agreement with CKH and access to their wide product portfolio range, which enables us to identify products with features that are aligned with local customer demands and launch such products quickly without lead time required for manufacturing.

Since 2020, we have built good business relationships with our business partners with whom we had developed our CUCKOO Co-Created products. We commenced our business relationships with LSK, Fujiaire and OGAWA Malaysia in 2020, 2021 and 2023 respectively. Our CUCKOO Co-Created products allowed us to diversify our product range beyond our CUCKOO-branded products.

Such collaborations with our business partners enable us to leverage on their technical experience and expertise, from product design and research to product testing and sourcing of raw materials and component parts. We also benefit from their presence and market recognition in the markets in which they operate. See Section 7.3.7 of this Prospectus.

7.4 FUTURE PLANS AND STRATEGIES

7.4.1 Grow market share through expansion of product and service offerings

We have built brand awareness in the home appliance and household goods rental market in Malaysia primarily through the sale of our CUCKOO-branded water purifiers, which contributed 54.1%, 46.5%, 45.2%, and 43.8% of our total revenue for the FYE2021, FYE2022, FYE2023, and FPE2024. According to Frost & Sullivan, the rental industry for home appliances and household goods in Malaysia is a growing industry that is resilient, and is forecasted to grow in the period from 2024 to 2029 at a CAGR of 9.9%. We plan to continue to leverage on our strong brand presence, effective business model, and omni-channel distribution network to capitalise on the growing industry in Malaysia.

7. BUSINESS OVERVIEW

We intend to do this by increasing product SKUs and home care services, which we believe will support growth of our market share within existing products and diversification to new target markets. We intend to fund the purchase of these new product SKUs through a combination of internally-generated funds, proceeds from the Public Issue and/or bank borrowings. We intend to introduce more product SKUs and WonderKlean packages by continuing to actively monitor our customers' demand for our products and continue to customise our product range in response to changes in customer preferences and buying patterns. The table below sets out the number of SKUs/packages in each segment as at the LPD:

	No. of SKUs / packages
CUCKOO-branded	54
CUCKOO Co-Created	10
WonderLab and WonderDewi	34 (comprising 12 WonderLab SKUs and 22 WonderDewi SKUs)
WonderKlean	8

We periodically review and define our strategies for future product launches by reviewing our product offering against customer feedback on product features and assessing the sales volume of our products across different geographic regions, and we aim for frequent launches of new products aligned with customer preferences to remain competitive. We constantly keep abreast of new product trends and consumer preferences by participating in trade shows and conventions.

We leverage on our distribution agreements with the CUCKOO Holdings Group and access to their wide product portfolio range which enables us to identify products with features that are aligned with local customer demands and launch such products quickly without a longer lead time required on research and development and manufacturing processes.

We also provide feedback on our products to our CUCKOO Co-Created product business partners to assess ways to improve sales of the particular product and to launch additional products with a focus on fostering healthy lifestyles. For example, we have worked with our business partners to launch new or enhanced product models and rental plans based on customer feedback on pricing and features of our products and rental plans.

CUCKOO-branded

As at the LPD, we have 54 SKUs in the CUCKOO-branded segment, and intend to expand our product offerings to 55 SKUs by the end of 2025. As at the LPD, 70.9% of our customers have only purchased or rented one product SKU within the CUCKOO-branded segment, which are mainly water purifiers. We intend to leverage on our existing customer network to cross-sell other products and services across all our business segments, and to expand our product offerings to cater to our customers' demand for new products. For example, we launched a CUCKOO-branded foldable treadmill and a CUCKOO-branded washer and dryer in 2024. Through our regular product strategy review, we will also recommend different products in different geographic regions to cater to local customer preferences and demands. For instance, we have focused on offering tankless water purifiers in Singapore where there is a preference for products to suit smaller living spaces. We have also launched water purifiers with additional features to address particular issues such as lower water pressure in certain regions in Malaysia.

7. BUSINESS OVERVIEW

We also intend to grow our market share in the corporate customer segment by expanding our product offerings, such as by launching new SKUs of water purifiers with features that suit corporate customers' needs. As at the LPD, less than 5% of our active orders are by corporate customers. According to Frost & Sullivan, businesses often choose to rent appliances such as water purifiers with hassle-free service. Air purifiers are also commonly provided within business premises and public venues such as airports, healthcare facilities, food and hospitality businesses, as well as offices in both the commercial and industrial sectors. Large businesses may spend more than households as they purchase larger quantities and/or higher value appliances with a higher capacity to cater to a larger number of users.

As at the LPD, we have two free-standing water purifiers that are targeted at corporate customers and we have supplied water purifiers to corporate customers such as hotels, factories and corporate offices. We have also done bulk sales to property developers which install our products in their properties or use them for their promotional events. We also intend to leverage on the growth opportunity in this segment by building a dedicated team to focus on corporate outreach strategy and marketing and promotional activities.

CUCKOO Co-Created

As part of our strategy to expand our range of product offerings to our customers, we have, together with our business partners namely, OGAWA Malaysia, LSK and Fujiaire developed products in Malaysia to offer products in line with our vision to be a "Healthy Home Creator". With such partnerships, we leverage on our partners' brand strength and manufacturing expertise in the respective product categories, while distributing such products through our rental plans and omni-channel distribution network.

For the FYE2021, FYE2022, FYE2023, and FPE2024, our revenue from the CUCKOO Co-Created segment was RM32.9 million, RM95.4 million, RM153.9 million, and RM191.7 million respectively, representing 2.9%, 9.1%, 13.8% and 20.6% of our total revenue, respectively, which increased primarily due to the launch of new SKUs. As such, in 2024, we launched two new SKUs of mattresses under the CUCKOO Co-Created segment. As at the LPD, we have 10 SKUs in this segment and intend to expand our product offerings to 11 SKUs by the end of 2025.

WonderLab and WonderDewi

We provide beauty and wellness solutions through our WonderLab and WonderDewi brands, including skincare and nutritional food products. We intend to expand our product portfolio from 34 SKUs as at the LPD to 42 SKUs by the end of 2025 under our WonderLab and WonderDewi brands.

WonderKlean

As at the LPD, we have eight types of WonderKlean subscription packages within our WonderKlean business segment, and intend to increase the range of packages to 10 types of packages by the end of 2025 in order to enhance our ecosystem of wellness solutions.

7.4.2 Expand omni-channel distribution network to increase customer touchpoints and accessibility to wellness solutions

We have an omni-channel distribution network to market and distribute our products, which comprises our Retail Outlets, sales by our CUCKOO Sales Team, Wonder Star Team and CUCKOO+ Service Group including through their unique e-Brandstore domains, our CUCKOO WonderLab and WonderKlean in-house e-commerce platforms, third-party retail networks, third-party e-commerce platforms and cross-selling by our CUCKOO+ Service Group.

7. BUSINESS OVERVIEW

Expansion and enhancement of offline and online customer touchpoints

As at the LPD, we have 263 Retail Outlets comprising CUCKOO Brandstores, CUCKOO Brandkiosks, CUCKOO Brand Gallery and Wonder Stores across Malaysia and three CUCKOO Brandstores in Singapore.

We intend to increase customer touchpoints and enhance customer experience mainly by:

- (i) introducing CUCKOO "cash and carry" Brandshops to provide a convenient and seamless shopping experience for customers. We will also introduce repair and exchange services for CUCKOO-branded rice cookers in these CUCKOO "cash and carry" Brandshops to enhance customer experience in our ecosystem for wellness solutions. We intend to open three such CUCKOO "cash and carry" Brandshops in 2025 in Kuala Lumpur, Penang and Johor, and seven such CUCKOO "cash and carry" Brandshops in 2026 in Sabah, Selangor, Malacca, Perak, Kedah, Kelantan and Terengganu. We have identified these states for expansion based on our assessment of factors such as historical sales performance and existing Retail Outlet penetration, which refers to the number of Retail Outlets per million households (see Paragraph 3.4.3 of the IMR Report set out in Section 8 of this Prospectus for more information). The CUCKOO "cash and carry" Brandshops will initially carry rice cookers, and we intend to expand product categories offered at such Retail Outlets by the end of 2026;
- (ii) making more products available under our WonderLab e-Brandshop, from 34 SKUs as at the LPD, to 42 SKUs by the end of 2025. As at the LPD, we have 30 SKUs under our CUCKOO e-Brandshop, some of which may be discontinued and replaced with new SKUs over the course of 2025 to maintain the same number of SKUs under our CUCKOO e-Brandshop by the end of 2025. As at the LPD, we offer a total of 64 SKUs comprising our CUCKOO-branded rice cookers and small kitchen appliances on the CUCKOO e-Brandshop and WonderLab e-Brandshop; and
- (iii) opening five third-party retail outlets and continuing to expand our distribution channels in Singapore and leverage on distribution networks of more partners such as department stores and retail shops to build brand awareness. See Section 7.5.5.4 of this Prospectus for more information on our existing third-party retail outlets.

We believe that the expansion of our retail store network through introduction of "cash and carry" Retail Outlets and enhancement of customer experience through repair and exchange services further increases our brand awareness and enhances customer experience, which we expect to drive footfall to our stores. At the same time, we intend to continue to offer attractive price-to-quality value and convenience to our customers, which will drive customer loyalty and business to our stores.

The set-up cost of new CUCKOO "cash and carry" Brandshops comprising costs for renovations and fit-out work, rental deposits and other ancillary costs are expected to amount to RM1.5 million and RM3.5 million in 2025 and 2026, respectively, which we expect to fully fund through the proceeds from our IPO, with the shortfall to be funded by internally-generated funds. The costs of expansion of third-party retail outlets and expansion of distribution channels in Singapore comprising costs of renovations and fit-out work, rental and other ancillary costs are expected to amount to RM504,000 and RM336,000 in 2025 and 2026, respectively, which we expect to fund through the proceeds from our IPO.

7. BUSINESS OVERVIEW

Expansion of CUCKOO Sales Team, Wonder Star Team CUCKOO+ Service Group

We had over 6,000 personnel in the CUCKOO Sales Team and Wonder Star Team, and over 3,000 personnel in the CUCKOO+ Service Group as at 15 August 2024. We aim to further grow the CUCKOO Sales Team by about 20% to over 7,000 personnel in 2025 to expand our distribution network by expanding our CUCKOO Sales Team distribution footprint in regions where we have lower retail outlet penetration rate. CUCKOO Training Hubs facilitate the recruitment, training of and networking among the CUCKOO Sales Team, and allows us to conduct promotional exercises for the engagement of new CUCKOO Sales Representatives and Wonder Star members and host activities at our CUCKOO Training Hubs to generate awareness on our product offerings. We will also continue enhancing our compensation schemes for the CUCKOO Sales Team and Wonder Star Team to incentivise and reward existing and attract new sales personnel.

We aim to further grow the CUCKOO+ Service Group by about 25% in 2025 by expanding CUCKOO+ Service Centres, where we conduct training for the CUCKOO+ Service Group. CUCKOO+ Service Centres facilitate the recruitment, training of and networking among the CUCKOO+ Service Group, and for them to conduct promotional exercises for the engagement of new Service Representatives and hosting activities at our CUCKOO+ Service Centres to generate awareness on our service offerings.

See Section 7.5.7 of this Prospectus for more details on our CUCKOO Training Hubs and CUCKOO+ Service Centres.

We intend to increase our network of CUCKOO Training Hubs and CUCKOO+ Service Centres as follows:

	<u>As at the LPD</u>	<u>As at 31 Dec 2025</u>	<u>As at 31 Dec 2026</u>
CUCKOO Training Hubs	27	37	52
CUCKOO+ Service Centres	149	177	202

We intend to set up new CUCKOO Training Hubs in regions where we have lower retail outlet penetration rate, such as Kelantan, Terengganu, Malacca and Pahang, and new CUCKOO+ Service Centres in all states in Malaysia save for Perlis. We have identified these targeted states in Malaysia for expansion of our geographical presence based on our assessment of factors such as historical sales performance and existing CUCKOO Training Hubs and CUCKOO+ Service Centres penetration.

The CUCKOO+ Service Group commenced cross-selling of our products to existing customers in 2023, encouraging existing customers to trade in or upgrade their products or extend contracts close to expiry while they conduct home visits. The CUCKOO+ Service Group contributed to 26.4% and 45.9% of the total number of orders in the CUCKOO-branded and CUCKOO Co-Created segments in the FYE2023 and the FYE2024 respectively. We intend to continue increasing this contribution ratio and expand the CUCKOO+ Service Group to support the cross-selling of our products to existing customers (see Section 7.3.1 of this Prospectus for further details on our strategy to grow our market share in our existing markets).

The set-up cost of new CUCKOO Training Hubs and CUCKOO+ Service Centres comprising costs of renovations and fit-out work, and other ancillary costs are expected to amount to RM3.1 million and RM3.5 million in 2025 and 2026, respectively, which we expect to fully fund through internally-generated funds.

7. BUSINESS OVERVIEW

7.4.3 Improve operational efficiency and capability to serve a larger market through the enhancement of logistic capabilities and warehouse management system, and upgrading of data servers

Enhancement of logistical capabilities

We currently manage the logistics for the delivery of CUCKOO-branded products to our customers in Malaysia. A dedicated group within our CUCKOO+ Service Group delivers certain CUCKOO-branded products and about 31.3% (for the FYE2024) of CUCKOO Co-Created massage chairs and mattresses to our customers in Malaysia with their own trucks. We plan to expand our delivery capabilities for CUCKOO Co-Created massage chairs and mattresses to 83.0% by 31 December 2025. We believe we will be able to control and improve the efficiency of our logistics service which will help improve our last-mile capabilities and reduce operating costs in the long run (see Section 7.8.1 of this Prospectus for further details).

Enhancement of warehouse management system and physical server

We intend to enhance our internally-developed warehouse management system by introducing a barcode system in our distribution hub and distribution centres (see Section 7.8.3 of this Prospectus for further details on our warehouse management system). The barcode system will improve warehouse operational efficiency and supply chain processes by automating the tracing of our products and will be progressively implemented in all our warehouses throughout Malaysia. This will streamline our operations and processes which is necessary to support the growth of our business and expansion of our omni-channel distribution network. We expect that the warehouse management system enhancement will cost about RM3.5 million, based on quotes obtained from vendors, which is intended to be funded by proceeds from the IPO and will commence and be completed within 2025.

We also intend to set up a physical server in our premise in addition to our existing cloud server to enhance our data security and to cater for our growing customer base, and to enhance our existing private cloud server by migrating our data to a public cloud server. See Section 4.5.3 of this Prospectus for more details on the upgrading of our IT systems. We expect that the setting up of the physical server and the enhancement of our existing cloud server will commence and be completed within 2025 and will cost about RM2.1 million (including maintenance fees for two years) and be funded by proceeds from the IPO.

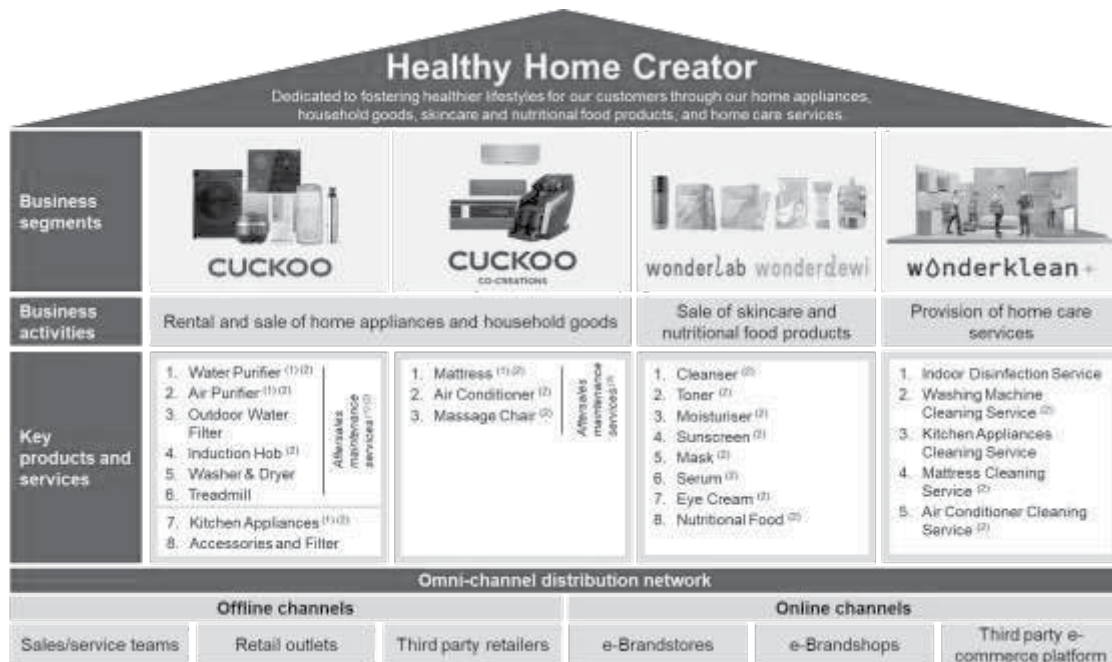
7.5 OUR BUSINESS MODEL, PRODUCTS AND SERVICES

7.5.1 Our business model

We are a company dedicated to fostering healthy lifestyles for our customers through our home appliances, household goods, skincare and nutritional food products, and home care services across our four business segments: CUCKOO-branded; CUCKOO Co-Created; WonderLab and WonderDewi; and WonderKlean.

7. BUSINESS OVERVIEW

The diagram below sets out each of our business segments, and the products and services that we offer under each business segment in Malaysia and where indicated, Singapore and Brunei:



Notes:

- (1) Also available in Singapore.
- (2) Also available in Brunei.

Our business model is premised on providing our customers accessibility to a holistic wellness ecosystem of our products and services. In creating this wellness ecosystem for our customers, we select and offer our customers high-value products that are expected to promote healthier lifestyles for them, and offer such products through our rental plans, under which we would offer such products with various aftersales maintenance services. Offering our customers access to this wellness ecosystem through rental plans and outright purchases allows us to cater to a wide range of consumers with differing budgets, preferences and lifestyles. This approach enhances customer satisfaction and fosters strong customer loyalty.

We offer various rental plans for certain home appliances and household goods to facilitate accessibility to our products under our CUCKOO-branded and CUCKOO Co-Created segments, where our customers can make monthly rental payments, and eventually own our products upon full payment at the end of the relevant contract term. Alternatively, customers may also make outright purchases of our products by making full payment upfront. We offer aftersales maintenance services together with the rental and outright sale of our products throughout the tenure of our rental plans or for a limited term for outright sales. Such aftersales maintenance services comprise delivery, installation, periodic servicing, checks and maintenance, and product repair. Our aftersales maintenance services are also sold as packages separately from our products.

Under our WonderLab and WonderDewi segment, we provide beauty and wellness solutions including skincare and nutritional food products. We offer our customers a flexible beauty and lifestyle subscription plan, under which they can select a skincare or nutritional food product of their choice to be delivered to them on a monthly basis at a monthly rate. Alternatively, customers may also make outright purchases of our WonderLab and WonderDewi products.

7. BUSINESS OVERVIEW

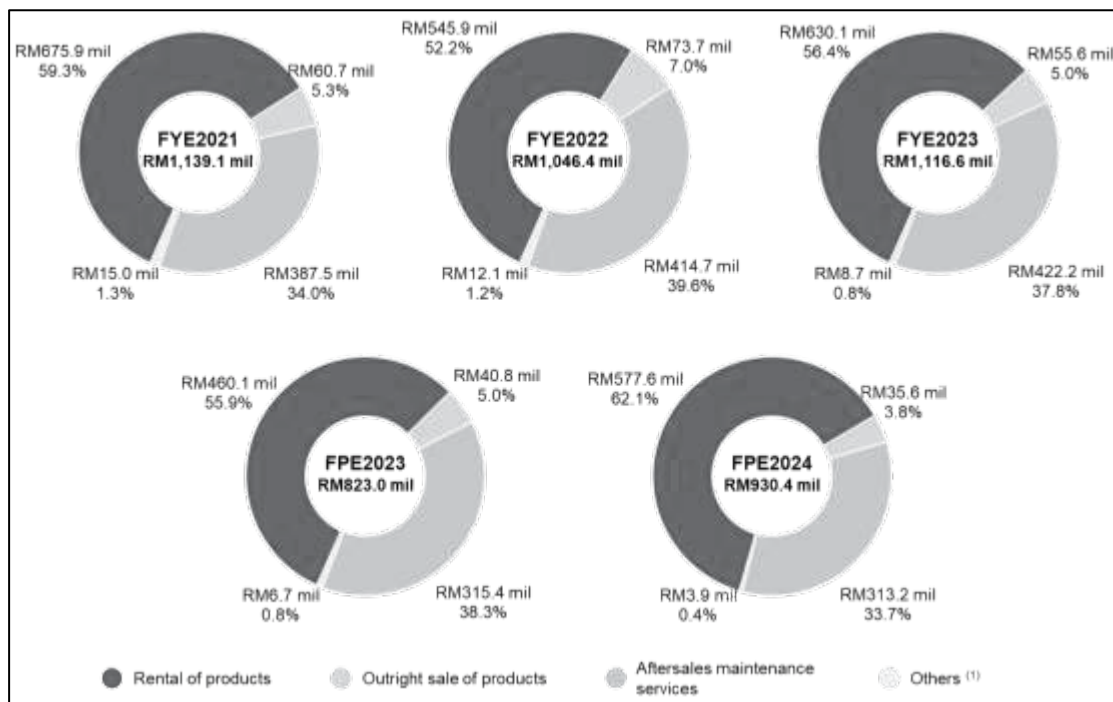
We provide home care services through subscription plans under our WonderKlean segment, which include our indoor disinfection and professional cleaning services for our customers' homes and household goods.

We distribute our products and services through an omni-channel distribution network. In 2023, we changed our distribution strategy from direct selling to an omni-channel distribution strategy. This change provided us with the flexibility to market and distribute our products and services via various online and offline channels (see Section 7.5.5 of this Prospectus for further details on our omni-channel distribution network), and to have different commission structures for our CUCKOO Sales Team and CUCKOO+ Service Group.

7.5.2 Business activities and revenue streams

We derive our revenue mainly from the rental and outright sale of our products, and provision of aftersales maintenance services for such products under our CUCKOO-branded and CUCKOO Co-Created segments. For the FYE2021, FYE2022, FYE2023, and FPE2024, our revenue from the rental and outright sale of our products under our CUCKOO-branded and CUCKOO Co-Created segments contributed to 64.6%, 59.2%, 61.4%, and 65.9% of our total revenue respectively, whilst our revenue from the provision of aftersales maintenance services contributed to 34.0%, 39.6%, 37.8%, and 33.7% of our total revenue respectively.

Our revenue contribution by business activities for the Financial Years Under Review and the Financial Periods Under Review are set out below:



Note:

- (1) Others comprise revenue from our WonderLab and WonderDewi segment, WonderKlean segment, and IT support and maintenance services.

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7.5.3 Principal markets

We are the sole and exclusive distributor of CUCKOO-branded products in Malaysia, Singapore and Brunei. We have also been granted the licence to use the “CUCKOO” trademarks in such territories by CKH (as authorised by CUCKOO Holdings as the registered owner through a brand royalty master agreement entered into between CUCKOO Holdings and CKH). As at the LPD, our Group has operations in Malaysia and Singapore. CUCKOO Brunei is our sub-distributor in Brunei pursuant to a distribution agreement which we entered into with CUCKOO Brunei for the exclusive distribution of our CUCKOO-branded products and CUCKOO Co-Created products. As our working relationship with our sub-distributor in Brunei has been positive, we have continued to operate in Brunei under the distribution agreement. The shareholders and management of CUCKOO Brunei are not related to our Company.

Our revenue was mainly derived from Malaysia which accounted for 98.9%, 98.7%, 98.6%, and 98.9% of our total revenue for the FYE2021, FYE2022, FYE2023, and FPE2024 respectively. See Section 12.2.3 of this Prospectus for further details on our revenue contribution by country of operations.

7.5.4 Our rental plans, subscription plans and outright plans

We offer the following rental plans to our customers for certain products under our CUCKOO-branded and CUCKOO Co-Created segments:

	CUCKOO Rental Plan	CUCKOO GOODPLAN
Contract period	Five years	Three years to seven years, depending on the type of product
Payment terms over the contract period	Fixed rent per month for the first three years and, thereafter a fixed discounted rent per month for the remaining two years	Fixed rent per month, which is determined based on the agreed contract period
Ownership transfer	Upon fulfilment of payment obligations at the end of the five-year contract period	Upon fulfilment of payment obligations at the end of the contract period
	Our customers may terminate the contract without incurring penalty fees and return the product at any time after the third year of the contract	

Our CUCKOO Rental Plan and CUCKOO GOODPLAN offer our customers the ability to use and pay for our products through monthly rental payments without making full payment for such products upfront, and to own our products after fulfilling their payment obligations over a prescribed period. Upon payment of a one-off registration fee and the rental payment for the first month, we deliver our products to our customers, who can start to use our products without paying any additional amounts such as installation, servicing and maintenance fees. Both our CUCKOO Rental Plan and CUCKOO GOODPLAN are offered with aftersales maintenance services as well as warranties for the term of the rental contract. We determine the rental plan offered for our products based on factors such as the demand for our products and the price in which we are able to make our products affordable for our customers.

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Our CUCKOO Rental Plan is for a fixed term of five years, and our customers have the option of returning the relevant products to us and terminating the contract after the third year of the plan without incurring any penalty fees. This encourages customer retention as our customers may: (i) continue with the contract for the remaining contract term at a fixed discount to the initial rental rate applicable to the first three years of the contract term; or (ii) return or trade in their existing product and upgrade to a newer model or new products under a new rental plan with a term of five years.

Under our CUCKOO GOODPLAN, our customers have the option of selecting plans across a pricing range with contract terms ranging between three years and seven years, depending on the products purchased, which gives them the flexibility to select a contract term at a pricing that suits their budget.

From time to time, we may offer a combination of different products under our rental plans to address our customers' needs or to provide better value to our customers, and may offer promotions on products on an ad hoc basis.

We offer a subscription plan for our WonderKlean home care services, which is only available in Malaysia. Selected WonderKlean home care services are available in Brunei via our sub-distributor (see Section 7.5.1 for further details on the products and services offered in Brunei) on an ad hoc basis. As at the LPD, our WonderKlean Flexi GOODPLAN comprises two subscription plans, one which starts at a monthly subscription fee of RM60 for three services a year, and another which starts at a monthly subscription fee of RM100 for six services a year, under which customers have the flexibility of choosing between indoor disinfection services and cleaning services for washing machines, kitchen appliances, air conditioners, and mattresses.

We offer our WonderDewi Flexi GOODPLAN in Malaysia, a monthly subscription plan for our WonderDewi skincare and nutritional food products. Under our WonderDewi Flexi GOODPLAN, customers can select their product of choice to be delivered to them starting at a monthly subscription fee of RM50.

Alternatively, our customers may opt to make outright purchases of our products by making full payment upfront. We typically offer our customers aftersales maintenance services for a limited term for outright purchases of certain products under our CUCKOO-branded and CUCKOO Co-Created segments.

7.5.5 Our Omni-Channel Distribution Network

7.5.5.1 CUCKOO Sales Team, WonderLab Sales Team and CUCKOO+ Service Group

Roles and responsibilities

As at the LPD, we mainly rely on the CUCKOO Sales Team to sell our CUCKOO-branded and CUCKOO Co-Created products to customers in Malaysia and Singapore, and on the CUCKOO+ Service Group to provide our aftersales maintenance services and our home care services. The CUCKOO+ Service Group also cross-sells our products and services to existing customers. Further, we rely on the WonderLab Sales Team to sell our WonderLab and WonderDewi products to customers in Malaysia. Given that each of the CUCKOO Sales Team, WonderLab Sales Team and the CUCKOO+ Service Group is specifically trained to achieve a different function, our personnel can only serve under one of the CUCKOO Sales Team the WonderLab Sales Team or the CUCKOO+ Service Group. The CUCKOO+ Service Group is also trained to cross-sell CUCKOO-branded and CUCKOO Co-Created products.

As at the LPD, the CUCKOO Sales Team comprises 561 Sales Managers and 6,079 Sales Representatives across Malaysia and Singapore, and the WonderLab Sales Team comprises 1,247 Wonder Stars and 11 WonderLab Sales Associates across Malaysia. The CUCKOO+ Service Group comprises 290 Service Managers and 2,940 Service Specialists across Malaysia and Singapore.

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All the managers in our CUCKOO Sales Team, WonderLab Sales Team, and CUCKOO+ Service Group are our contract staff. Prior to them becoming managers, they have to initially be engaged as our independent contractors (through service contracts) and after undergoing training conducted by our internal training and development department. Thereafter, upon achieving a specified sales or service volume, we may offer them a contract employee role.

Renewal of the service contracts with our Sales Representatives, Service Specialists, and Wonder Stars are evaluated on a six-month, annual or biennial basis, taking into consideration their compliance with our code of conduct and ethics, marketing plan and other internal policies, as well as all applicable laws and regulations.

e-Brandstores

Our CUCKOO Sales Team, CUCKOO+ Service Group, and Wonder Star Team are given unique e-Brandstore domains upon signing employment or service contracts with us, and are required to comply with the terms and conditions for use of the e-Brandstores. The e-Brandstores are sales platforms accessible to customers through unique web links, through which customers can view and shop for our range of products and services directly. Customers can submit their queries through a link at the e-Brandstores, which also set out the contact details of the CUCKOO Sales Team, CUCKOO+ Service Group and Wonder Star Team. For our customers, the e-Brandstores provide a convenient platform through which they can find out more about our products and services, including new launches and promotions. The domains of our e-Brandstores are managed by a third-party vendor. Our CUCKOO Sales Team, CUCKOO+ Service Group, and Wonder Star Team are in charge of operating their respective e-Brandstores, while our marketing team provides support by generating the targeted marketing content for presentation on our e-Brandstores.

e-Brandstores for (i) the CUCKOO Sales Team and CUCKOO+ Service Group feature our CUCKOO-branded products, CUCKOO Co-Created products, and our WonderKlean Home Care Services; and (ii) the Wonder Star Team feature our WonderLab and WonderDewi products.

Our marketing team provides the content presented on the e-Brandstores, such as the range of our product and service offerings and ongoing promotions.

Compensation***CUCKOO Sales Team and Wonder Star Team***

To drive consumer sales, we have structured a compensation plan for the CUCKOO Sales Team and the Wonder Star Team to primarily reward sales. This compensation plan comprises: (i) a base component which is payable only to Sales Managers and Wonder Managers; and (ii) a commission component that is based on sales volume, which is payable to all personnel in the CUCKOO Sales Team and Wonder Star Team. In addition, we pay our Sales Representatives incentives upon fulfilling conditions with respect to attending training sessions.

Our Sales Managers are paid a base salary as well as a commission component that is based on (i) the sales of the Sales Representatives that they manage; and (ii) the sales of the Sales Representatives managed by their lower-ranked Sales Managers. A similar compensation plan is adopted for our Wonder Managers. Our Sales Representatives' and Wonder Stars' commission component is based on their own sales only.

The WonderLab Sales Associates are paid a base salary as well as a commission that is based on the sales achieved at our Wonder Stores or third-party personal care stores.

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CUCKOO+ Service Group

Our compensation plan for the CUCKOO+ Service Group comprises: (i) a base component which is payable only to Service Managers; and (ii) a commission component that is based on service volume, which is payable to all personnel in the CUCKOO+ Service Group.

Our Service Managers are paid a base salary as well as a commission component that is based on (i) the service volume (which is computed based on the number of appointments handled) of the Service Specialists that they manage; (ii) the service volume of the Service Specialists managed by their lower-ranked Service Managers; and (iii) their own service volume. Our Service Specialists' commission component is based on their own service volume only. In addition, we pay our CUCKOO+ Service Group additional commission if they receive positive customer service reviews for their services.

In line with our diversification to an omni-channel distribution strategy, we also encourage our CUCKOO+ Service Group to cross-sell our CUCKOO-branded products, CUCKOO Co-Created products and WonderKlean subscription plans to existing customers, by including a sales commission component for successful cross-selling, upgrading, trade in or contract extension done by the CUCKOO+ Service Group, which is computed based on sales volume. Our Service Managers who engage in cross-selling are paid a base salary as well as a commission component that is based on (i) the sales of the Service Specialists that they manage; or (ii) the sales of the Service Specialists managed by their lower-ranked Service Managers. Our Service Specialists' commission component is based on their own sales only.

7.5.5.2 Retail outlets

We lease our Retail Outlets for our CUCKOO Sales Managers and WonderLab Sales Associates to conduct their sales and promotional activities. Our CUCKOO Sales Managers typically propose locations for CUCKOO Brandstores and CUCKOO Brandkiosks, after which we will evaluate the relevant CUCKOO Sales Manager's historical sales volumes and the proposed location. In evaluating a proposed location for a retail outlet, we consider factors including, among others, footfall level, accessibility, grade of the premise, rental rates and any other requirements that the landlord may impose on us.

As at the LPD, the number of our Retail Outlets in Malaysia and Singapore is as follows:

	Malaysia	Singapore
CUCKOO Brandstores⁽¹⁾	184	3
CUCKOO Brandkiosks⁽²⁾	73	-
CUCKOO Brand Gallery⁽³⁾	1	-
Wonder Stores⁽⁴⁾	5	-
Total	263	3

Notes:

- (1) CUCKOO Brandstores are larger Retail Outlets with an area of up to 1,000 square feet that are typically located in shopping malls, supermarkets and hypermarkets, and used for the promotion of CUCKOO-branded products and CUCKOO Co-Created products.
- (2) CUCKOO Brandkiosks are pushcarts with an area of up to 100 square feet that are typically located at shopping malls, supermarkets and hypermarkets, and used for the promotion of CUCKOO-branded products and CUCKOO Co-Created products.
- (3) CUCKOO Brand Gallery refers to an experiential and educational centre, where customers can learn more about our products, services, and history, as well as for the sale and promotion of CUCKOO-branded products and CUCKOO Co-Created products.

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- (4) Wonder Stores are Retail Outlets that are typically located at shopping malls and are used for the sale and promotion of WonderLab and WonderDewi products.

7.5.5.3 Online sales channels

In Malaysia, we sell some of our products through our online e-commerce platforms. In 2020, we launched our WonderKlean e-Brandshop. In 2024, we launched the CUCKOO e-Brandshop and the WonderLab e-Brandshop.

These online channels provide us access to underserved locations in Malaysia as our customers can shop online for products anywhere, including where we may not have physical retail outlets. Through these online channels, we are able to gain customer insights, which we intend to use to refine our marketing messages, promotions, offers, and product launch strategies.

Our WonderKlean, WonderLab and CUCKOO e-Brandshops are presently only available in Malaysia. Our online platforms mainly provide our customers with the flexibility to shop online for products and have the goods delivered directly to their doorsteps, which offers them greater convenience as they can place orders for our products and services anytime and anywhere. This also expands our market coverage to locations in Malaysia without our physical retail presence. and serves as a platform for us to create awareness, carry out regular promotions and introduce new product and service launches.

In Singapore, we sell our products through third-party e-commerce platforms directly to end-customers of such platforms. These e-commerce platform providers may charge us a commission.

7.5.5.4 Third-party retail outlets

We have entered sales and consignment agreements with third-party department stores and home appliance retail stores for our CUCKOO-branded products to be sold through their physical stores and online e-commerce platforms in Singapore. Such agreements are entered into on a periodic basis which sets out, among others, the target retail volume, pricing policy, and payment and credit terms. The credit period we grant such department stores and retail stores normally does not exceed 30 days.

When selecting the department stores and home appliance retail stores that we sell through, we factor in their market reputation, scale of operation, financial resources, creditworthiness, compatibility with our brand positioning, location of physical retail stores and points of sale, target customers, pricing and competitiveness. We have been developing our online sales strategies and investing in digital advertising on these retailers' websites, as well as on our own brand websites.

As at the LPD, we have entered into a consignment agreement with third-party personal care stores in Malaysia through which we distribute WonderLab and WonderDewi products.

7.5.6 Marketing activities

For the FYE2021, FYE2022, FYE2023, and FPE2024 our marketing and advertising expenses accounted for 2.2% (RM25.6 million), 3.2% (RM33.7 million), 3.1% (RM34.1 million), and 2.3% (RM21.0 million) of our total revenue for the FYE2021, FYE2022, FYE2023, and FPE2024 respectively.

We use targeted marketing activities in Malaysia based on our customers' feedback and data. Our backend sales support team conducts periodic training programmes for the CUCKOO Sales Team and WonderLab Sales Team, and regular meetings are held with these teams to obtain customer feedback.

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We adopt push and pull strategies to target customers across various age and income groups. Push strategies include advertising focused on mass media promotion such as radio, television, print media and billboards, as well as advertising designed to reach a small, targeted audience such as brochures, direct mail, flyers, sponsorships and email campaigns. Pull strategies refer to efforts by our sales teams to reach out to customers through word-of-mouth communications, physical exhibitions and roadshows.

We reach out to customers across various digital marketing and advertising channels to enhance our brand equity and sales of our products and services. We utilise digital marketing and advertising including social media platforms, as well as our e-Brandshops, to promote the launch of new Retail Outlets, product launches, targeted retail promotions as well as our home care services. Our online e-commerce platforms and corporate websites serve as one of our key marketing tools, where customers can view our range of home appliances and household goods, and learn more about the history of our brand. We also promote our brand, our products and services through billboard placements at locations with high traffic volumes across Malaysia, such as city centres and key highways, as well as in-store displays featuring our products, services and brand ambassadors.

We select brand ambassadors and influencers on a yearly basis who are aligned with our vision to be a "Healthy Home Creator" dedicated to fostering healthy lifestyles. Since 2019, we have appointed Dato' Sri Siti Nurhaliza, a Malaysian celebrity who embodies our vision, as our brand ambassador. Our brand ambassadors are engaged to promote our brand and market our products through offline and online media, and we feature them in our promotional materials, such as TV and print advertisements.

To reward our existing customers and attract new customers, we have a tiered reward system, where customers can earn reward points each time they make an outright purchase, make a monthly rental payment under our Rental Plan or GOODPLAN, or schedule a service appointment. These points can be exchanged for gifts such as movie tickets, and other rewards. We also send marketing emails to our long-term customers and may offer them additional gifts. From time to time, we organise ticket giveaways to movies and concerts. We have also held contests in Malaysia in conjunction with our anniversary celebrations, which featured real estate properties, cars, and cash giveaways to customers who participated.

7.5.7 Training hubs and service centres

CUCKOO Training Hubs

Our CUCKOO Training Hubs facilitate the recruitment and training of and networking among the CUCKOO Sales Team and the WonderStar Team. At the CUCKOO Training Hubs, the CUCKOO Sales Team and the WonderStar Team can conduct promotional exercises to engage new CUCKOO Sales Representatives and Wonder Stars and host activities to generate awareness on our product offerings.

Members of the public can view product demonstrations of CUCKOO-branded and CUCKOO Co-Created products at CUCKOO Training Hubs.

CUCKOO+ Service Centres

Our CUCKOO+ Service Centres facilitate the recruitment and training of the CUCKOO+ Service Group. At the CUCKOO+ Service Centres, the CUCKOO+ Service Group can conduct promotional exercises to engage new Service Representatives and host activities to generate awareness on our service offerings. We may also use the CUCKOO+ Service Centres use as storage space for cleaning equipment and cleaning products from time to time.

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7.5.8 Our products and services

We offer a wide range of household products and services to suit the needs of our different customers and their respective healthy lifestyles with different preferences and price points. We adopt a product selection strategy that is in line with our vision to foster healthier lifestyles for our customers at affordable rates through our rental plans. Other than offering healthier lifestyles to our customers through our products, we take into consideration factors such as, choosing products that could fit in our rental and/or subscription models, serviceable products to create customer loyalty, products with features and technology that meet customer preferences and meet evolving trends.

We have two types of services: (i) aftersales maintenance services, which we typically offer with our CUCKOO-branded and CUCKOO Co-Created products (see Section 7.5.8.5 of this Prospectus for further details); and (ii) professional cleaning and indoor disinfection services, which we provide under our WonderKlean segment.

Our range of products and services is categorised by our segments set out below.

7.5.8.1 CUCKOO-branded

Our CUCKOO-branded products include:

- **Water purifiers:** We offer a range of water purifiers, including mechanical, semi-digital and fully digital models.
- **Air purifiers:** We offer a range of air purifiers, most of which are equipped with a four-stage filtration system.
- **Kitchen appliances:** We offer kitchen appliances including multi-cookers, rice cookers, and induction hobs.
- **Outdoor water filters:** We offer one outdoor water filter which can be installed on the main pipeline that supplies water to houses.
- **Home appliances:** The household appliances that we offer include a washer and dryer machine and treadmill.

For the FYE2021, FYE2022, FYE2023, and FPE2024, our revenue from the CUCKOO-branded segment was RM1,091.2 million, RM938.9 million, RM954.1 million, and RM734.7 million respectively, representing 95.8%, 89.7%, 85.4%, and 79.0% of our total revenue, respectively.

Our CUCKOO-branded products are typically offered with aftersales maintenance services.

7.5.8.2 CUCKOO Co-Created

We have entered into the following agreements with our business partners to develop and manufacture our CUCKOO Co-Created products:

- **Mattresses:** A distribution agreement with LSK to develop and manufacture CUCKOO and “CUCKOO Co-Created with Napure” mattresses in Malaysia and Singapore.
- **Air conditioners:** A distribution agreement, a service agreement and an agreement for aftersales servicing with Fujiaire to develop and manufacture a “CUCKOO Co-Created with Fujiaire” air conditioner.

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- **Message chairs:** A distribution agreement with OGAWA Malaysia to develop and manufacture a “CUCKOO Co-Created with OGAWA” massage chair, which we offer in Malaysia.

For the FYE2021, FYE2022, FYE2023 and FPE2024, our revenue from our CUCKOO Co-Created segment was RM32.9 million, RM95.4 million, RM153.9 million and RM191.7 million, respectively, representing 2.9%, 9.1%, 13.8% and 20.6% of our total revenue, respectively.

Our CUCKOO Co-Created products are offered with aftersales maintenance services.

7.5.8.3 WonderLab and WonderDewi

We provide beauty and wellness solutions through our WonderLab and WonderDewi brands, including skincare and nutritional food products. Our products under our WonderLab and WonderDewi segment are sold by our WonderLab Sales Associates across our five Wonder Stores and third-party personal care stores in Malaysia.

WonderLab

We have a range of products under our WonderLab brand comprising skincare products targeted at various age groups.

WonderDewi

As at the LPD, we have a range of products under our WonderDewi brand comprising skincare and nutritional food products aimed at improving skin health targeted at the youth segment.

7.5.8.4 WonderKlean home care services

We provide home care and professional cleaning services to our customers under our WonderKlean segment, which include indoor disinfection services, and cleaning and maintenance services for all brands of mattresses, kitchen appliances, washing machines and air conditioners.

Customers of our WonderKlean home care services can schedule their service appointments through the CUCKOO+ mobile application and on our WonderKlean brand website.

As part of our vision to make home care services affordable and accessible to all, we offer packages for our WonderKlean home care and cleaning services which customers can purchase outright or through our WonderKlean Flexi GOODPLAN (see Section 7.5.4 of this Prospectus for further details on our WonderKlean plans).

7.5.8.5 Aftersales maintenance services

We provide aftersales maintenance services to our customers who have paid for our CUCKOO-branded and CUCKOO Co-Created products under our rental plans or outright plans, for the term of the rental contract or for a limited period, respectively.

Our aftersales maintenance services for our CUCKOO-branded products are also sold as packages separately from such products.

7.5.9 Our manufacturing and supply chain

Our CUCKOO-branded products are mainly manufactured and/or sourced by CUCKOO Holdings Group, which oversees quality assurance and manufacturing standards for such products. We provide input to CUCKOO Holdings Group on the design and technological features of the products to consider customer needs and preferences in the local markets and to ensure that they comply with local laws and regulations.

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Our CUCKOO Co-Created products developed with our business partners are manufactured, and the component parts sourced, by our business partners. While we do not manufacture our CUCKOO Co-Created products, we contribute to the design and oversee the quality assurance and manufacturing standards of such products.

Our WonderLab and WonderDewi products are manufactured by third-party suppliers based on the specifications provided by us following our in-house research on consumer preferences.

7.6 CUSTOMER ASSESSMENT AND COLLECTIONS

7.6.1 Customer credit assessment

When customers opt to purchase our products by signing up to rental plans, our internal risk assessment team conducts a customer purchase evaluation which may include conducting credit checks on such customers. We have internal guidelines which our risk assessment team considers when evaluating whether a credit check needs to be conducted on new customers, as well as existing customers who want to sign up for additional rental plans. These guidelines include, among others, customer profile, price of products and number of products being purchased under our rental plans, and for existing customers, their payment compliance history with respect to past or existing rental plans.

If the internal risk assessment team determines that a customer credit check is required, we will review the customer's details and other information including income statements for new customers, and historical payment compliance records for existing customers before approving a rental plan for such customer. If there are issues with a customer's credit check, we may require customers to provide income statements over a longer period, and may also suggest alternative payment structures such as a partial advance payment.

The performance of our CUCKOO Sales Team and CUCKOO+ Service Group is affected by the timeliness of their respective customers' payments. Personnel within the CUCKOO Sales Team and CUCKOO+ Service Group who have a significant number of customers who do not make prompt monthly rental payments will be watch-listed, and we may choose not to renew their employment or service contracts on this basis. We will also watch-list personnel within the CUCKOO Sales Team and CUCKOO+ Service Group whose customers cease to make monthly rental payments after the first month.

As at the LPD, more than 80% of our customers subscribe to our rental plans. For the FYE2021, FYE2022, FYE2023, and FPE2024, income from our rental plans contributed to 59.3%, 52.1%, 56.4%, and 62.1% of our total revenue, respectively.

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7.6.2 Payment collections and repossession of products

We have an internal collection administrative department comprising a collections team which, together with independent contractors, monitor rental payments and issue reminders to customers in respect of late payments, as well as take actions against defaulting customers, including making calls and home visits, repossessing products, and making a report with an external credit reporting agency. The table below sets out our cumulative collection rate as at the end of the respective financial year/period:

		<u>31 Dec 2021</u>	<u>31 Dec 2022</u>	<u>31 Dec 2023</u>	<u>30 Sep 2024</u>
Cumulative rate⁽¹⁾	collection	97.1%	97.3%	97.5%	97.6%

Note:

- (1) Computed based on cumulative collections from customers divided by cumulative gross billings to customers for rental of our products. These amounts have been cumulated since our first billing and collection for our rental business.

If customers continue to default in payment for 20 months or more from the date of billing, we will engage a third-party debt collections agency to assist in collection of payment and/or repossession of our products. Such repossessed products (if assessed by us to be in working condition) may be used during our product demonstration workshops and may also be loaned to other customers as substitute products, when such customers send in their products for repairs.

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7.7 TYPES, SOURCES AND AVAILABILITY OF INPUT MATERIALS

We mainly purchase finished goods and spare parts from our suppliers. The table below sets out the major types of input materials that we purchased for our sales for the financial years and period indicated (excluding cost of services and revenue sharing):

	FYE2021		FYE2022		FYE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases of finished goods and spare parts								
CUCKOO-branded	298,444	97.3	219,115	89.7	225,024	90.7	232,875	89.6
CUCKOO Co-Created	3,194	1.0	22,141	9.1	21,909	8.8	25,243	9.7
WonderDewi and WonderLab	5,083	1.7	2,895	1.2	1,358	0.5	1,920	0.7
Total	306,721	100.0	244,151	100.0	248,291	100.0	260,038	100.0

The table below sets out the breakdown of our purchases of finished goods and spare parts by local suppliers in Malaysia and other foreign suppliers:

	FYE2021		FYE2022		FYE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysian suppliers	17,825	5.8	35,908	14.7	33,040	13.3	34,829	13.4
Republic of Korea suppliers ⁽¹⁾	288,262	94.0	205,626	84.2	214,167	86.3	218,277	83.9
Other foreign suppliers ⁽²⁾	634	0.2	2,617	1.1	1,084	0.4	6,932	2.7
Total	306,721	100.0	244,151	100.0	248,291	100.0	260,038	100.0

Notes:

- (1) Refers to purchases from CUCKOO Holdings Group.
- (2) Refers to foreign suppliers outside Malaysia, such as the Republic of Korea and Taiwan (Republic of China) for the purchase of WonderLab and WonderDewi products, and the People's Republic of China for the purchase of our CUCKOO-branded washer and dryer.

In the FYE2021, FYE2022, FYE2023, and FPE2024, 94.2%, 85.3%, 86.7%, and 86.6% respectively of our total purchases of input materials were transacted in foreign currencies. Our transactions are mainly denominated in USD, which is different from our functional currency. See Section 9.1.12 of this Prospectus for further details on the risk relating to currency exchange rate fluctuations.

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7.8 WAREHOUSING, LOGISTICS, TRANSPORTATION AND SALES AND INVENTORY MANAGEMENT

7.8.1 Warehousing, logistics and transportation

We manage warehousing of our products in Malaysia and Singapore using a hub and spoke model. Generally, the inbound inventory from our suppliers is first shipped to our distribution hub in Subang Jaya (which we acquired in September 2022), our distribution centre in Sabah or 3PL Service Providers, and subsequently transferred to our centres across Malaysia, including a distribution centre in Penang. In Singapore, we have one warehouse for our CUCKOO-branded products. We use 3PL Service Providers to reduce our costs associated with operations, upkeep, and maintenance of a distribution centre such as manpower, rental, machinery and equipment, and utilities costs. 3PL Service Providers also provide a one-stop solution for our mid-mile delivery journey, and allows for better scalability.

Personnel in our CUCKOO+ Service Group currently deliver CUCKOO-branded products that require installation with their own vehicles, whereas third-party logistics providers deliver CUCKOO-branded products that do not require installation. We engage third-party logistics providers to deliver our WonderLab and WonderDewi products to our customers. CUCKOO Co-Created mattresses and massage chairs are delivered to our customers in Malaysia by our CUCKOO+ Service Group with their own vehicles. We enter into service agreements with companies incorporated by personnel in our CUCKOO+ Service Group for them to carry out delivery services for CUCKOO Co-Created massage chairs and mattresses using their own vehicles and are compensated with a commission based on delivery volume. For CUCKOO Co-Created air-conditioners, these are not delivered by our CUCKOO+ Service Group, instead the delivery is outsourced to third-party logistics service providers. We plan to expand our delivery capabilities within our CUCKOO+ Service Group to carry out delivery services for CUCKOO Co-Created massage chairs and mattresses and we target for them to deliver 83.0% of total deliveries of CUCKOO Co-Created massage chairs and mattresses by the end of 2025 (see Section 7.4.3 of this Prospectus for further information on our plans to grow our logistical capabilities).

In Singapore, we manage the delivery of products which require installation services. For products which do not require installation services, we outsource delivery to third-party logistics service providers.

We intend to enhance our warehouse management system to improve warehouse operational efficiency and supply chain processes. See Section 7.4.3 of this Prospectus for further details.

7.8.2 Sales management

We monitor order and sales performance of our omni-channel distribution network using our sales management system. Under our sales management system, orders placed directly with us will be captured and shared with our distribution centres and headquarters in Malaysia. Our distribution hub will then process the order and deliver the ordered products to our centres.

Our sales management system allows us to access information across our, offline and online channels, such as the product description, retail volume, unit selling price, total monetary amount of our products sold, volume of inventory on hand and inventory turnover. This information enables us to: (i) monitor the sales performance of our Retail Outlets, which guides our allocation of manpower and resources; (ii) understand market demand for our products in the existing markets in which we operate, which helps us to manage our inventory; and (iii) prepare sales forecasts and production schedules accordingly.

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7.8.3 Warehouse management

We manage our inventory through our warehouse management system to coordinate and track our inventory levels, to minimise obsolete inventory and product damage during the distribution process, and facilitate information feedback from our omni-channel distribution network. We also have a system that tracks the status of inbound goods shipped to us from CUCKOO Holdings Group, from the time of issuance of the bill of lading, to the shipment, to the delivery to us.

We are in the process of enhancing our warehouse management system. See Section 7.4.3 of this Prospectus for further information.

7.9 QUALITY CONTROL AND PRODUCT WARRANTY

7.9.1 Quality control and assurance

Our CUCKOO-branded products are mainly manufactured by CUCKOO Holdings Group, which oversees quality assurance and manufacturing standards for such products. We provide input to CUCKOO Holdings Group on the design and technological features of the products to consider customer needs and preferences in the local markets and to ensure that they comply with local laws and regulations.

Our CUCKOO Co-Created products developed with our business partners are manufactured, and the component parts sourced, by our business partners. While we do not manufacture our CUCKOO Co-Created products, we contribute to the design and oversee the quality assurance and manufacturing standards of such products.

Our WonderLab and WonderDewi products are manufactured by a third-party supplier based on the specifications provided by us following our in-house research and development process. We send selected WonderLab and WonderDewi products for efficacy tests.

7.9.2 Product warranty

Generally, customers who purchase our products are covered with a one-year warranty for defects in material or workmanship under normal use. Customers who sign up for rental contracts are also generally covered by a warranty for the term of the rental contract.

During the warranty period, we will undertake any maintenance or repairs required, including installation of spare or replacement parts required for the product to function. Unauthorized repairs, alterations, maintenance, or modification of the products will void the warranty.

After the warranty period, any maintenance, repairs, or installation of spare or replacement parts required by our customers will be chargeable by us.

7.10 CUSTOMER SERVICE

Our aftersales maintenance services include product maintenance, and repair and replacements. These services are delivered in person through home visits. We believe that the quality and timely availability of aftersales maintenance services are important competitive factors, as they are significant elements in overall customer satisfaction, and they shape a customer's purchase decision.

Our customers can reach out to us via email, our CUCKOO AI Chatbot on our website, our CUCKOO+ mobile application, our social media pages, and our phone careline. Our careline is staffed by our customer service representatives on weekdays between 9am and 6pm, and between 9 am and 1pm on Saturdays, excluding public holidays.

7. BUSINESS OVERVIEW

Customers who have purchased our CUCKOO-branded, CUCKOO Co-Created products or our WonderKlean services can also reach out to us on our CUCKOO+ mobile application to schedule service appointments, earn and redeem rewards and pay their bills, among others.

7.11 TECHNOLOGY AND DATA PROTECTION

7.11.1 Technology

We utilise our in-house support and management tools as well as external tools across Malaysia and Singapore in our business operations. As at the LPD, we have an internal IT team of 26 personnel to provide solutions to our CUCKOO Sales Team, CUCKOO+ Service Group, collection representatives, internal operations team and our management team. We developed most of our systems in-house, including our CUCKOO+ mobile application. For other external IT systems and tools, we pay licence fees for their use. Examples of the tools we have developed in-house include:

- our CUCKOO, WonderLab and WonderKlean e-Brandstores, which are sales platforms for the CUCKOO Sales Team, Wonder Star Team and CUCKOO+ Service Group. See Section 7.5.5.1 of this Prospectus for further details.
- our backend sales management system, which is mainly used to track sales.
- our service management platform, which the CUCKOO+ Service Group uses to track if their service requests are fulfilled and receive customer reviews, and to raise troubleshooting tickets for customers facing potential product issues.
- our warehouse management system, which we use to track orders and delivery status, manage our inventory, create consolidated packing lists for delivery to customers and generate invoices across our e-commerce channels.
- our internal finance management system which we use to track sales data and generates financial reports.
- our collection web and mobile application, which our collections team uses to track the collection status of products that have been shipped and customer payment defaults.
- our customer credit processing system, which helps our risk assessment team to conduct checks on potential customers before they sign up for a rental plan.

Our in-house support tools described above are integrated into our master system at the back end to ensure that data collected is retained.

7.11.2 Data protection

We are required to comply with applicable data protection laws in each of the jurisdictions in which we operate, including the Personal Data Protection Act 2010 in Malaysia and the Personal Data Protection Act 2012 in Singapore. Our brand websites in each of Malaysia and Singapore set out our privacy policy, how we handle the personal data of our customers and the terms of use.

7.12 RESEARCH AND DEVELOPMENT

We do not engage in research and development activities and do not incur any research and development expenditures.

7. BUSINESS OVERVIEW

7.13 MAJOR SUPPLIERS

Our Group's top five suppliers for each of the Financial Years Under Review and the FPE2024 are as follows:

No.	Supplier	Products and services purchased	Length of business relationship ⁽¹⁾	Purchases (RM '000)	% of total purchases
<u>FYE2021:</u>					
1.	CUCKOO Holdings Group	CUCKOO-branded products and royalty	8	319,515	90.8
2.	LSK Mattress Marketing Sdn Bhd	Mattresses	1	⁽²⁾ 8,176	2.3
3.	Transways Logistics (M) Sdn Bhd	Logistics and warehousing services	8	8,000	2.3
4.	Filteq Resources Sdn Bhd	Outdoor water filters and installation parts for water filters	4	6,852	1.9
5.	Wonderlab Resources Sdn Bhd ⁽³⁾	Beauty products	3	4,019	1.1
Sub-total of top five suppliers				346,562	98.4
Total purchases⁽⁴⁾				351,764	100.0
<u>FYE2022:</u>					
1.	CUCKOO Holdings Group	CUCKOO-branded products and royalty	9	236,955	76.8
2.	Fujiaire Group	Air conditioners and maintenance services	2	21,961	7.1
3.	LSK Mattress Marketing Sdn Bhd	Mattresses	2	⁽²⁾ 15,327	5.0
4.	Transways Logistics (M) Sdn Bhd	Logistics and warehousing services	9	10,677	3.5
5.	Filteq Resources Sdn Bhd	Outdoor water filters and installation parts for water filters	5	8,637	2.8
Sub-total of top five suppliers				293,557	95.2
Total purchases⁽⁴⁾				308,405	100.0
<u>FYE2023:</u>					
1.	CUCKOO Holdings Group	CUCKOO-branded products and royalty	10	244,952	73.5
2.	Fujiaire Group	Air conditioners and maintenance services	3	26,329	7.9
3.	OGAWA Malaysia	Massage chairs	1	⁽²⁾ 21,848	6.6
4.	LSK Mattress Marketing Sdn Bhd	Mattresses	3	⁽²⁾ 17,890	5.4
5.	Transways Logistics (M) Sdn Bhd	Logistics and warehousing services	10	6,264	1.9
Sub-total of top five suppliers				317,283	95.3
Total purchases⁽⁴⁾				333,280	100.0

7. BUSINESS OVERVIEW

No.	Supplier	Products and services purchased	Length of business relationship ⁽¹⁾	Purchases (RM '000)	% of total purchases
FPE2024:					
1.	CUCKOO Holdings Group	CUCKOO-branded products and royalty	11	243,233	66.5
2.	OGAWA Malaysia	Massage chairs and treadmills	2	43,682	11.9
3.	Fujiaire Group	Air conditioners and maintenance services	4	32,025	8.8
4.	LSK Mattress Marketing Sdn Bhd	Mattresses	4	17,158	4.7
5.	Transways Logistics (M) Sdn Bhd	Logistics and warehousing services	11	7,462	2.0
Sub-total of top five suppliers				343,560	93.9
Total purchases⁽⁴⁾				365,851	100.0

Notes:

- (1) Length of business relationship as at the end of the respective financial years and period.
- (2) Includes revenue sharing paid to such suppliers throughout the term of the rental contract. See Section 12.2.3(ii)(c) of this Prospectus for further details on our revenue sharing arrangements.
- (3) In 2021, we acquired Wonderlab Resources Sdn Bhd's business of trading of skin care and cosmetic products, and provision of cleaning services, in order to source products directly from suppliers to enjoy better pricing. See Section 10.1.2 of this Prospectus for further information on the acquisition.

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(4) Total purchases for the Financial Years Under Review and FPE2024 are computed as follows:

	FYE2021	FYE2022	FYE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000
Closing inventory (gross)	117,804	138,278	126,743	146,978
- Closing inventory (net of provisioning)	110,680	133,205	122,068	142,430
- Provisions for slow moving goods	7,124	5,073	4,675	4,548
Add: Cost of products and spare parts	323,023	272,699	300,657	278,756
Less: Opening inventory (gross)	(94,945)	(117,804)	(138,278)	(126,743)
- Opening inventory (net of provisioning)	(87,370)	(110,680)	(133,205)	(122,068)
- Provisions for slow moving goods	(7,575)	(7,124)	(5,073)	(4,675)
Purchases of products and spare parts	345,882	293,173	289,122	298,991
Cost of services	-	2,834	7,842	7,865
Revenue sharing	5,882	12,398	36,316	58,995
Total purchases	351,764	308,405	333,280	365,851

Our Group is dependent on CUCKOO Holdings Group for the supply of our CUCKOO-branded products. Purchases from CUCKOO Holdings Group accounted for 90.8%, 76.8%, 73.5%, and 66.5% of our total purchases for the FYE2021, FYE2022, FYE2023 and FPE2024 respectively. Nevertheless, the proportion of our purchases attributable to CUCKOO Holdings Group has decreased over the Financial Years Under Review and FPE2024, as we continue to diversify our product offerings in order to reduce our reliance on CUCKOO Holdings Group.

We have a longstanding relationship with CUCKOO Holdings Group since the commencement of our business in 2014, and we believe that we will be able to maintain such business relationship as:

- (i) the CKH Distribution Agreement does not have an expiry term;
- (ii) the distribution agreement entered into between our Company and CUCKOO Electronics is automatically renewed on expiry;
- (iii) in the event of any material breach by CKH or us under the CKH Distribution Agreement, CKH and us are obligated to in good faith consult, discuss, negotiate and agree on the actions and steps to remedy any such breach including renegotiating the terms of the CKH Distribution Agreement and / or agreeing to other arrangements to continue our business relationship within a period of up to 12 months from the defaulting party's receipt of the notice of breach; and

7. BUSINESS OVERVIEW

- (iv) our Company is a subsidiary of CKH and was the top revenue contributor to CKH for the Financial Years Under Review and FPE2024. For the FYE2021, FYE2022, FYE2023, and FPE2024, our Group contributed to 34.8%, 31.3%, 31.9%, and 34.0% of CKH's revenue (excluding finance lease interest income) respectively. As such, it is in CKH's best interest to continue maintaining a good relationship with our Company as any material adverse impact on our business and profitability may have a material adverse impact on the financial performance of CKH.

In addition, if the CKH Distribution Agreement is terminated, CKH has agreed to grant us a transition period of not less than 36 months from the date of termination to unless otherwise approved by CKH, amongst others, cease the use of the CUCKOO trademark (i) for the purpose of sales, promotion and distribution; and (ii) for our company name and our subsidiaries' company names, pursuant to the CKH Distribution Agreement. This transition period is expected to provide our Key Senior Management sufficient time to leverage on their extensive experience and network in the rental industry for home appliances and household goods in Malaysia (see Section 7.3.8 of this Prospectus for further details) to source similar products and services to continue our business, if required.

The termination of the CKH Distribution Agreement will not prevent us from being able to fulfil our obligations under any rental or service agreements entered into with our customers prior to the expiry of the transition period. Please refer to Section 7.21 of this Prospectus for further details on the CKH Distribution Agreement.

Save for CUCKOO Holdings Group, on which we are dependent for the supply of CUCKOO-branded products, we are not dependent on any suppliers for our business.

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7.14 MAJOR CUSTOMERS

Our customer base comprises mainly retail consumers. Due to the retail nature of our Group's business, we do not have any major customers as none of our customers contributed more than 5.0% to our total revenue for the Financial Years Under Review and the FPE2024. As such, we are not dependent on any of our customers.

7.15 SEASONALITY

Our business generally does not face any seasonality. However, some of our products such as air conditioners and air purifiers, may experience higher demand during periods of the year with poorer air and weather quality, such as during hot or hazy seasons.

There are certain seasonal patterns for purchases of our products in Malaysia, partly due to the impact of major holidays and shopping events. In Malaysia, we typically experience higher sales during the period of or prior to major festivals, including the Ramadan season. During the year end season, we receive fewer servicing requests from our customers who may be traveling. We believe that this pattern is likely to continue in the foreseeable future.

7.16 GOVERNING LAWS AND REGULATIONS

Please refer to Appendix I of this Prospectus for further details on the governing laws and regulations which are material to our operations.

7.17 NON-COMPLIANCES

Save as disclosed below, our Group complies with the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group. There is no material impact to our business operations and financial conditions due to the below. We will update on the status of our non-compliances set out below through disclosure in our annual report.

After taking into consideration the potential impact from all the non-compliances holistically, our Board is of the view that the non-compliances are not expected to have any material adverse impact on our Group's operations and financial conditions as:

- (i) the premises of our Group which have non-compliances are not material to our Group's operations and financial condition, and may be easily replaced and/or relocated to other similar premises;
- (ii) the premises of our Group which have non-compliances are located throughout Malaysia, and under the jurisdiction of various authorities, and hence, the risk of our Group being penalised by all the authorities at one instance is low;
- (iii) the relevant authorities have verbally informed that for buildings without CCC, any risk of tenants being penalised is low;
- (iv) where applicable, the relevant applications to rectify the non-compliances have been submitted, and our Group is following up closely on the progress of the relevant applications for the necessary approvals and licences;
- (v) we have put in place internal controls to ensure that to the extent possible, all relevant applications are made in a timely manner, and our Legal, Governance and Compliance ("LGC") department shall monitor such controls to ensure the Company's continuous compliance; and

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- (vi) the total cost of rectification and potential maximum penalty arising from all the non-compliances of RM1.6 million are immaterial as it represents 1.8% of our Group's audited PAT for the FYE2023.

In addition to our internal controls that we have put in place to mitigate the recurrence of the below non-compliances, our Board has also adopted the Internal Audit Charter on 14 August 2024 where our Internal Audit department shall conduct quarterly audits on our internal controls and processes, and is also responsible to evaluate the effectiveness of our processes, identify areas for improvement, and provide recommendations for process enhancements. After our Listing, any non-compliances identified shall be reported by the Internal Audit department to the Audit and Risk Management Committee. As at the LPD, there have been no recurrences of the below non-compliances after the internal controls have been put in place, save for the renewal of BPALs for existing premises.

7.17.1 Occupation of buildings without CCC

Pursuant to the (i) Street, Drainage and Building Act 1974 for Peninsular Malaysia; (ii) Uniform Building By-Laws 2022 issued pursuant to the Local Government Ordinance 1961 or the Building By-Laws 1951 for Sabah; and (iii) Building Bylaws contained in the Fourth Schedule of the Buildings Ordinance 1994 for Sarawak, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall be liable to a fine and/or imprisonment (where applicable) under the respective laws.

During the due diligence exercise conducted for the purposes of our Listing, it was found that some of our rented premises are located in buildings where we were unable to obtain (a) a copy of the CCC, or (b) an appropriate confirmation from the landlord that there is a valid CCC in respect of such buildings.

As at the LPD, our status of obtaining CCCs for our rented premises is as follows:

	<u>No. of premises</u>	<u>% of total rented premises</u>
CCC obtained	469	99.4
CCC not obtained:		
Landlord informed that there is no CCC ⁽¹⁾	1	0.2
No response from landlord upon request ⁽²⁾	2	0.4
Total	<u>472</u>	<u>100.0</u>

Notes:

- (1) The affected premises is located in Sarawak.
- (2) The affected premises are located in Kedah and Selangor.

We had written to the relevant local authorities for confirmations on whether the affected premises have been issued with CCCs, but the relevant local authorities have either not responded or have requested for further information that have yet to be provided by the landlord.

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In respect of the one affected premises located in Sarawak, in which the tenancy agreement will expire on 31 March 2025, we will continue to renew the tenancy and utilise the affected premises on a monthly basis until we have found a suitable replacement, in order to avoid interruptions to our business. Meanwhile, for the remaining two affected premises, we will not be renewing their tenancies that will expire on 31 March 2025 and will relocate our operations from these premises to other appropriate locations with valid CCCs.

The total estimated cost of relocating the three affected premises is approximately RM100,000.

If found liable, we may be subject to:

- (i) a fine not exceeding RM250,000 per building, or imprisonment for a term not exceeding 10 years, or both, for two of the affected premises located in Peninsular Malaysia which may not have a CCC; and
- (ii) a fine not exceeding RM10,000 per building, for the affected premise located in Sarawak which may not have a CCC.

Based on the total number of affected premises which may not have a CCC, the potential maximum penalty is approximately RM0.5 million, which represents 0.6% of our Group's audited PAT for the FYE2023.

Our Directors are of the opinion that this non-compliance will have no material adverse impact to our Group's operations and financial condition as:

- (i) the affected premises comprise:
 - (a) two premises mainly used for storage of cleaning equipment and cleaning products; and
 - (b) one premises mainly used as pick-up points of products prior to installation;

all of which do not directly contribute to the revenue of our Group and are mainly leased by our Group to support our service teams. Further, the inventory stored at the respective premises as set out in items (a) and (b) above are not material.

In addition, the affected premises are located within proper development schemes, being shoplots in commercial areas.

- (ii) we do not foresee difficulties in identifying and relocating the operations from the affected premises after the expiry of the respective tenancies;
- (iii) the total estimated cost of relocation of the affected premises and the maximum potential penalty, if we are liable, are immaterial as it represents 0.7% of our Group's audited PAT for the FYE2023;
- (iv) based on verbal enquiries with certain local authorities in which the affected premises are located, the local authorities have informed that, generally, the landlords bear a higher risk of being penalised in respect of the occupation of buildings without a CCC and the penalty of imprisonment is unlikely to be imposed; and

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- (v) we have put in place internal controls to ensure that our Group shall only enter into tenancy agreements for premises which have the relevant CCCs. In Malaysia, our Retail and Asset Management (“**RAM**”) department will conduct a checklist-based evaluation for new premises which includes ensuring that the premises have a valid CCC, and we will only enter into a tenancy agreement in respect of the premises if there is a valid CCC. Our LGC department shall regularly monitor and review such evaluations for new premises as well as provide guidance and assistance to our RAM department where necessary. In Singapore, internal controls have also been put in place to ensure that our CUCKOO Singapore team will conduct a checklist-based evaluation for new premises' compliance with the applicable regulatory requirements prior to renting any premises.

7.17.2 Occupation of buildings with a CCC that may be invalid

Penang distribution centre

Pursuant to the Street, Drainage and Building Act 1974, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable to a fine not exceeding RM250,000 or imprisonment for a term not exceeding 10 years or both.

We rent and occupy a warehouse located at No. 1000, Jalan IKS Juru, Taman Industri Ringan Juru, 14100 Simpang Empat, Pulau Pinang which is used as our distribution centre (“**Penang DC**”).

The current layout of the Penang DC does not align with the approved building plan on which the CCC for the building had been issued. The landlord for the Penang DC had confirmed that prior to our occupation of the Penang DC, the previous owner of the Penang DC had (i) erected wall claddings enclosing the warehouse; and (ii) installed roller shutters and a door for the warehouse (“**Penang DC Additions**”).

The landlord for the Penang DC had on 14 June 2024 submitted the online application to the local council to obtain approval for the Penang DC Additions, and had on 2 August 2024 submitted the hardcopy application to the local council for the same following its clearance. The valid CCC is expected to be obtained by July 2025.

There will be no costs incurred to rectify this non-compliance as this will be rectified by the landlord at the landlord's own cost. However, we may be subject to a fine not exceeding RM250,000 if we are found liable for occupying a premises without a valid CCC.

Our Directors are of the opinion that this non-compliance will not have a material adverse impact to our Group's operations and financial condition. Our business operations are unlikely to be interrupted by this non-compliance as:

- (i) the landlord has submitted the necessary applications to the relevant local authority to obtain a new CCC;
- (ii) we can easily replace our Penang DC and/or relocate to other warehouses;
- (iii) the total inventory held in our Penang DC is not material as compared to our Group's total inventory;
- (iv) the potential maximum penalty, if we are found liable, is negligible as it represents 0.3% of our Group's audited PAT for the FYE2023; and
- (v) based on verbal enquiries with the relevant local authority, we were informed that there is no need to vacate our premise and that no action will be taken against us as the landlord had submitted the application for the approved building plan.

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Sabah distribution centre

Pursuant to the Building By-Laws 1951 of Sabah no person shall occupy or permit to be occupied any building or any part thereof unless a CCC has been issued. Any person who contravenes this provision shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000.

We rent and occupy a warehouse located at Lot 48A, Jalan Kilang, SEDCO Industrial Estate, Kolombong Off Mile 5½, 88450 Kota Kinabalu, Sabah ("**Sabah DC**").

The current layout of the Sabah DC does not align with the approved building plan on which the CCC for the building had been issued as there had been: (i) awning erected on the side and over the entrance door of the Sabah DC; (ii) additional or missing partitions and doors; and (iii) wall claddings erected at the back of the warehouse ("**Sabah DC Additions**").

We are unable to procure the landlord to rectify the non-compliance of the Sabah DC and we are not in the legal position to apply to rectify the non-compliance on behalf of the landlord.

We are in the midst of finding alternative premises which fit the needs of our Sabah DC operations as well as complies with the relevant laws and regulations to relocate our operations. However, as at the LPD, we have yet to identify any suitable premises.

Pursuant to our tenancy agreement with the landlord for the Sabah DC, we do not have the right for the determination of the tenancy prior to the expiry of the tenancy, and we would continue to be obliged to pay the rent of RM31,900 per month in full up till 30 April 2026, being the expiry date of such tenancy i.e. totalling to RM446,600 as at the LPD ("**Balance Rental Amounts**").

In the meantime, we will continue to occupy the Sabah DC until the expiry of the tenancy on 30 April 2026 or until a suitable premise is identified, whichever is the earlier.

The estimated cost for rectification is approximately RM608,600 which includes the Balance Rental Amounts and the costs for relocation of our operations. We may be subject to a fine not exceeding RM5,000 if we are found liable for occupying a premises without a valid CCC.

Our Directors are of the opinion that this non-compliance will not have a material adverse impact to our Group's operations and financial condition. Our business operations are unlikely to be interrupted by this non-compliance as:

- (i) the total inventory held in our Sabah DC is not material as compared to our Group's total inventory;
- (ii) the total estimated cost of relocation of the affected premises and the potential maximum penalty, if we are found liable, is negligible as it represents 0.7% of our Group's audited PAT for the FYE2023; and
- (iii) based on verbal enquiries with the relevant local authority, the tenant occupying premises without a valid CCC will not be subject to fines or, where applicable, imprisonment as the responsibility for obtaining a valid CCC rests solely with the owner.

7.17.3 Premises without business premises and advertising licences or equivalent ("BPAL**")**

Pursuant to the provisions given in the (i) Local Government Act 1976 for Peninsular Malaysia and the Federal Territory of Labuan, (ii) Trades Licensing Ordinance 1949 for Sabah, and (iii) Businesses, Professions and Trades Licensing Ordinance 1958 for Sarawak, no person shall carry on any trade, business and industry in any place or premises within the respective local council unless he is licensed. Hence, we are required to obtain a BPAL in respect of each of our premises at which we conduct our business, including our Retail Outlets, office premises, distribution centres, CUCKOO Training Hubs and CUCKOO+ Service Centres.

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We conduct our business at certain premises that has yet to obtain a BPAL as at the LPD. Prior to the LPD:

- (a) we had been issued two compounds dated 12 April 2023 and 23 October 2023 by the Sepang Municipal Council for carrying on trade, business or industry or using any place or premises within the jurisdiction of the council for any activity, trade and industry without a BPAL at DPulze Shopping Centre, 63000 Cyberjaya for a maximum of RM1,000. Both compounds issued by the Sepang Municipal Council have been fully settled for a total amount of RM810 on 6 November 2023. As at the LPD, a valid BPAL has since been issued in respect of this premises;
- (b) we had been issued a compound notice on 19 June 2024 by Kuala Lumpur City Hall for carrying on trade without a BPAL at Mitsui Lalaport, 55100 Kuala Lumpur, of RM2,000. On 1 July 2024, we had submitted an appeal in respect of this compound notice as an application had been submitted in a timely manner, but the status of the BPAL was 'pending approval' and hence was not available for display at the time of inspection. Following this, we had settled the compound on 1 August 2024 for an amount of RM100. As at the LPD, a valid BPAL has since been issued in respect of this premises; and
- (c) on 10 January 2025, we were informed by the Sepang Municipal Council of an outstanding compound for a total amount of RM150 for carrying on trade, business or industry or using any place or premises within the jurisdiction of the council for any activity, trade and industry without a BPAL at KIPMall Kota Warisan, 43900 Sepang, in June 2023, which outstanding compound was settled on 5 February 2025. Notwithstanding the above, since November 2023, we have maintained a valid BPAL for this premises.

As at the LPD, the breakdown of the BPAL status of the business premises of our Group is:

	<u>No. of premises</u>	<u>% of total premises</u>
Valid BPAL / temporary BPAL obtained	410	86.5
BPAL pending ⁽¹⁾:	64	13.5
(a) Submitted and pending approval by local authority	37	7.8
(b) Pending documents from third-parties for submission	25	5.3
(c) Tenancy to be terminated by March 2025 (no submission to be made) ⁽²⁾	2	0.4
Total BPAL	<u>474</u>	<u>100.0</u>

Notes:

- (1) Of the affected premises, 40 are located in Peninsular Malaysia, five in Sabah, and 19 in Sarawak.
- (2) The affected premises are the same as the premises which do not have valid CCCs as at the LPD.

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We endeavour to obtain or renew the BPALs for the business premises in a timely manner and prior to the expiry of any subsisting licences such that any BPAL will be renewed prior to expiry. However, the applications for the BPALs may be delayed due to factors which are not within the control of our Group including where:

- (a) the assessment tax receipt is required for the application for the BPAL, and the landlord has not or refuses to provide the same;
- (b) the stamped tenancy agreement is required for the application for the BPAL, and the tenancy agreement is still to be executed or provided by the landlord or the tenancy agreement is still pending stamp duty adjudication; and
- (c) the local authorities have not issued the renewed BPAL despite timely submission by our Group.

Generally, rectification takes up to four months in each case to obtain the necessary documents, submit the application and obtain the BPAL. However, our Group may face issues in renewing or obtaining the BPAL due to factors which are not within our Group's control.

The application or renewal of the BPALs is part of our Group's ordinary course of business and as such the costs for applications or renewal for the BPALs would not result in our Group incurring any material additional costs.

If found liable, we may be subject to a fine not exceeding in aggregate RM99,500, based on 40 premises in Peninsular Malaysia potentially being subject to a maximum fine of RM2,000 each, five premises in Sabah potentially being subject to a maximum fine of RM100 each (being four times the licence fee of RM25), and 19 premises in Sarawak potentially being subject to a maximum fine of RM1,000 each.

Our Directors are of the opinion that this non-compliance will have no material adverse impact to our Group's operations and financial condition as:

- (i) the maximum potential penalty, if we are liable, is immaterial as it represents 0.1% of our Group's audited PAT for the FYE2023;
- (ii) based on verbal enquiries with relevant local authorities, the local authorities have informed that:
 - (a) where the application for the renewal of the BPAL has been submitted and the issuance of the BPAL is pending from the relevant local authority, there should be no enforcement as an application for a BPAL has already been made;
 - (b) where the application for the renewal of the BPAL has not been submitted, there is a risk of enforcement action by the local authorities in respect of premises for which applications for BPALs have not been submitted and are then inspected by the local authorities. Please refer to the above for the amount of potential fine; and
 - (c) the penalty of imprisonment is unlikely to be imposed. If fines are imposed, the potential monetary penalties are low and not material to our Group; and

7. BUSINESS OVERVIEW

- (iii) we have put in place internal controls to ensure that, to the extent possible for renewal of BPALs of our Group, all licence applications are made in a timely manner, and our LGC department shall monitor such controls to ensure our Group's continuous compliance. To ensure compliance, our RAM department will prepare and submit applications for BPALs which are complete with the required supporting documents, maintain valid approvals, and track compliance through an up-to-date list shared with our LGC department. Our LGC department will monitor the validity of the BPALs as well as provide guidance and assistance to our RAM department where necessary.

We will not commence operations at any new premises without a valid BPAL. However, in respect of existing premises where the BPAL has expired and the renewed BPAL remains pending from the relevant local authority despite timely submission of the renewal application, we may continue our operations at such premises, taking into account the feedback from the local authorities based on our verbal enquiries as highlighted in subparagraph (ii) above.

7.17.4 Expired 'Certificate of Approval' for remaining stock of electrical appliances

Pursuant to Section 97(1) of the Electricity Regulations 1994 ("**Electricity Regulations**") issued pursuant to the Electricity Supply Act 1990 ("**ESA**"), subject to the provisions of the Electricity Regulations, no person shall manufacture, import, display, sell or advertise (i) any domestic equipment; (ii) any low voltage equipment which is usually sold directly to the general public; or (iii) any low voltage equipment which does not require special skills in its operation, unless the equipment is approved by the Energy Commission (established under the Energy Commission Act 2011) ("**EC**"). Regulation 122 of the Electricity Regulations provides that unless otherwise made an offence under the ESA, a person who contravenes or fails to comply with any of the provisions of the Electricity Regulations shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding one year or to both. Section 50E of the ESA provides that a person who fails to comply with any codes, guidelines or directions of the EC issued under the ESA commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding two years or to both.

We had obtained Certificate of Approvals for the import and sale of certain of its electrical equipment products which have expired. As at the LPD, some of these products remain unsold.

We are unable to renew the Certificate of Approval issued by the EC in respect of the selling of unsold imported electrical equipment as the EC has verbally confirmed that in practice:

- (a) the EC does not issue or renew Certificate of Approvals solely for the purpose of selling electrical equipment and that a Certificate of Approval is only currently required for the manufacture, import and display of electrical equipment; and
- (b) a new Certificate of Approval does not need to be applied for to display, sell or advertise remaining stock of the same batch of electrical equipment which had been imported under a valid Certificate of Approval upon its expiry.

Based on the above, there will not be any rectification time or costs incurred, or any penalty imposed, in respect of this non-compliance.

Our Directors are of the opinion that this non-compliance will have no material adverse impact to our Group's operations and financial condition based on the verbal confirmation of the EC as above.

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7.18 MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

Please refer to Appendix II of this Prospectus for further details on the major approvals, licences, permits and registrations obtained by our Group for our business operations.

7.19 INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

Please refer to Appendix III of this Prospectus for further details on the intellectual property rights, patents, trademarks and registrations which our Group is dependent on.

7.20 MATERIAL PROPERTIES, PLANT AND EQUIPMENT

Please refer to Appendix IV of this Prospectus for further details on our material properties, plant and equipment, whether owned or leased.

7.21 MATERIAL DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

As at the LPD, save for the CKH Distribution Agreement, there are no other contracts, agreements or other arrangements which our Group is materially dependent on, and which are material to our business and profitability. A summary of the salient terms of this CKH Distribution Agreement is as follows:

Purpose

The CKH Distribution Agreement governs our appointment as the sole and exclusive distributor for the products and spare parts related to the products with the “CUCKOO” brand manufactured or sourced by CKH from time to time including water purifiers, air purifiers and dehumidifiers (“**Products**”) in Malaysia, Singapore and Brunei (“**Territory**”). It is a condition of the CKH Distribution Agreement that we shall not, directly or indirectly through another party, purchase, import, export, sell, distribute, or otherwise deal with any other products which are competing with or are similar to the Products in the Territory, without the prior written consent of CKH.

Term

1 January 2021 until terminated pursuant to the provisions of the CKH Distribution Agreement.

Payment term and intra-group financial assistance charges

We are required to make all payments to CKH and/or pay all invoices from CKH within 90 days from the date of the invoice or in respect of the Products, the date of the invoice or the on-board date as stated in the bill of lading for each shipment of Products, whichever is later (“**Trigger Date**”), unless CKH and us agree to an extension in writing. However, CKH may impose intra-group financial assistance charges (“**Interest Charges**”) on the outstanding payment and/or invoices which remain unpaid after 30 days from the Trigger Date.

The determination and the imposition of any Interest Charges by CKH shall be agreed upon by CKH and us on an arm’s length basis. The Interest Charges shall be calculated on daily rests and computed on the basis of the actual number of days elapsed over a year of 360 days. The Interest Charges arising shall be due and payable on an annual basis.

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For avoidance of doubt, the Interest Charges payable will only be in respect of any outstanding payments and/or invoices which remain unpaid after 30 days from the Trigger Date.

** CKH has been imposing Interest Charges on us for all outstanding payments which remain unpaid after 30 days from the Trigger Date.*

Brand loyalty fee

We shall pay CKH a brand loyalty fee which is calculated based on a mutually agreed rate on an annual basis ("**Brand Loyalty Fee**"), calculated as follows:

Brand Loyalty Fee = Revenue derived by us from the Products and other products which carry solely the "CUCKOO" brand regardless of the source of the products ("**Net Revenue**") multiplied by 3% or such other percentage as may be mutually agreed by CKH and us from time to time ("**Agreed Rate**").

For Net Revenue of products that are co-branded, the Brand Loyalty Fee shall be 50% of the Agreed Rate. The Brand Loyalty Fee is payable only when we achieve operating profits before taxation.

An invoice shall be issued by CKH to us 30 days from the determination of the agreed Brand Loyalty Fee. CKH shall grant to us a period of 90 days to pay the Brand Loyalty Fee outstanding on the invoice. We may pay the Brand Loyalty Fee outstanding on the invoices at any time during the said 90-day period. However, CKH has the right to charge Interest Charges on any outstanding payments and/or invoices which remain unpaid after 30 days from the date of the invoice.

** CKH has been imposing Interest Charges on us for all outstanding payments for the Brand Loyalty Fee which remain unpaid after 30 days from the date of the invoice.*

Transfer pricing

Any profit generated by us from the revenue derived by us from the Products sourced directly from CKH ("**TP Revenue**") in excess of an arm's length profit will be adjusted downward and be paid by us to CKH while any profit generated by us from the TP Revenue that is less than an arm's length profit will be adjusted upward and be paid by CKH to us. Any payments made by CKH to us pursuant to any transfer pricing adjustments shall be made within 90 days from the date of the invoice issued by us unless any extension is agreed by CKH and us in writing. Any payment and/or invoices which remain unpaid after 30 days from the date of the invoice shall be subject to Interest Charges.

CKH shall grant us 90 days to pay the transfer pricing adjustment amount outstanding on the invoices issued and we may pay the arm's length profit amount outstanding on the invoices at any time during the 90-day period. However, CKH has the right to charge Interest Charges on any outstanding payments and/or invoices which remain unpaid after 30 days from the date of the invoice.

Trademark

For the purposes of the CKH Distribution Agreement, CKH has been duly licensed by CUCKOO Holdings (as registered owner of the trademark in the Territory) and grants to us the licence to use the trademark which is registered in the Territory by CUCKOO Holdings ("**Trademark**") for the purpose of sales, promotion and distribution of the Products within the Territory by us, and our related companies, persons employed or engaged by us as well as any sub-distributors appointed by us in the Territory ("**Approved Users**").

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CKH shall have the right to (i) impose upon us and the Approved Users, such limitations as it deems fit on the use of the Trademark granted under the CKH Distribution Agreement, to protect the goodwill and reputation of the Trademark; and/or (ii) terminate the CKH Distribution Agreement if:

- (a) a majority of our voting shares is compulsorily acquired; or
- (b) our operations have been taken over or affected,

by an event beyond the control of CKH or ourselves such as war, revolution, coup d'état, riot, civil unrest or change of political ideology of Malaysia.

Naming Rights

CKH confirms and acknowledges that it has consented to and grants a licence, which is an exclusive licence in respect of the Territory to us for the use of the Trademark by us as part of our company name from the date of our incorporation and agrees to the continuous use of the Trademark by us as part of our company name, as long as the CKH Distribution Agreement is subsisting, subject to the termination provisions of the agreement.

CKH allows us to sublicense the right to use the Trademark to our subsidiaries and CUCKOO Brunei for their company naming purposes from their respective incorporation dates and has agreed to continue allowing us to sublicense the right to use the Trademark to our subsidiaries and CUCKOO Brunei, which shall not be transferrable and shall not pass on to any third-party unless otherwise agreed by CKH. We shall not sub-license the right to use the Trademark to any person other than our subsidiaries without the prior written consent of CKH.

Faulty products and spare parts

In the event the Products supplied by CKH are defective or found to be faulty with detailed information provided by us to CKH, CKH and us shall jointly investigate the defects or faults, and it shall be mutually agreed between CKH and us in each case on the appropriate course of action in connection with the defect or faulty Products (i.e. whether CKH shall replace, repair or grant appropriate credit for the faulty Product to us).

CKH shall provide spare parts to us equivalent to the value of 1.0% of the Products ordered free of charge based on the prevailing price list provided by CKH from time to time or any other basis subject to mutual discussion and agreement by CKH and us prior to orders being placed ("**Prevailing Price List**"). Any additional spare parts in excess of 1.0% of the value of the Products supplied by CKH that we require shall be chargeable in accordance with the Prevailing Price List.

Termination

Termination due to default

The CKH Distribution Agreement may be terminated by either CKH or us (the "**Non-Defaulting Party**"), if the other party (the "**Defaulting Party**") materially breaches any of its obligations under the CKH Distribution Agreement, provided that the Non-Defaulting Party provides a written notice of such breach (the "**Breach Notice**") to the Defaulting Party.

CKH and us shall in good faith consult, discuss, negotiate and agree on the actions and steps to be taken by the Defaulting Party to remedy the breach (including renegotiating the terms of the CKH Distribution Agreement and/or agreeing to other arrangements to continue the business relationship between CKH and us) within six months from the Defaulting Party's receipt of the Breach Notice. Thereafter the Defaulting Party shall have a further three months or such longer period as may be approved in writing by the Non-Defaulting Party (the "**Remedy Period**") to remedy such breach.

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If the Defaulting Party is successful in remedying the breach to the satisfaction of the Non-Defaulting Party within the Remedy Period, the CKH Distribution Agreement shall continue in full force and effect, subject to such renegotiated terms agreed between the Parties, if any.

If the Defaulting Party fails to remedy the breach to the satisfaction of the Non-Defaulting Party within the Remedy Period, the Non-Defaulting Party may terminate the CKH Distribution Agreement by providing a written notice of termination, which shall take effect three months after the end of the Remedy Period (the “**Termination Notice Period**”).

If the breach is not remediable within the Remedy Period, but the Defaulting Party demonstrates that it is diligently working towards remedying the breach and provides reasonable evidence that such breach will be remedied within an extended period, the Remedy Period may be extended by an additional three months at the sole discretion of the Non-Defaulting Party. During this extended period, the Defaulting Party shall take all reasonable steps to remedy the breach as quickly as possible.

Termination due to insolvency and inability to carry on normal business operations

In the event either CKH or us (i) becomes insolvent or (ii) ceases to function as a going concern or is unable to conduct its operations in the normal course of business, the other party shall be entitled to terminate the CKH Distribution Agreement by providing a written notice of termination, which shall take effect three months after the receipt of the said notice of termination.

No termination without cause

The CKH Distribution Agreement may only be terminated (i) by either party in the event of default or insolvency or inability to carry on normal business operations, in accordance with the terms of the CKH Distribution Agreement; or (ii) by CKH in the event as stipulated in the Trademark clause.

Effect of termination

Following the termination of the CKH Distribution Agreement, CKH shall no longer be required to supply any Products to us, and all payments owed by us to CKH upon termination shall become immediately due and payable unless otherwise mutually agreed in writing. The termination shall not serve to release CKH or us, or their or our successors or assignees of any remaining obligations which are intended to survive the termination of the CKH Distribution Agreement. The obligations which shall survive termination include (i) CKH providing spare parts pursuant to the 'Faulty products and spare parts' clause as above; (ii) our Group paying the Brand Loyalty Fee to CKH; and (iii) both parties making the transfer pricing adjustment payments pursuant to the agreement.

Transition period after termination

In the event of termination of the CKH Distribution Agreement due to default, CKH agrees to grant us a transition period of not less than 36 months from the date of termination (“**Transition Period**”), to unless otherwise approved by CKH:

- (i) remove the Trademark from being part of our name and our subsidiaries' names;
- (ii) cease and cause the Approved Users to cease, the use of the Trademark for the purpose of sales, promotion and distribution of the Products and any other products not manufactured by and/or sourced from CKH (“**Other Products**”) within the Territory;
- (iii) cease and cause the Approved Users and third-party collaborators in respect of co-created products (“**Third-Party Partners**”) to cease, the use of the Trademark on any Other Products; and

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- (iv) cease and cause the Approved Users and Third-Party Partners to cease, the sale of any Other Products bearing the Trademark.

In consideration of CKH agreeing to the Transition Period, we shall use our best efforts to effect the transition to reduce and eventually cease the use of the Trademark as soon as practicable before the expiry of the Transition Period.

Subject to the use of the Trademark as per the above, we will be able to continue our business and operations without obstruction, including entering into new rental and/or service agreements with customers during the Transition Period. Additionally, CKH will continue to be obligated to supply spare parts to us during and after the Transition Period, pursuant to the terms of the CKH Distribution Agreement. CUCKOO Holdings, as the registered owner of the Trademark in the Territory, has also via a letter dated 18 February 2025 (which supplements the brand royalty master agreement between CUCKOO Holdings and CKH (“**BRM Agreement**”)) provided an undertaking to CKH and our Company that in the event the right granted by CUCKOO Holdings to CKH under the BRM Agreement to sub-license the Trademark to our Company is revoked/terminated, CUCKOO Holdings will grant to CKH the right to continue to sub-license the use of the Trademark up until 36 months from the effective date of termination of the CKH Distribution Agreement. This undertaking by CUCKOO Holdings is to ensure that we will be able to continue to use the Trademark in accordance with the terms of the CKH Distribution Agreement (including the Transition Period) in the event that CKH's right to sub-license the Trademark is revoked/terminated by CUCKOO Holdings for whatsoever reason.

Rights and obligations to customers post-termination

Nothing in the CKH Distribution Agreement or the termination thereof will prevent us, the Approved Users or the Third-Party Partners from being able to fulfil their obligations under any rental or service agreements entered into with their respective customers in respect of the Products or Other Products prior to the expiry of the Transition Period where such agreements were entered into on normal commercial terms which are consistent with the terms of the CKH Distribution Agreement.

Immediately upon termination of the CKH Distribution Agreement and notwithstanding the Transition Period has yet to expire, CKH shall be entitled to sell the Products and/or appoint other party(ies) as distributors of the Products within the Territory.

7.22 BUSINESS INTERRUPTIONS

We have not experienced any business interruptions during the FYE2021, FYE2022, FYE2023, and FPE2024 that have had a material impact on our business.

7.23 EMPLOYEES

As at the LPD, we employed a total of 1,526 full-time employees across Malaysia and Singapore as follows:

<u>Category</u>	<u>Malaysia</u>	<u>Singapore</u>	<u>Total</u>
Permanent employees ⁽¹⁾	578	16	594
Contract employees ⁽¹⁾⁽²⁾	931	1	932
Total	1,509	17	1,526

Notes:

- (1) We employ one foreign permanent employee and two foreign contract employees.

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- (2) Includes 862 contract employees comprising of our Sales Managers, WonderLab Sales Associates and Service Managers. See Section 7.5.5.1 of this Prospectus for further information.

We may from time to time engage more contract employees, or convert our existing independent contractors to Sales Managers, Wonder Managers or Service Managers if required.

The following table sets out the breakdown of our employees by business function in Malaysia and Singapore as at the LPD:

Category	No. of employees⁽²⁾	% of total
Managerial ⁽¹⁾	10	1.5
Operations and logistics	196	29.5
Administrative and governance	122	18.4
Backend sales and customer service support	336	50.6
Total	664	100.0

Notes:

- (1) Includes our Key Senior Management Team.
- (2) Comprises 594 permanent employees, 70 contract employees, and excludes our 862 contract employees who make up our Sales Managers, WonderLab Sales Associates and Service Managers. See Section 7.5.5.1 of this Prospectus for further information.

The following table sets out the number of employees in our Group categorised by geographic location as at the LPD:

Country	No. of employees⁽¹⁾	% of total
Malaysia	648	97.6
Singapore	16	2.4
Total	664	100.0

Note:

- (1) Comprises 594 permanent employees, 70 contract employees, and excludes our 862 contract employees who make up our Sales Managers, WonderLab Sales Associates and Service Managers. See Section 7.5.5.1 of this Prospectus for further information.

As at the LPD, our employees do not belong to any union and are not parties to any collective agreements. Further, we have not experienced any major industrial disputes in the past.

7.24 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We operate our business with social and environmental responsibility and aim towards a high standard of corporate governance.

7.24.1 ESG policy

We have a sustainability management handbook that was adopted in March 2024 and sets out, amongst others, our sustainability scope, policy, initiatives, and governance structure.

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Our sustainability governance structure outlines the roles, responsibilities, and decision-making processes related to sustainability within our Company, including oversight by our Board of Directors, our Sustainability Committee, and our dedicated sustainability teams.

Our Board provides the stewardship and oversight over our sustainability policies.

Our Sustainability Committee comprises senior managers of the Operating Division within our Group to support our Board by evaluating and reviewing sustainability strategies, policies and other matters that are reported by our Sustainability Working Group.

Our Sustainability Working Group comprises the respective department heads of the Operating Division within our Group that are mainly responsible for identifying and gathering information related to sustainability matters. As at the LPD, these departments include our Legal, Governance and Compliance department, our Marketing department, our Human Resources and Administrative department, our Company Planning department, and our Finance department.

The key sustainability policies of our Group, which outline our commitment to sustainable practices and sets the direction for integrating sustainability into our operations, decision-making processes, and stakeholder engagements, can be summarised as follows:

- to ensure that our activities create trust and value for our shareholders and stakeholders;
- to execute our business strategy in a manner that addresses economic, environmental and social risks and opportunities effectively; and
- to ensure compliance with the laws and regulations within the jurisdictions in which our business operates.

Our sustainability scope defines the boundaries and focus areas of sustainability efforts within our Group, including the environmental, social, and economic aspects that are considered relevant to our principal activities in Malaysia, and are considered material to our operations and stakeholders. Our sustainability focus identifies key areas of emphasis for our sustainability initiatives that we have implemented, such as reducing carbon emissions by managing scrap disposal, promoting social equity, and enhancing supply chain transparency.

We have adopted a sustainability materiality assessment process to guide us on identifying sustainability matters that are material to our Group. Phase 1 focuses on identifying potential sustainability issues and impacts relevant to our Group and our stakeholders, Phase 2 assesses and ranks sustainability issues based on their significance and potential effects on stakeholders and business operations, and Phase 3 involves a review of the outcome and regular monitoring of the issues identified. Some of the sustainability matters that we have identified as significant matters include product safety, environmental management, community development, and regulatory compliance.

Our sustainability framework consists of various components including sustainability guidelines, standards, and principles or measuring, managing, and reporting on sustainability performance. For example, we have adopted the sustainability performance indicators set out in the Sustainability Reporting Guide (3rd Edition) issued by Bursa Securities ("**Sustainability Reporting Guide**"), to assess and track our progress toward our sustainability goals and targets. Moving forward, our Group will report our progress and performance of our ESG practices via the Sustainability Statements (which refer to a narrative statement of our management of material economic, environmental and social risks and opportunities, which will be included in our Annual Reports), in line with the Listing Requirements and the Sustainability Reporting Guide. We will also report on key sustainability performance metrics to our stakeholders, highlighting trends and achievements, and areas for improvement.

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Our Group has identified the following key sustainability performance metrics:

- data protection, privacy and security;
- anti-bribery and corruption;
- conflict of interest;
- regulatory compliances;
- business ethics and compliance;
- digitalisation;
- product safety;
- customer experience and satisfaction;
- public relation crisis;
- community development;
- learning and development;
- fair and living wages;
- workplace condition; and
- environmental management (i.e. water management, energy management and scrap disposal management).

Our approach to engaging shareholders and stakeholders on sustainability matters involves regular communication and collaboration. We have put in place mechanisms for our shareholders and stakeholders to share their feedback with us, to ensure alignment with stakeholders' expectations, gather insights, and address concerns related to our sustainability performance.

7.24.2 Corporate social responsibility

We are committed to being a responsible member of communities where we operate, and to supporting those in need, which may include sponsoring various events, initiatives and organisations. We have taken part in the initiatives below to create a positive social impact in the communities where we operate, to raise living standards of communities in need, in line with our vision to be a "Healthy Home Creator".

To support healthcare efforts during the Covid-19 pandemic, in 2021, we sponsored water purifiers at vaccination centres established across Malaysia under the National Covid-19 Immunisation Programme and provided a RM100,000 cash grant to My Starfish Foundation to support its efforts to procure and donate Covid-19 medical supplies to hospitals in Malaysia. The donations and cash grant that we provided as part of our Covid-19 efforts between 2020 and 2021 amounted to approximately RM1 million.

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Under our community outreach programme, "CUCKOO Loves, Cares Project", we reached out to communities that were affected by floods and worked to help families clean up their homes. In 2021, we worked with the Yayasan Al-Sultan Abdullah charity to donate refurbished mattresses and 300 sets of daily and essential goods, such as kettles and rice, to families affected by the monsoon floods in Pahang.

In 2020, we donated more than RM100,000 to the SIMPLYSITI Di Hati Campaign to financially support children who are undergoing heart surgery at the National Heart Institute of Malaysia. We also launched the CUCKOO Creative Arts Foundation, a sponsorship platform to discover and grow homegrown talents in Malaysia. As at the LPD, we have invested more than RM100,000 in the CUCKOO Creative Arts Foundation. We also collaborated with the Football Association of Malaysia and the national team, Harimau Malaysia, from 2019 to 2020, as the official supplier of water purifiers and air purifiers in the national team's dormitory. In 2023, we sponsored the National Cancer Society Malaysia with water purifiers, to support their initiative to provide a halfway home for cancer patients.

In 2024, as part of our initiatives to improve social equity, we have sponsored charitable organisations such as My Starfish Foundation and the Women's Aid Organisation. To support underprivileged children and differently-abled persons, we have also provided water purifiers to the Padmasambhava Children Loving Association Klang Selangor, Maahad Tahfiz Al-Firdaus Lil Banat, and the Persatuan Kebajikan dan Sosial Sejahtera Masyarakat Malaysia.

7.24.3 Corporate governance

We are committed to uphold good corporate governance and ethical conduct in accordance with the principles and guidance of corporate governance as set out in the MCCG, which sets out recommendations on corporate governance practices based on three key principles of corporate governance which are: board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

Pursuant to the recommendations above, as at the LPD:

- the positions of Chairman and Chief Executive Officer of our Company are held by different individuals;
- we have met the MCCG's recommendation to have at least 30% female directors on our Board; and
- we have also established our Audit and Risk Management Committee and Nomination and Remuneration Committee, whose membership comprise all Independent Non-Executive Directors, to oversee amongst others, financial reporting, risk management, remuneration policies, potential conflicts and related party transactions.

We have in place our Anti-Bribery and Corruption Policy, which sets out guidelines to our employees on our internal control policies and procedures, for, amongst others:

- payments and kickbacks;
- our procurement process;
- dealings with public officials;
- money laundering, anti-bribery and corruption; and
- conflicts of interest.

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We also have in place our Anti-Slavery Policy, Whistleblower Policy, as well as our Gift, Entertainment and Corporate Hospitality Guidelines for Business Associates and Customers.

As at the LPD, there are no departures from the recommendations of the MCCG. Our Group will continue to comply with all aspects of the MCCG after our Listing.

8. IMR REPORT

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Johor, Malaysia

Date: 12 March 2025

The Board of Directors
CUCKOO International (MAL) Berhad
Level 16, Menara Bangkok Bank
Laman Sentral Berjaya
No. 105, Jalan Ampang
50450 Kuala Lumpur

Dear Sirs / Madams,

Independent Market Research Report on the Rental Industry for Home Appliances and Household Goods in Malaysia

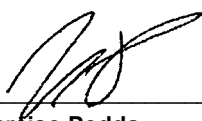
We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Independent Market Research Report on the Rental Industry for Home Appliances and Household Goods in Malaysia ("**IMR Report**") for inclusion in CUCKOO International (MAL) Berhad's ("**Company**") prospectus for the listing and quotation of the entire enlarged issued shares in the Company on the Main Market of Bursa Malaysia Securities Berhad ("**Prospectus**").

We are aware that this IMR Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this IMR Report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to either cause this IMR Report to be updated for the changes and, where applicable, cause the Company to issue a supplementary prospectus, or withdraw our consent to the inclusion of this IMR Report in the Prospectus.

Frost & Sullivan has prepared this IMR Report in an independent and objective manner, and has taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:



Narciso Podda

Director

Business & Financial Services

8. IMR REPORT



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Methodology

For the purpose of preparing this report, Frost & Sullivan has conducted primary research encompassing interviews with industry experts and industry players¹, and secondary research, which included reviews of company reports, official websites/social media pages, independent research reports, information from industry associations/authorities/international organisations, and information from Frost & Sullivan research database. Unless made available in the publicly available sources, projected data was derived by Frost & Sullivan using historical data analysis with the consideration of the social, economic, and political environments for the forecasted period.

Comparable key industry players identified in this report have been selected from a long list of companies developed by screening directories in Malaysia as well as discussion with industry players. Subsequently, the list was presented and discussed with industry players and experts that agreed to be interviewed for the purpose of the analysis. Information were further validated via public information through secondary research (which covers reviews of company reports, official websites/social media channels, independent research reports, information from industry associations/authorities/internal organisations, as well as information from Frost & Sullivan research database) and fine-tuned by contacting identified companies (e.g., telephonic method, and official social media platforms).

Profile of Frost & Sullivan GIC Malaysia Sdn Bhd

FROST & SULLIVAN is a global independent industry research and consulting organisation headquartered in the United States of America with over 60 years of establishment. In Malaysia, FROST & SULLIVAN's subsidiary, Frost & Sullivan GIC Malaysia Sdn Bhd, operates two offices (Selangor and Iskandar Malaysia) with more than 200 employees offering market research, marketing and branding strategies and business advisory services across 12 industries. FROST & SULLIVAN is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other related fund-raising and corporate exercises.

Profile of the IMR signee, Narciso Podda

Narciso Podda is the Director, Business & Financial Services division, for Frost & Sullivan GIC Malaysia Sdn Bhd. Narciso Podda possesses over 15 years of experience in market research and consulting, including over eight years in independent market research and due diligence exercise for capital markets across the Asia Pacific region. Narciso Podda holds a Bachelor in Business Administration from Bocconi University, Italy, and a Master in International Economics and Finance from Chulalongkorn University, Thailand.

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¹ Industry experts are individuals with in-depth knowledge on the industry (e.g., industry analysts). Industry players are individuals currently or previously working in the rental industry for home appliances and household goods.

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1 INTRODUCTION TO THE RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS

The home appliances and household goods industry in Malaysia is growing, driven by factors such as population growth, resilient economic outlook, and greater product variety. Within this industry, the rental of such products is growing at a faster pace compared to outright purchases. The lower monthly payment of the rental model makes this option more attractive compared to the upfront outright purchase, particularly low- and middle-income groups. The high household debt, and the greater availability of rental packages with hassle-free maintenance, are among the other factors supporting the growth of the industry.


The Company is the second largest player in Malaysia in the rental industry for home appliances and household goods, by (unaudited) revenue for the financial year ended 31 December 2024 and number of active orders as at 31 December 2024. The Company is the market leader based on the number of outlets as at 28 February 2025. By leveraging on its variety of instalment payment options for rental plans, the Company is able to provide flexibility to meet the budget of a broad category of consumers. Its wide range of products, aftersales maintenance services and its omni-channel distribution strategy, enable the Company to expand its customer base and cross-sell to existing customers to achieve higher revenue per customer. These competitive advantages help to solidify the Company's leading position in the market. Accordingly, the Company is well-positioned to capture the future growth potential of the rental industry for home appliances and household goods in Malaysia.

"Home appliances" are electrical or non-electrical devices primarily used within households, but generally also in commercial settings, to perform routine chores and tasks such as cleaning, cooking, cooling, and etc. Electrical home appliances can range from bigger appliances such as cookware, air conditioners, refrigerators, washing machines, massage chairs and treadmills, to smaller appliances such as rice cookers, water purifiers, and air purifiers. Non-electrical household appliances include a manual juicer, egg beater, coffee grinder, food processor, and kettle. "Household goods" encompass a diverse range of items primarily used within households, but generally also in commercial settings, to enhance comfort, organisation, daily living, etc. These widely include furniture like mattresses, sofas, chairs, tables, cupboards, and other home furnishings like curtains and bed linens.

Consumers have two main options to acquire home appliances and household goods, i.e. outright purchase and via rental plans. Both options can involve monthly payments, but rental plans usually offer longer payment periods and lower monthly payments compared to outright purchases.

Table 1-1: Key options for consumers to acquire home appliances and household goods in Malaysia

	Payment timeline	Ownership	Product service
Outright purchase	Full payment at the time of the purchase	Immediate	Generally not included or included for a limited period
	Monthly payments based on the options provided by the bank		
Rental plan	Monthly payments based on the options provided by the seller	After the end of the contract with no outstanding payment	Included for the whole duration of the rental plan

Note:  refers to the Company's range of rental plans, which offers both CUCKOO Rental Plan and the CUCKOO GOODPLAN™.

Source: Frost & Sullivan

This report focuses on the rental industry for home appliances and household goods, to both households and businesses, which the Company's CUCKOO-branded and CUCKOO Co-Created brands fall under. These players typically offer periodic and ad-hoc aftersales maintenance services². Some of the industry players in Malaysia include the Company, Coway (Malaysia) Sdn Bhd ("**Coway**"), SK Magic Retail Malaysia Sdn Bhd ("**SK Magic**"), and Chungho (M) Sdn Bhd ("**Chungho Nais**").

This report excludes companies that primarily generate revenue by selling these products outright, such as department stores (Aeon Co. (M) Berhad ("**AEON**") and Parkson Holdings Berhad ("**Parkson**")), speciality stores like home furnishing (SSF Home Group Berhad) and electrical appliances and electronics stores (Senheng New Retail Berhad ("**SenHeng**") and Elitetrax Marketing Sdn Bhd ("**Harvey Norman**").

² Aftersales maintenance service mainly refers to when the service team goes to the customer's house to service their products, instead of the customer bringing the product to a service center.

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While some brands like LG and Khind provide rental plans for their products, they do not generate majority of their revenue from rental, hence they are excluded in this report.

2 MACROECONOMIC OVERVIEW OF MALAYSIA

The Malaysian economy grew from 2019 to 2024 at a compound annual growth rate (“CAGR”) of 3.0%.^{3&4} However, there was a setback in 2020 with a recorded decline of -5.5% due to the initial political uncertainty at the beginning of the year and the economic impact of the coronavirus disease 2019 (“COVID-19”) pandemic. In 2021, the Malaysian economy rebounded by 3.3% and this positive trend continued into 2022, with the easing of COVID-19 restrictions and strong trading activity, contributing to a higher average monthly household income. With higher household income, consumers may seek to upgrade their lifestyle by renting or purchasing home appliances and household goods that they previously could not afford.

Household expenditure in Malaysia grew in tandem with household income. From 2019 to 2022, the total average monthly household expenditure increased from RM4,609 to RM5,150 at a CAGR of 3.8%.⁵ In particular, the total average monthly household expenditure for furnishings, household equipment and routine household maintenance increased from RM200 to RM242 at a CAGR of 6.6% during the same period.

The Malaysian economy proved to be resilient in 2023 and 2024, growing by 3.6% and 5.1% respectively.⁶ This robust performance can be attributed to the continued strength of domestic demand, which has played a significant role in driving this growth.⁷ The Malaysian economy is supported by government initiatives such as the National Energy Transition Roadmap, the New Industrial Master Plan 2030 and the Mid-Term Review of the Twelfth Malaysia Plan.⁸ The Malaysian economy is forecasted to grow at a CAGR of 4.1% in the period from 2024 to 2029F.⁹

The Malaysian population grew at a CAGR of 0.6% from 2019 to 2024E and is forecasted to expand at a CAGR of 1.1% from 2024E to 2029F.¹⁰ With the expectations of a larger Malaysian population, the rental industry for home appliances and household goods will also expand further due to the increased consumer base.

3 ANALYSIS OF RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS IN MALAYSIA

3.1 MARKET SIZE

The estimated revenue of the companies offering rental of home appliances and household goods in Malaysia was RM6.3 billion in 2024E. In the same year, it is estimated that there are 4.5 million active orders in Malaysia.

In 2019, this market grew rapidly due to the entrance of SK Magic and Chungho Nais in 2018. In 2020 and 2021, the industry grew further, contributed by the increased demand for home appliances and household goods amidst the COVID-19 outbreak as consumers spent more time at home. From 2022 to 2024E, the industry stabilised after the strong growth achieved in the prior years. From 2019 to 2024E, the rental industry for home appliances and household goods grew at a CAGR of 14.4%, a faster pace compared to the industry of outright purchases, which grew at a CAGR of less than 10.0% during the same period.

In 2024E, the revenue of the rental industry for home appliances and household goods (excluding revenue from aftersales maintenance services) is estimated to range between 10.0% to 15.0% of the total home appliances and household goods industry. This indicates the opportunity for the rental model to expand within the home appliances and household goods industry in the coming years.

The rental of home appliances and household goods in Malaysia is a growing industry that is resilient, and is forecasted to continue to grow in the period from 2024E to 2029F, at a CAGR of 9.9%. The growth of the rental industry for home appliances and household goods will be driven by newer products such as mattresses and air conditioners, and availability of attractive packages from industry players. The rental

³ International Monetary Fund (“IMF”) World Economic Outlook (“WEO”) October 2024

⁴ Department of Statistics, Malaysia (“DOSM”), Gross Domestic Product, Fourth Quarter of 2024

⁵ DOSM, Household Expenditure Survey Report Malaysia 2022

⁶ DOSM, Gross Domestic Product, Fourth Quarter of 2024

⁷ Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, February 2024

⁸ Ministry of Finance, Economic Outlook 2025

⁹ IMF, WEO October 2024

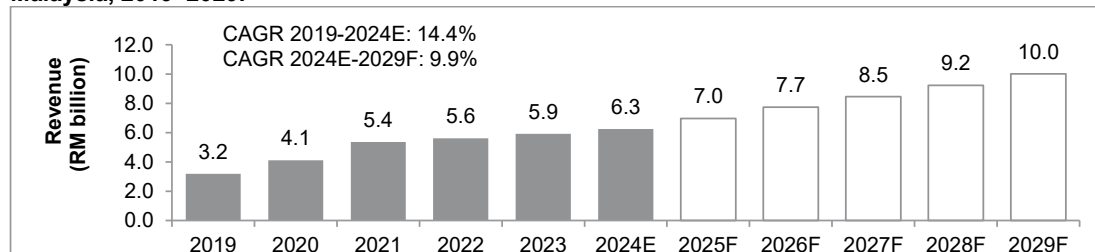
¹⁰ IMF, WEO October 2024

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packages provide financial flexibility for households due to the convenience of monthly payments, while bundled services such as repair and maintenance provide a hassle-free experience.

Chart 3-1: Market Size of the Rental Industry for Home Appliances and Household Goods in Malaysia, 2019–2029F



Note: Estimated market size based on the revenue of companies primarily engaged in the rental of home appliances and household goods. To note that some revenue may be derived from other activities, other than the rental and/or sales of home appliances and household goods, such as through selling products outright, and aftersales maintenance services after the end of the rental period.

Source: Frost & Sullivan

3.2 DEMAND DRIVERS AND MARKET TRENDS

3.2.1 Demand Drivers

The rental industry for home appliances and household goods is generally driven by consumers seeking to minimise upfront costs, particularly consumers living in urban areas with a high cost of living, and households with budget constraints. Key drivers that contribute to the growth of the rental industry for home appliances and household goods in Malaysia include the following:

Growing number of households and household debt: The number of Malaysian households grew at a CAGR of 2.8% from 7.3 million in 2019 to 7.9 million in 2022¹¹, outpacing population growth at a CAGR of 0.1% over the same period¹². This is due to the lower number of persons per household caused by more individuals living on their own. The growing number of households is expected to benefit the rental industry for home appliances and household goods by expanding the base of potential consumers.

The aggregate household debt in Malaysia increased at a CAGR of 5.2% from around RM1.25 trillion in 2019 to RM1.53 trillion in 2023, with the household debt-to-GDP ratio increasing from 82.7% to 84.2% during the same period.^{13&14} As at June 2024, the aggregated household debt slightly increased to RM1.57 trillion, resulting in a household debt-to-GDP ratio of 83.8%.¹⁵ This indicates that consumers allocate a significant portion of household income toward debt repayment, potentially reducing discretionary purchases. As home appliances and household goods in Malaysia are generally considered big-ticket purchases, options for the rental of home appliances or household goods with lower monthly payments will appeal to the low- and middle-income groups who are generally more value-conscious and seek products with lower price points. This is expected to contribute to the growth of the rental industry for home appliances and household goods.

Attractive instalment payment options for rental plans offering financial flexibility: Budget and affordability are primary considerations for consumers when making purchasing decisions. Rental plans offering lower upfront costs continue to attract consumers with smaller budgets for home appliances or household goods. Additionally, companies typically cover repair and maintenance costs during the rental period, thus alleviating the financial burden on consumers in case of breakdowns or replacements. In addition to affordability, unique designs, features, and functions of rental products also stimulate consumer demand. Rental plans that provide financial flexibility along with a variety of home appliances and household goods, are well-positioned to appeal to cost-conscious consumers while offering access to different products.

¹¹ DOSM, Household Income Survey Report Malaysia 2022

¹² IMF, WEO October 2024

¹³ Bank Negara Malaysia, Financial Stability Review, Second Half 2019

¹⁴ The Sun, Malaysia's household debt hits RM1.53 trillion, March 2024

¹⁵ Malay Mail, Malaysia's household debt up to RM1.57t from end 2023 to June 2024 mostly due to housing loans; Finance Ministry says debt service ratio still OK, October 2024

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Continuous demand from commercial establishments: Businesses often choose to rent appliances such as water purifiers with hassle-free service. Some appliances such as air purifiers are also commonly provided within business premises, for the benefit of workers and guests alike. Public venues like airports, healthcare facilities, food and hospitality businesses, as well as offices in both the commercial and industrial sectors, among others, may also use appliances like water filters and air purifiers. Large businesses may spend more than household users as they purchase larger quantities and/or higher value appliances such as water purifiers with higher capacity to cater to a larger number of users within commercial premises compared to the average number of users within a household.

3.2.2 Market Trends

Awareness of healthy living and lifestyle: Consumers are increasingly aware of the importance of healthy living driven by greater access to information regarding this topic. The COVID-19 pandemic has further heightened health consciousness among Malaysians.¹⁶ As a result, consumers are seeking a more holistic approach to achieving healthy living and lifestyle, including the use of home appliances and household goods that they perceive are able to provide such benefits.

Home care services to cater to different consumer lifestyles: Home care services allow consumers to free up time and energy required for general home maintenance and cleaning, yet achieving a cleaner home environment. On top of meeting the demanding schedules of consumers by providing convenience, the services usually come with in-depth cleaning that requires technical knowledge and tools, beyond the regular cleaning methods.

Online channels and social media influence: The number of social media users in Malaysia increased by 4.8 million or about 20.0% between early 2023 and the beginning of 2024.¹⁷ As at 2023, average conversion rates for selected social platforms range between 0.54% and 9.21%.¹⁸ Social media allows brands to increase their exposure and create brand awareness, serving as part of their pull marketing strategy. On top of that, customer product testimonies via online reviews can influence consumers' purchase decisions.

Collaboration with local manufacturers/producers and institutions: Companies may source their products from different countries with different quality production. However, there is a growing trend where some companies collaborate with local partners to produce home appliances such as air conditioners, and household goods such as beds. Beyond production, companies also engage in partnerships with local institutions for research and development, focusing on areas such as water and sleep quality research. These collaborations aim to deliver products that are of high quality in addition to consideration for lifestyles, ultimately benefiting consumers.

Seasonality of the industry: The rental industry for home appliances and household goods exhibits subtle seasonal fluctuations. Demand for these products tends to increase slightly during special occasions like Parents' Day, as consumers often purchase them as gifts. Consumers also tend to replace these items during festive seasons such as Hari Raya Aidilfitri or Chinese New Year. For example, air conditioners are among the top products to shop for during Hari Raya Aidilfitri.¹⁹ Additionally, certain products experience heightened demand during specific weather conditions; for instance, sales of air conditioners and coolers on Shopee increased by 22% during hot weather in May 2023 compared to the previous year.²⁰ Similarly, sales of air conditioners by the Company peaked in May 2023. The usage of air purifiers increased during hazy periods such as during the transboundary haze event in 2019²¹, as evidenced by the Company's higher sales of air purifiers in September 2019, surpassing those of other months in the same year. To adapt to these seasonal variations, companies typically adjust their promotional packages accordingly, taking into account both seasonal trends and prevailing weather conditions.

3.3 SUBSTITUTE PRODUCTS/SERVICES

There are several substitutes for home appliances, but they may vary depending on functionality and features. Consumers often consider the efficiencies and costs of these substitutes. Consumers may choose cheaper alternatives such as fans or air coolers to regulate room temperature. Consumers may also spend on other alternatives such as purchasing bottled water instead of using a water purifier. In terms

¹⁶ Herbalife, Improving Overall Health, Eating Habits, and Mental Health Ranked as Top Three Health Goals by Increasingly Health-Conscious Malaysians, August 2023

¹⁷ DataReportal, Digital 2024: Malaysia

¹⁸ BusinessDasher, Here's the Average Conversion Rate Benchmark for Major Advertising Platform, Updated October 2024

¹⁹ SenHeng, Malaysians Spend MORE Time Seeking Raya Deals in 2024 and Save Big with Senheng, May 2024

²⁰ Malay Mail, Heatwave: Air-conditioners most sought after items on e-commerce platforms, June 2023

²¹ CNA, As haze season approaches, businesses prepare for surge in demand of masks, air purifiers, June 2023

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of home care service, consumers may try to carry out the indoor disinfection themselves without specialised equipment.

Alternatively, consumers may also consider borrowing these items from friends or family members, or opting for services such as cooking, cleaning and laundry services. However, certain home appliances or household goods may be difficult to transport and install as they may require professional installation.

3.4 COMPETITIVE LANDSCAPE

In Malaysia, there are more companies that offer home appliances and household goods through outright purchases compared to those that offer rental plans for such products. The rental industry for home appliances and household goods in Malaysia is dominated by a few large players, with a number of smaller competitors that primarily generate revenue from the monthly rent paid by customers. These brands have branches/offices with sales personnel and technical teams located in various states across Malaysia.

The majority of the companies that offer rental plans also offer end-to-end services, from installation to aftersales maintenance services. Some may extend their services to include home care services on top of the product-related services. These companies face competition not only from companies that primarily generate revenue by selling these products outright, but also from specialised providers that focus solely on product maintenance and home care services. They also face competition from companies that primarily offer business-to-business services to commercial establishments, through rental packages of water dispensers and bundles of large bottled water, as the Company also serves the same segment.

3.4.1 Barriers to Entry

Difficulty in gaining market share in the competitive market: The rental industry for home appliances and household goods in Malaysia mainly comprises a few large companies and a few smaller companies, each offering a range of products bundled with aftersales maintenance services. The competition is intense where the key players compete on, amongst others, product differentiation, technology innovation, and product service. Established players with industry know-how are poised to maintain a competitive advantage, leveraging their experience, resources, and customer base to navigate the competitive environment. As the existing brands are well-established and recognised by Malaysian consumers, it may prove challenging for new entrants to penetrate the market.

High upfront investments required: This industry requires significant upfront capital investment to fund amongst others, product purchases, staff training and sales commissions, whilst customers may make monthly payments for such products over periods ranging from a few months to several years. This makes it challenging for new players to break even in a short period of time compared to large players due to the negative impact to the cash flows associated with offering rental plans.

3.4.2 Key Success Factors

Strong brands and established customer relationship: Companies build their brand by renting out quality products with unique designs, features, and functions to cater to the evolving needs and lifestyle of local consumers at an acceptable price point. Further, on-time aftersales maintenance services and prompt customer support for maintenance and troubleshooting help to build customer loyalty. Companies may also engage brand ambassadors to increase brand awareness, while the rental contract model with a duration of a few years helps engaging with the customer base. These approaches foster strong customer relationships and loyalty, creating customer stickiness and contributing to overall success.

Broad range of products and services targeted at consumers' needs: Companies with a broad range of products sold at different price points are able to consistently build excitement and meet consumers' evolving needs, thereby expanding the addressable market. Further, leveraging on a good track record and customer satisfaction from previous product sales and aftersales maintenance services, these companies can engage in cross-selling across their diverse product categories, sustaining future revenue streams. Additionally, companies that stay abreast of the latest market preferences and understand consumer behaviours can remain competitive by launching new products and services to address changing consumer preferences.

Targeted marketing strategy to attract new and retain existing customers: A well-trained and knowledgeable sales, marketing and service team can further implement targeted marketing efforts by effectively communicating product benefits to specific customer segments. For instance, companies can promote suitable products that have not yet been used by the customer when carrying out the routine product service or other home care services. Companies that frequently launch creative campaigns or initiatives, featuring attractive deals with great value such as bundled packages of products and aftersales maintenance service, have higher success rates to draw in and retain customers. Additionally, some

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companies establish their own experience centres to educate potential customers and provide comprehensive product knowledge.

Mixed sales channels and broad geographical coverage: The availability of a variety of sales channels provides convenience and flexibility for customers. For example, online platforms became particularly beneficial during the COVID-19 lockdown, allowing consumers to make purchases without needing to physically visit a store. Companies have continued to embrace online sales channels and/or omni-channels to attract customers even after the pandemic. Additionally, companies that have broad geographical presence offer customers easy access to experience and test home appliances and household goods before purchasing. A widespread presence can enhance brand recognition and customer loyalty by increasing brand visibility and awareness. This widespread presence, often supported by a network of warehouses and/or regional distribution centres, ensures wider geographic reach, efficient product delivery, and the ability to adapt to seasonal demands or new product launches.

3.4.3 Profiles of Key Players

The Company has outlets²² in all states and Federal Territories, except Perlis. The Company has a notably stronger presence in the central region in Malaysia. Specifically, one CUCKOO outlet serves roughly 92,000 people (or about 23,100 households) in the central region, which translates to 10.9 outlets per million people (or 43.2 outlets per million households).

Table 3-1: Estimated Population and Population Density by Region²³ as at 30 June 2024 vs CUCKOO Outlets as at 28 February 2025

Malaysia	Population (thousand) (Jun 2024) ⁽¹⁾	Area (kilometer ("km" ²))	Population Density (people/ km ²)	CUCKOO outlets count (Feb 2025) ⁽²⁾	CUCKOO outlets penetration (outlet / million population) ⁽³⁾	CUCKOO outlets population coverage (population (thousand) / outlet) ⁽³⁾
Peninsular Malaysia	27,211	132,492	205	217	8.0	125.4
Central	9,383	8,233	1,140	102	10.9	92.0
East Coast	4,705	64,124	73	19	4.0	247.6
Northern	6,763	32,504	208	47	6.9	143.9
Southern	6,360	27,631	230	49	7.7	129.8
East Malaysia	6,249	198,363	32	41	6.6	152.4

Note: Latest available data as at 28 February 2025. (1) Estimated population data as at 30 June 2024; (2) CUCKOO outlets count as at 28 February 2025; (3) Calculated based on the population data as at 30 June 2024 and CUCKOO outlets count as at 28 February 2025.

Source: DOSM; IMF; Frost & Sullivan

Table 3-2: Number of Malaysian Households by State as at 31 December 2022 vs CUCKOO Outlets as at 28 February 2025

Malaysia	Number of households ('000) (Dec 2022) ⁽¹⁾	Area (km ²)	Households / area in km ²	CUCKOO outlets count (Feb 2025) ⁽²⁾	CUCKOO outlets penetration (outlet / million households) ⁽³⁾	CUCKOO outlets household coverage (households (thousand) / outlet) ⁽³⁾
Peninsular Malaysia	6,689.4	132,492	50.5	217	32.4	30.8
Central	2,358.7	8,233	286.5	102	43.2	23.1
East Coast	1,021.8	64,124	15.9	19	18.6	53.8
Northern	1,738.2	32,504	53.5	47	27.0	37.0
Southern	1,570.7	27,631	56.8	49	31.2	32.1
East Malaysia	1,219.7	198,363	6.1	41	33.6	29.7
Total Malaysia	7,909.2	330,855	23.9	258	32.6	30.7

Note: Latest available data as at 28 February 2025. (1) Number of Malaysian households as at 31 December 2022, total may not add up due to rounding; (2) CUCKOO outlets count as at 28 February 2025; (3) Calculated based on the number of households as at 31 December 2022 and CUCKOO outlets count as at 28 February 2025.

Source: DOSM; Frost & Sullivan

Among the selected players, the Company has the largest number of outlets in Malaysia as at 28 February 2025. With its wide geographical presence in Malaysia, the Company is able to capture a large number of customers. The other two selected key players hold a direct selling license and are therefore required to comply with laws and regulations applicable to direct selling companies. However, these restrictions are not applicable to the Company. Hence, the Company has greater flexibility to adjust its commission schemes to attract and retain sales agents and service staff. The Company can also adapt sales channels, product pricing, and marketing plans, among others, to respond to changing market conditions.

²² CUCKOO outlets refer to CUCKOO Brandstores, CUCKOO Brandkiosks, and CUCKOO Brand Gallery

²³ Central region: state of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. East Coast region: state of Kelantan, Terengganu and Pahang. Northern region: state of Perlis, Kedah, Pulau Pinang and Perak. Southern region: state of Johor, Melaka and Negeri Sembilan. East Malaysia: state of Sabah and Sarawak and the Federal Territory of Labuan.

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As at 28 February 2025, among the selected key players, the Company has a wide range of product categories for home appliances and household goods under its CUCKOO-branded products and CUCKOO Co-Created segments. Only the Company, through its brand, WonderKlean, provides home care services for products which it doesn't sell, such as indoor disinfection services, and cleaning services for air conditioners, washing machines, kitchen appliances and mattresses of other brands.

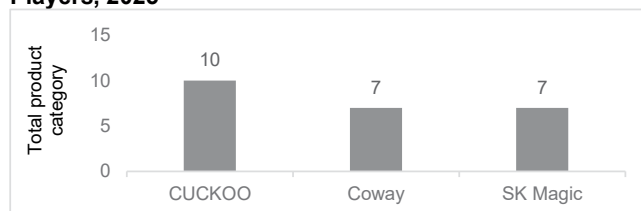
Table 3-3: Selected Key Players in the Rental Industry for Home Appliances and Household Goods in Malaysia, February 2025

Brand Name ⁽¹⁾	Number of States and Federal Territories where the brand is present ⁽²⁾	Products	Outlets ⁽³⁾	Number of sales individuals/personnel	Number of service individuals/personnel ⁽⁴⁾	Customer details in 2024E	Number of active orders in 2024E
CUCKOO	15	Home appliances and household goods	258	6,633	3,222 include homecare specialist	~1.0 mil active orders ⁽⁵⁾	~1.0 mil ⁽⁵⁾
Coway	15	Home appliances and household goods	200 ⁽⁶⁾	5k-9k ⁽⁷⁾ (estimated)	~7k-9k ⁽⁸⁾ (estimated)	~3.2 mil accounts, of which 3.1 mil are rental accounts and ~116k are membership accounts ⁽⁹⁾	2.6 mil (estimated)
SK Magic	14	Home appliances	39 ⁽¹⁰⁾	1-3k (estimated)	~500-1k (estimated)	~220k accounts ⁽¹¹⁾	0.2 mil (estimated)

Notes: Data for each company is provided on a best-effort basis based on publicly available information; (1) The brands listed are selected key players that have at least 30 outlets in Malaysia as at 28 February 2025. The brands are sorted based on the total number of outlets in Malaysia; (2) Refers to the 13 states and 3 Federal Territories in Malaysia; (3) Include retail stores and kiosks. Outlets count is as at 28 February 2025; (4) Staff may engage in cross-selling when providing services; (5) Include CUCKOO-branded and CUCKOO Co-Created active orders for better comparison with other brands; (6) Include sales office and roadshow; (7) Refer to active sales organisation members per month in 2024; (8) Number of service people refer to Coway Lady only; (9) Exclude non-performing, 5-year maturity pending and free membership accounts. A rental account is converted to a membership account after the end of the rental contract period; (10) Refer to registered store locations stated in their website; (11) Accounts are based on products rented/sold.

Source: Respective Company Websites; Frost & Sullivan

Chart 3-2: Total Product Category among Selected Key Players, 2025



Notes: Includes products under the brand and co-branded or affiliate products. Includes only home appliances and household goods that have a rental option. Data collected as at 28 February 2025. (1) Outdoor water filter counted as separate product category from indoor filtration and shower head. Massage beds and massage chairs are counted as one product category.

Source: Respective companies' website; Frost & Sullivan

The Company's products are generally priced competitively (without consideration for product features) compared to its competitors in the home appliance and household goods rental industry in Malaysia as at 28 February 2025.

Table 3-4: Comparison of Key Product Category among Selected Key Players in the Rental Industry for Home Appliances and Household Goods in Malaysia, 2025

	CUCKOO	Coway	SK Magic
Water Purifier			
Total # of water purifier ⁽¹⁾	11	13	8
Price range for rental (RM per month) ⁽²⁾⁽³⁾	65 – 123 (1 st – 3 rd year) 60 – 118 (4 th – 5 th year)	69 – 190	80 – 185 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	1,999 – 4,500	2,490 – 8,000	2,400 – 6,500 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years (or flexible period from 3 to 7 years under CUCKOO GOODPLAN™ for selected model)	5 years (except two models up to 7 years)	3, 5 or 7 years
Air Purifier			
Total # of air purifier ⁽¹⁾	7	4	5
Price range for rental (RM per month) ⁽²⁾⁽³⁾	70 – 130 (1 st – 3 rd year) 65 – 125 (4 th – 5 th year)	98 – 142 ⁽⁴⁾	100 – 140 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	1,800 – 4,000	3,190 – 4,700	3,500 – 4,800 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years	5 years	3, 5 or 7 years
Outdoor filter			

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	CUCKOO	Coway	SK Magic
Total # of outdoor filter ⁽¹⁾	1	1	1
Price range for rental (RM per month) ⁽²⁾⁽³⁾	85	100	105 ⁽⁴⁾
Price range for outright (RM) ⁽²⁾	2,400	3,500	3,000 ⁽⁴⁾
Rental period ⁽⁵⁾	5 years	5 years	3 or 5 years
Air conditioner			
Total # of air conditioner ⁽¹⁾	2	2	2 (2 series) ⁽⁶⁾
Price range for rental (RM per month) ⁽²⁾⁽³⁾	98 – 108	100 – 110	150 – 190 (without service)
Price range for outright (RM) ⁽²⁾	NA	NA	NA
Rental period ⁽⁵⁾	5 years	5 years	5 years
Massage chair			
Total # of massage chair ⁽¹⁾	1	3 ⁽⁷⁾	NA
Price range for rental (RM per month) ⁽²⁾⁽³⁾	139	120-145	NA
Price range for outright (RM) ⁽²⁾	7,999	6,000-8,199	NA
Rental period ⁽⁵⁾	5 years	5 years	NA
Mattress			
Total # of mattress ⁽¹⁾	4 (2 series)	11 (4 series)	NA
Price range for rental (RM per month) ⁽²⁾⁽³⁾	99 – 129 (queen) 119 – 149 (king)	109 -139 (queen) 129 – 159 (king)	NA
Price range for outright (RM) ⁽²⁾	3,699 – 5,199 (queen) 3,999 – 5,499 (king)	4,500 – 5,780 (queen) 5,200 – 6,380 (king)	NA
Rental period ⁽⁵⁾	3 – 7 years (CUCKOO GOODPLAN™)	5 years	NA

Notes: Product categories selected based on the categories available among at least two of the selected key players. Includes products under the brand and co-branded or affiliate products. The data for each company is provided on a best-effort basis based on publicly available information. "NA" indicates that data/information is not available. Data collected as at 28 February 2025; (1) The number of products includes the calculation of different models of products in a series, and excludes bedframe, filter and replacement parts and regardless of the colour; (2) The price range may not be directly comparable for the same category between different key players, due to different product features, and terms and conditions of the rental or outright plan. Price range is extracted based on the standard pricing and excludes seasonal promotion plans and trade-in promotions, unless otherwise stated; (3) If different rental periods are available, the price points for 5 years or "5+0" are taken as reference; (4) Price for products with 4-month regular servicing where applicable; (5) Refer to the standard rental period unless otherwise stated; (6) Include WindFree™ Deluxe 1.0HP and WindFree™ Premium Plus 2.0HP; (7) Excluding massage bed.

Source: Respective companies' website; Frost & Sullivan

3.4.4 Financial Benchmarking Versus Selected Key Players

The Company and its subsidiaries ("the Group") has among the highest profit before tax ("PBT") margin, profit after tax ("PAT") margin and positive current ratio as compared to the selected key players, indicating that the Group is efficient in managing its costs and generating profits from its operations. The Group also has a positive net cashflow from operating activities, which is important for the sustainability of the business.

Table 3-5: Financial Benchmarking of Selected Key Players, Home Appliances and Household Goods Industry in Malaysia, 2023

Company	Financial year ended	Revenue (RM mil) ⁽¹⁾	PBT Margin ⁽²⁾	PAT Margin ⁽³⁾	Current Ratio ⁽⁴⁾	Net cash from/ (used in) operating activities (RM mil)
Companies that primarily generate revenue by rental						
The Group	31 December 2023	1,116.6	12.4%	7.8%	1.1	103.4
Coway (Malaysia) Sdn Bhd	31 December 2023	3,795.5	13.4%	9.9%	0.8	(330.6)
SK Magic Retail Malaysia Sdn Bhd	31 December 2023	332.5	-8.2%	-8.2%	0.9	(76.6)
Companies that primarily generate revenue by selling products outright ⁽⁵⁾						
Aeon Co. (M) Berhad	31 December 2023	4,129.0	4.7%	2.8%	0.5	629.9
Parkson Holdings Berhad	31 December 2023	3,126.0	3.7% ⁽⁶⁾	1.4% ⁽⁶⁾	1.0	688.8
Senheng New Retail Berhad	31 December 2023	1,315.0	2.6%	1.9%	2.1	65.1
LG Electronics (M) Sdn Bhd	31 December 2023	619.1	3.0%	2.3%	0.7	(45.6)

Note: Information based on the latest available audited financial data reported by selected players as at 28 February 2025. The list of selected players may not be exhaustive and the information is provided for reference only. The selected players have reported a revenue of more than RM200 million in the latest audited financial statement available as at 28 February 2025; (1) The revenue reported may be derived from other activities, other than rental and/or sales of home appliances and household goods; (2) Computed based on PBT divided by revenue; (3) Computed based on

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PAT divided by revenue; (4) Computed based on current assets divided by current liabilities; (5) Aeon, Parkson and Senheng carry multiple brands of home appliances and household goods while LG Electronics (M) Sdn Bhd carries its own branded products and distributes them through other outlets. (6) Value refers to PBT / PAT from continuing operations.

Source: Respective companies' audited financial statements; Frost & Sullivan

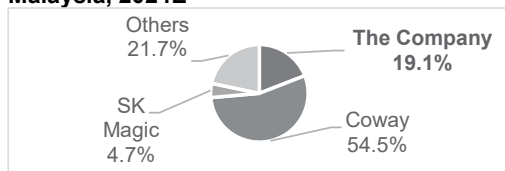
3.4.5 Market Share

The Company is the second largest player for the rental of home appliances and household goods in Malaysia based on revenue, with a market share estimated at 19.6% for the financial year ended 2024.²⁴ The Company is also the second largest player based on the number of active orders, with a market share estimated at 23.1% as at 31 December 2024.²⁵ Coway is the largest player in the rental industry for home appliances and household goods in Malaysia based on revenue and number of active orders, with a market share estimated at 62.2% and 58.4% respectively in 2024E.²⁶ The Company's growth has been supported by its variety of rental plans to meet the budget of a broad category of consumers. Its growth has also been supported by its wide range of products, and aftersales maintenance services, that enable the Company to expand the customer base and cross-sell. With these factors in place, the Company is well-positioned to gain a strong foothold and grow in the period forecasted in this report.

4 OVERVIEW OF THE MARKET FOR WATER PURIFIERS IN MALAYSIA

Within the rental industry for home appliances and household goods, water purifiers represent the product category with the highest sales in Malaysia as at 2024E. Water purifiers in Malaysia are available not only through players in the rental industry (e.g. the Company, Coway and SK Magic), but also through, amongst others, direct selling companies (e.g. Amway (Malaysia) Holdings Berhad and Cosway (M) Sdn Bhd), electrical appliances and electronics stores (e.g. Senheng and Harvey Norman), department stores (e.g. Aeon and Parkson). The sales of water purifiers in Malaysia by all types of retailers, are estimated at around 934,400 units in 2024E.²⁷ The Company is estimated to hold 19.1% of the market share based on the number of water purifiers rented and sold in Malaysia in 2024E, making the Company one of key industry players in this space²⁸. This is supported by the variety of models available to meet the demand of consumers.

Chart 4-1: The Company's Market Share by Number of Water Purifiers Rented and Sold in Malaysia, 2024E



Notes: (1) Market share estimates estimation of units of water purifiers rented from selected players for 2024E based on info collected as at 28 February 2025; (2) The category labelled as "Others" includes players primarily engaged in the rental of home appliances and household goods to households and businesses with a market share that is estimated to be less than 5.0% in 2024E, players in the home appliances and household goods industry regardless of their market share, and other players for which unit rented and/or sold cannot be estimated.

Source: Frost & Sullivan

²⁴ The Company's market positioning in 2024E is confirmed by comparing its unaudited revenue in 2024E against the estimated revenue of other similar key players including those reported in the Table 3-3. The revenue data may not have been available for all players at the time of the research. Therefore, Frost & Sullivan has estimated their revenue based on various factors, including industry news, and the industry average growth rate. The market share is calculated based on the Company's unaudited revenue generated in Malaysia of RM1,225.1 million for the financial year ended 2024 over the estimated market size of the rental industry for home appliances and household goods in Malaysia of RM6,252.1 million in 2024E.

²⁵ The number of active orders refers to orders from customers who (i) have made outright purchases and are receiving aftersales maintenance services; (ii) have active rental contracts; or (iii) have active subscription contracts for maintenance services or home care services. The Company's market positioning in 2024E is confirmed by comparing its active orders in 2024E against the estimated active orders of other similar key players including those reported in the Table 3-3. The active orders data may not have been available for all players. Therefore, Frost & Sullivan has estimated their active orders based on various factors, including publicly available historical information, and proportion of total rental accounts, among others. The market share is calculated based on the Company's active order of around 1.0 million over the estimated number of total active orders in the rental industry for home appliances and household goods in Malaysia of 4.5 million in 2024E.

²⁶ The market share for Coway is calculated based on Coway (Malaysia) Sdn Bhd's estimated revenue of RM3,886.7 million over the estimated market size of the rental industry for home appliances and household goods in Malaysia in 2024E of RM6,252.1 million, and Coway's estimated active orders of around 2.6 million in 2024E over the estimated total active orders in the rental industry for home appliances and household goods in Malaysia of 4.5 million in 2024E.

²⁷ F&S estimation

²⁸ The Company's market positioning in 2024E is confirmed by comparing its water purifiers units rented and sold in 2024E against the total estimated units rented and sold in Malaysia in 2024E. The units rented and/or sold data may not have been available for all players. Therefore, Frost & Sullivan has estimated the total units rented and/or sold based on publicly available information by industry players and statistical proxy data, among others.

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5 MACROECONOMIC OVERVIEW OF SINGAPORE AND OUTLOOK OF THE RENTAL INDUSTRY FOR HOME APPLIANCES AND HOUSEHOLD GOODS

Singapore boasts a robust economy. Its GDP grew from Singaporean dollars (“SGD”) 481.0 billion in 2019 to SGD561.9 billion in 2024 at a CAGR of 3.2%.²⁹ The economy is forecasted to grow at a CAGR of 2.5% from 2024 to 2029F.³⁰ Singapore is the wealthiest country in Southeast Asia in terms of GDP per capita. Singapore’s GDP per capita grew from SGD84,333.0 in 2019 to SGD94,634.8 in 2024E, at a CAGR of 2.3%,³¹ and it is forecasted to grow at a CAGR of 1.8% from 2024E to 2029F.³² With a high income per capita, Singaporeans are prone to seek convenience and comfort with hassle-free maintenance for their home appliances and household goods. The rental model for these products caters well to these needs. Singapore’s total population stood at 5.7 million in 2019, and has reached 5.9 million in 2024E. The population is expected to reach 6.2 million by 2029F at a CAGR of 0.7%. With a land area of only 735.6km²,³³ Singapore has a population density of 8,072 people/km² as at June 2024. This facilitates the service of rented home appliances and household goods, and minimise the need to establish a broad network of sales and services centres by industry players interested in penetrating this market. Singapore’s growing economy and population contribute to a positive outlook for the rental industry for home appliances and household goods.

Most companies operating in Singapore’s rental market offer both household goods and home appliances to cater to a diverse range of customer needs. These companies leverage different business models in their operations, including rental (e.g. Cuckoo, Coway, Expats Furniture Rental), leasing (e.g. Lian Huat Furniture Rental, Singapore Furniture Rental) or subscription (e.g. Electrolux via their Levande platform). These business models mainly differ based on the ownership at the conclusion of the contract. Their services for various home appliances and household goods during the contract period, contribute to the growth and diversity of the rental industry in Singapore.

6 SUMMARY PROSPECTS AND OUTLOOK FOR THE COMPANY

The Company is the second largest player in the industry for the rental of home appliances and household goods in Malaysia based on revenue and number of active orders in 2024E. The Company is the market leader based on the number of outlets as at 28 February 2025.

The Company has successfully implemented the rental business model, gaining traction through attractive rental packages while also providing options for consumers to purchase products outright. This business model offers flexibility for consumers without imposing high upfront costs. Offering a wide range of products and services catering to various consumer needs, including home care services, the Company has formed strategic partnerships with local manufacturers and producers to leverage their expertise in delivering quality products. The Company plans to include more product categories as well as introduce new products within existing categories to cater to a wider group of consumers. In addition to home appliances and household goods, the Company also offers skincare and nutritional food products through its WonderLab and WonderDewi brands.

Furthermore, the Company provides customer service through a team that focuses on aftersales support including installation, maintenance, and servicing of products. This customer-centric approach fosters trust and loyalty, driving positive word-of-mouth referrals and opportunities for cross-selling. The Company’s dedication to innovation and technology, supported by its business partners such as OGAWA Malaysia, LSK and Fujiaire, helps solidify the position of the company in the market.

With its extensive geographical coverage in Malaysia, the Company ensures access to its products nationwide, reaching a diverse range of customers. To bolster its omni-channel presence, the Company launched its e-commerce site in May 2024. With its industry positioning benefitting from competitive strengths, and unique strategies; the Company is well-positioned for future growth.

²⁹ Singstat, Key Data of GDP In Chained (2015) Dollars, By Industry (SSIC 2020), Annual

³⁰ IMF, WEO October 2024

³¹ Calculated based on population data from IMF and GDP data from Singstat

³² IMF, WEO October 2024

³³ Singstat, Environment, Latest Data for June 2024

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our business operations and financial condition are dependent on CUCKOO Holdings Group

Pursuant to the CKH Distribution Agreement, we have been granted by CKH, (i) the sole and exclusive rights to distribute the CUCKOO-branded products; and (ii) (as authorised by CUCKOO Holdings), the license to use the “CUCKOO” trademarks in Malaysia, Singapore and Brunei (see Section 7.21 of this Prospectus for further details on the CKH Distribution Agreement). While the CKH Distribution Agreement does not have an expiry term, it may be terminated if (i) either CKH or us materially breaches the CKH Distribution Agreement, and negotiations between us and CKH and any remedial efforts undertaken to remedy such material breach are unsuccessful; (ii) either CKH or us ceases to function as a going concern; or (iii) a majority of our voting shares is compulsorily acquired or our operations have been taken over or affected by events beyond the control of CKH or ourselves such as war, revolution, coup d'etat, riot, civil unrest or change of political ideology of Malaysia. If the CKH Distribution Agreement is terminated, or if CUCKOO Holdings revokes the right for CKH to grant us the licence to use the “CUCKOO” trademarks, CKH will no longer be required to supply us with CUCKOO-branded products and we will be required to eventually cease the use of the “CUCKOO” trademarks in Malaysia, Singapore and Brunei after a period of 36 months from the effective date of termination of the CKH Distribution Agreement. In addition, a material reduction in the equity interest of CUCKOO Holdings Group in our Company may have an adverse impact on our business relationship with it.

Given that for the FYE2021, FYE2022, FYE2023 and FPE2024:

- (i) our purchases of CUCKOO-branded products from CUCKOO Holdings Group constituted 90.8%, 76.8%, 73.5% and 66.5% of our Group's total purchases; and
- (ii) revenue from our CUCKOO-branded and CUCKOO Co-Created segments, where we rely on the license to use the “CUCKOO” trademarks, contributed to 98.7%, 98.8% 99.2% and 99.6% of our Group's total revenue,

in the event that the CKH Distribution Agreement is suspended or terminated, or if our business relationship with CUCKOO Holdings Group is adversely affected as a result of a material reduction in its equity interest in our Company, our business operations and financial condition may be materially and adversely affected.

9.1.2 Any disruption in the supply of our CUCKOO-branded and CUCKOO Co-Created products from our business partners or other suppliers may have an adverse impact on our business operations and financial condition

As we do not have direct control over the production of our CUCKOO-branded and CUCKOO Co-Created products, we face supply risks from CUCKOO Holdings Group and our business partners, namely OGAWA Malaysia, Fujiaire and LSK. Supply risks include our suppliers experiencing a reduced production capacity, failure to meet production deadlines, failure to meet our product quality standards as well as shipping and port disruptions. If these suppliers fail to produce or deliver sufficient products of acceptable quality to meet our needs in a timely manner, it may adversely affect our business.

Further, we would not be able to find alternative providers for our CUCKOO-branded products if CUCKOO Holdings Group is no longer able to meet our product needs at acceptable costs and in a timely manner. It is also unlikely that we would be able to continue to rely on the license to use the “CUCKOO” trademarks even if alternative providers are identified.

9. RISK FACTORS

For some of our CUCKOO Co-Created products, it may take a significant amount of time to identify and qualify a new supplier, or in the case of our CUCKOO Co-Created products, a suitable new business partner, that has the capability and resources to produce our products in accordance to our specifications and our service as well as quality control standards, in the requisite volume.

Failure to take adequate steps to mitigate the likelihood or manage the potential impact of such events, particularly when a product or service is provided by a single source, could materially and adversely affect our business operations and financial condition.

9.1.3 We require significant upfront capital and sustainable cashflow for us to offer our customers rental plans for our products

Our business model mainly involves offering rental plans for our products to our customers, which requires us to have significant upfront capital to fund the purchase of products from our suppliers and pay sales commissions. Further, our operating cash inflows are dependent on our collection of rental payments from our customers over their contract terms. As such, if capital resources such as internally-generated funds and bank borrowings are not available to us on a timely basis or a significant number of our customers fail to settle their payments in a timely manner or at all, this would impact our cashflows and consequently our ability to fund purchases of products from our suppliers and pay sales commissions, which would in turn negatively affect the growth of our rental business. If so, our business operations and financial condition may be materially and adversely affected.

For the Financial Years Under Review, we have used a substantial amount of our cashflows to repay CUCKOO Holdings Group, which had limited our cashflows and hence, our revenue growth. For the FYE2021, FYE2022, FYE2023, and FPE2024:

- (i) we paid RM614.7 million, RM255.3 million, RM287.2 million, and RM358.5 million to the CUCKOO Holdings Group respectively; and
- (ii) the amounts which remained outstanding to the CUCKOO Holdings Group were RM190.6 million, RM219.4 million, RM187.4 million, and RM47.2 million respectively.

Previously, we were granted a repayment period of 24 months from the date of invoice to make payments to CKH, which reduced our need to seek sources of capital. However, after 1 July 2024, pursuant to the CKH Distributorship Agreement, we are required to make all payments to CKH and/or pay all invoices from CKH within 90 days from the date of the invoice or the on-board date as stated in the bill of lading, whichever is later and where applicable. In addition, as at 31 July 2024, we have settled all outstanding trade payables owing to the CUCKOO Holdings Group that were outstanding for more than 90 days, in order to mitigate any potential conflicts of interest between our Company and CUCKOO Holdings Group (see Section 10.1.5 of this Prospectus). The shortening of the repayment period and the settlement had resulted in our Group recording a negative cashflow from operating activities of RM114.0 million for the FPE2024. While we are able to take steps to maintain sufficient working capital for our operations (see Section 7.3.7 of this Prospectus for further details), if our internally generated funds are insufficient and we continue to grow our rental business, our cashflows from operating activities is expected to be negative for future financial periods.

9.1.4 We may not be able to secure other sources of financing to fund our product purchases to offer rental plans to our customers which may have an adverse impact on our ability to grow our rental business

We require significant capital outlay for the upfront purchase of products, which are offered over a longer rental tenure under our rental plans, resulting in a net negative operating cashflow position. For the FYE2021, FYE2022, FYE2023, and FPE2024, our purchases of products amounted to RM306.7 million, RM244.2 million, RM248.3 million, and RM260.0 million respectively.

9. RISK FACTORS

Previously, we have relied on a longer repayment period to CKH which reduced our need to seek sources of capital (see Section 9.1.3 of this Prospectus for further details). Moving forward, to fund the purchase of new products and the repayment of our existing trade liabilities, we will need to rely on third-party financing to avoid incurring higher amounts owing to our suppliers. As at 30 September 2024, our outstanding interest-bearing bank loans amounted to RM309.7 million.

As at the LPD, we have not faced any issues with securing other sources of financing which had materially and adversely affected our business operations and financial condition. However, there is no assurance that we will be able to obtain additional capital in a timely manner or on acceptable terms in the future, if at all. The failure to obtain sufficient financing on commercially reasonable terms could delay our ability to pursue our business plans, which could adversely affect our business operations and financial condition. Future debt financing could also include terms that restrict our financial flexibility or restrict our ability to pay dividends.

9.1.5 We are subject to payment-related risks arising from defaults or late payments by our customers

We offer a variety of rental plans to our customers, under which they make monthly rental payments over a period for the use of our products. As at the LPD, more than 80% of our customers subscribe to our rental plans. For the FYE2021, FYE2022, FYE2023, and FPE2024, income from our rental plans amounted to RM675.9 million, RM545.9 million, RM630.1 million, and RM577.6 million respectively, representing 59.3%, 52.2%, 56.4%, and 62.1% of our total revenue, respectively.

As at the LPD, there has not been defaults or late payments by our customers which had materially and adversely affected our business operations and financial condition. See Section 7.6.2 of this Prospectus for more information on our collection rate. However, if the creditworthiness of our customers deteriorates, or if a significant number of our customers fail to settle their payments in a timely manner for any reason, including but not limited to, an inability or unwillingness to make payments, particularly in the event of an economic downturn, we may incur impairment losses and our business operations and financial condition could be adversely affected. There is no assurance that we will be able to fully recover payments from our customers, or that they will make payments to us in a timely manner. Any occurrence of defaults or delays in payments by our customers may adversely affect our business operations and financial condition.

If we repossess a customer's product due to payment defaults, such repossessed products (if assessed by us to be in working condition) may be used during our product demonstration workshops and may also be loaned to other customers as substitute products, when such customers send in their products for repairs. As a result, we may not be able to recover costs incurred with respect to such repossessed products.

9. RISK FACTORS

9.1.6 Our business depends on our ability to protect and enhance our brand image

We believe that our reputation is critical to our continued ability to attract customers and maintain relationships with our business partners. For the FYE2021, FYE2022, FYE2023, and FPE2024, the revenue from sales of our CUCKOO-branded products accounted for 95.8%, 89.7%, 85.4%, and 79.0% of our total revenue, respectively. We have entered into partnerships with our business partners to develop and manufacture our CUCKOO Co-Created products. These products also bear the “CUCKOO” name. Our continued success and growth therefore depend significantly on our ability to protect and promote our brand, in our existing markets and new markets we intend to enter (see Section 9.1.11 of this Prospectus for further details on risks related to our business strategies). Negative commentary regarding us, CUCKOO Holdings Group, our business partners, our products and services, our employees or other third parties who are affiliated with us and our brand may be adverse to our reputation or business. For example, in 2016, there were unsubstantiated allegations that the filter used in one of our air purifiers contained harmful substances, and we also received negative feedback that the statements made in the advertisements relating to these air purifiers were untrue. To manage the CUCKOO brand reputation, CKH released an official statement in response to such allegations, which was uploaded to our corporate website in Malaysia and we replaced the relevant filters to address customer concerns.

Brand ambassadors with whom we maintain relationships could engage in behaviour or use their platforms to communicate directly with our customers in a manner that reflects poorly on our brands. Their actions may be attributed to us or otherwise adversely affect us. It is not possible to prevent such behaviour, and the precautions we take to detect this activity may not be effective in all cases. Any event which negatively impacts our brands and/or reputation may deter customers from purchasing our products and/or services as well as discourage our business partners from conducting business with us.

Product safety or quality failures, whether actual or perceived, including defects, product mislabelling, contamination, and products being deemed unsuitable for use could tarnish the image of our brands and could cause customers to purchase products from other retailers. As such, we have endeavoured to select business partners with a good track record, who can provide safe, high-quality products and services at acceptable costs. However, there is no assurance that our business partners will not face any product safety or quality failures in the CUCKOO Co-Created products that they manufacture.

Safety or other defects in our competitors' products may also reduce customer demand for our own products if customers view them to be similar or view the defects as symptomatic of the product category. While we maintain product liability insurance and general liability insurance to cover financial loss we may sustain as a result of product liability claims for our home appliances, WonderLab and WonderDewi products, and WonderKlean services, a product liability claim against us (or against CUCKOO Holdings Group, in respect of our CUCKOO-branded products), regardless of whether the claim is with merit, could negatively impact our brand image, and could be in excess of our available insurance coverage and established reserves, result in legal costs incurred in connection with such claim or other adverse allegations and costs in rectifying any product defects, any of which could have an adverse effect on our business operations and financial condition.

In addition, our products may be counterfeited in the market, such as through unauthorised imitation, replication of our designs, infringement of trademarks or mislabelling by third parties, which may affect the market recognition and market perception of our brand. Although we monitor any unauthorized use of our registered designs and trademarks, counterfeiting or imitation of our products to ensure that our intellectual property rights are protected, we cannot assure you that counterfeiting and imitation would not occur, or if it does occur, that we would be able to detect and address the problem effectively or in a timely manner, if at all. A significant presence of counterfeit products in the market could have a negative impact on the value and image of our brands, lead to loss of customer confidence in our brands and materially and adversely affect our business operations and financial condition.

9. RISK FACTORS

Promoting and defending our brand and market share also depend, in part, on controlling the distribution of our products through our sales channels. If we fail to successfully promote our brand or to protect and enhance our brand's identity or fail to protect our brand and brand position, or if we fail to properly supervise the distribution or use of our products by our employees and independent contractors, or if such personnel fail to comply with our policies, the market recognition of our brand may deteriorate, we may not be able to sell our products at acceptable prices and/or volumes, and, as a result, our business operations and financial condition may be adversely affected.

9.1.7 Our success depends on our ability to maintain and expand our omni-channel network

We adopted an omni-channel distribution strategy to market and distribute our products through various offline and online channels such as the CUCKOO Sales Team and the CUCKOO+ Service Group, retail outlets, third-party retailers (see Section 7.5.5.4 of this Prospectus for further details), e-Brandstores, e-commerce platforms, and e-Brandshops in Malaysia and Singapore. In Brunei, we have entered into a sub-distributorship agreement with CUCKOO Brunei for the sale and distribution of our products.

The expansion of our sales network may not lead to proportionate expansion of our sales revenue. To maintain and increase our market share, we actively evaluate the operational performance of our offline and online omni-channel network, and based on such evaluation, we may add or remove retail outlets, enter new sales arrangements with our third-party retailers and business partners in the future. We may not be successful in any of these respects. Our ability to maintain and expand our offline and online sales channels depend on several factors, including among others, our ability to maintain relationships with the third-party retailers and major e-commerce platforms on terms that are commercially acceptable to us and our ability to respond to changes in their needs. If we are unable to effectively maintain or expand our sales network, our business operations and financial conditions may be materially and adversely affected.

In Singapore, we offer our products to end customers through a variety of platforms, such as department stores, home appliance retail stores and online e-commerce platforms. Most of these offline third-party and online platforms may market competing products or increase the cost for us to participate in sales and marketing related activities. If we are required to lower prices or accept conditions that are not favourable to us, it may affect the sales performance of our products, or we may have to accept greater credit and other risks which could negatively affect our business operations and financial condition. If the conditions imposed by our third-party retailers and the online platforms we partner with are commercially unacceptable or we fail to maintain our relationships with them, the loss or termination of our contracts with them, or a substantial decline in volume of sales to, any one or more of them, could affect our ability to bring our products to market and therefore adversely affect our business operations and financial condition.

In addition, there can be no assurance that we can effectively manage overlap or potential competition among our offline and online channels. Adverse competition among our sales channels may result in cannibalisation of sales, which may then have a material and adverse effect on our business operations and financial condition.

9.1.8 We are dependent on our Key Senior Management for our continued success and growth of our business

We are highly dependent on Key Senior Management for setting our strategic business direction and managing our business. We are led by our CEO, Hoe Kian Choon, who has over 18 years of experience in the rental industry for home appliances and household goods. He is supported by our other experienced Key Senior Management team based in Malaysia who have 19 to 25 years of experience in their respective areas of expertise.

9. RISK FACTORS

We currently do not have any non-compete agreements with Key Senior Management, or other key personnel, and have not obtained any key man insurance with respect to such individuals. Our ability to achieve continued success and face future business challenges depends on the continued service of our experienced Key Senior Management and on our ability to attract, recruit, and retain experienced, talented, and skilled professionals. Due to the current limited pool of skilled personnel, competition for senior management, commercial and finance professionals in our industry is intense. In the event of the loss of services of our Key Senior Management or other key personnel or our inability to recruit or train a sufficient number of experienced personnel or our inability to manage the attrition levels of such employees may have an adverse effect on our business operations and financial condition.

9.1.9 Our operations may be restricted by current and future debt covenants and conditions and our failure to comply could result in acceleration of debt repayment.

Under the terms of our principal bank loans and under any debt financing arrangement that we may enter into in the future, we are, and may in the future be, subject to covenants that could, among other things, restrict the business and operations of our Group and/or one or more of our subsidiaries. If we breach any of these covenants, our lenders will be entitled to accelerate our debt obligations. Any default under our debt obligations could result in us having to repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. In addition, our loan agreements with certain banks may contain cross-default clauses which state that if we breach the provisions of another loan agreement, we will also be in breach of the first loan agreement. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness.

Furthermore, our loan repayment plan may be accelerated if our lenders conclude that we are at risk of not being able to repay our indebtedness. If our loan repayment is accelerated or if we default on our repayments, it may be difficult for us to refinance our debt or obtain additional financing. Having significant leverage could have important consequences for our business operations and financial condition, such as making it more difficult for us to satisfy our obligations under our financing arrangements, requiring us to dedicate a substantial portion of our cash flow from operations to payments of our debt, or negatively impacting our creditworthiness, which limits our ability to borrow additional funds on commercially acceptable terms.

9.1.10 We are subject to availability of labour for our sales and maintenance operations

Our sales and maintenance operations require a supply of talent to continue growing our network of sales and service personnel. As such, our continuing ability to identify, hire, attract, train, develop and retain qualified personnel who play key roles in our omni-channel network, such as the CUCKOO Sales Team, the WonderLab Sales Team and CUCKOO+ Service Group, who are our frontline customer-facing sales and service personnel, is crucial for the growth of our business.

Personnel departures are unpredictable and may disrupt the implementation of strategic plans and business processes, especially if there is a breakdown in the knowledge transfer process. Intense competition for talent requires us to offer competitive compensation, which is one of our key expenses. Accordingly, we aim to attract and retain personnel in the aforementioned key groups in our omni-channel network through attractive remuneration plans and incentives.

As at the LPD, we have not faced any material issues with attracting or retaining labour which had materially and adversely affected our business operations and financial condition. Nevertheless, there can be no assurance that our commission structure or the various incentives we offer will continue to successfully attract or retain sales and service personnel or increase their productivity. Our failure to do so could materially and adversely affect our business operations and financial condition.

9. RISK FACTORS

9.1.11 We may not be able to successfully implement our business strategies and future plans, and manage our growth

Our ability to implement our business strategies (as outlined in Section 7.4 of this Prospectus) is subject to various risks, such as our ability to grow our market share, expand our omni-channel distribution network, and improve our operational efficiency and capability to serve a larger market. We also need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and omni-channel network management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources.

Our efforts to improve operational efficiency may not be properly implemented or may fail to achieve desired results. There can be no assurance that we will be able to effectively manage our growth or enhance our systems to adequately support our expanding operations or maintain good relationships with suppliers, third-party retailers, employees or customers.

We believe that our future growth depends not only on continuing to reach our current core demographic, but also continuing to penetrate and broaden our customer and retailer bases, including by increasing the number of our retail outlets, entering partnerships with department stores and home appliance retail stores to sell our products on their platforms, enhancing our systems to adequately support our growth and maintaining good relationships with our suppliers, third-party retailers, employees and customers. We have in the past expanded our product offerings into new product categories through business partnerships and may continue to do so in the future. Such initiatives may require our management to develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, such initiatives may require significant attention from our management, and the diversion of our management's attention and resources may adversely affect our ability to manage our business operations and financial condition. Additionally, these business partnerships may incur costs and expose us to compliance risks related to the new products being offered.

We have faced, and may continue to face, challenges such as competition between other market players, pricing, distribution, hiring, legal and regulatory issues, as well as difficulties in predicting customer demographics and preferences in new and existing markets in which we operate.

9.1.12 Our financial condition and future growth may be affected by foreign currency exchange rate fluctuations

We purchase CUCKOO-branded products in USD and generally sell these products within Malaysia in our functional currency, RM. For the Financial Years Under Review and the FPE2024, 98.9%, 98.7%, 98.6%, and 98.9% of our revenue respectively were transacted in RM, and 91.0%, 77.7%, 73.8%, and 68.4% of our purchases respectively were transacted in USD. Any unfavourable movement in exchange rates between RM and USD may therefore have a negative impact on our financial performance.

While we will estimate potential foreign exchange rate fluctuations and factor in those estimates when pricing our rental plans, given that our rental plans typically have long contract terms with predetermined monthly repayment sums, there is no assurance that our estimates will be accurate. In the event that we do not accurately price our rental plans to take into account unfavourable movements in exchange rates, we will not be able to effectively pass on to our customer any increase in purchase cost arising from such unfavourable movements. See Section 12.2.2(iv) of this Prospectus for further details on our foreign currency exchange fluctuations.

9. RISK FACTORS

Separately, as at the LPD, we do not have any hedging policies. Even if we were to implement hedging policies in the future, there may be limited hedging instruments we can use to reduce our exposure to exchange rate fluctuation, and the hedging instrument we use to reduce our foreign exchange risk exposure may not be effective. In addition, the cost of such foreign exchange rate hedging instruments may fluctuate significantly over time and may outweigh the potential benefit from the reduced currency volatility.

9.1.13 We are subject to transfer pricing adjustments that may affect our profitability

Our purchases from CUCKOO Holdings Group are regarded as intra-group transactions from the South Korean and Malaysian transfer pricing perspective and is likely to be scrutinised by tax authorities in both South Korea and Malaysia, as to whether such intra-group transactions have been conducted on an arm's length basis. In this respect, our Company, CKH and CUCKOO Electronics have agreed to make the relevant transfer pricing adjustments with reasonable efforts and in good faith, to comply with the arm's length principle.

The adopted transfer pricing policy is based on the transactional net margin method where our operating profit margin will be adjusted with reference to the range of operating profit margins of selected comparable companies in Malaysia to comply with the arm's length principle. A transfer pricing adjustment could, among others, increase or reduce our profitability and we may potentially incur tax liability. For the FYE2021 and FYE2022, we incurred RM74.3 million and RM9.2 million in transfer pricing adjustments respectively, whilst no transfer pricing adjustments were incurred for the FYE2023, FPE2023 and FPE2024.

Based on the adopted transfer pricing policy, analysis will be carried out on a continuous basis to determine the range of operating profit margins achieved by selected comparable companies in Malaysia, and our operating profit margin will then be benchmarked against such range of operating profit margins on a year-on-year basis. If our operating profit margins fall outside such range of operating profit margins, then our operating profit will be adjusted to fall within the range of operating profit margins of selected comparable companies in Malaysia, and vice versa. See also Section 12.2.2(iii) of this Prospectus for details on our transfer pricing arrangements.

9.1.14 Failure to retain our existing customers and attract new customers in a cost-effective manner may affect our sales

Our success depends, in part, on our ability to cost-effectively attract customers to purchase our products and services, retain our existing customers and encourage these customers to continue utilising our products and services.

We have made, and we expect that we will continue to make, significant investments to attract new customers, including through corporate partnerships, brand ambassadors, traditional, digital and social media and engaging in sponsorship initiatives. Marketing campaigns can be expensive and may not result in the cost-effective acquisition of customers. For the FYE2021, FYE2022, FYE2023, and FPE2024, our marketing and advertising expenses were RM25.6 million, RM33.7 million, RM34.1 million, and RM21.0 million respectively, representing approximately 2.2%, 3.2%, 3.1%, and 2.3% of our total revenue, respectively. We expect our marketing expenses to increase in the future as we seek to continue to increase awareness of our brands and our products. However, there is no assurance that our advertising and marketing efforts will result in increased sales of our products. If any of our advertising campaigns prove less successful than anticipated in attracting customers, we may not be able to recover our advertising spend and our net sales may fail to meet market expectations, either of which could have an adverse effect on our business operations and financial condition.

Further, our ability to attract new customers depends on the effectiveness of our omni-channel strategy and network of personnel in the CUCKOO Sales Team, WonderLab Sales Team and the CUCKOO+ Service Group (see Section 9.1.7 and Section 9.1.10 of this Prospectus for further details on our reliance on our omni-channel network and on our reliance on labour, respectively).

9. RISK FACTORS

9.1.15 We may be subject to inventory risks associated with obsolescence or inventory accumulation arising from competing products and prolonged holding periods

We are exposed to inventory risks due to a variety of factors beyond our control, including changing consumption trends and customer preferences, launches of competing products, and our supply of CUCKOO-branded products from CUCKOO Holdings Group and our supply of CUCKOO Co-Created products from our business partners. See Sections 9.1.1 and 9.1.2 of this Prospectus for further details. Maintaining an optimal level of inventory is critical to the success of our business. While we prepare monthly stock forecasts to manage our inventory levels, we might be unable to accurately predict consumer preferences and demand and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost. For example, in June 2019, we had excessive inventory of our Inductwo and Inductrio hybrid cooktops due to over-estimations of market demand made in our sales forecasts, and had to launch customer promotions to clear our inventory. On the other hand, inventory under-stock may cause us to lose sales.

For the FYE2021, FYE2022, FYE2023, and FPE2024, our inventory turnover days were 49 days, 67 days, 62 days, and 57 days, respectively. We manage our inventories and make adjustments based on demand for our products. Unexpected increases or decreases in orders could have an adverse effect on our business operations and financial condition.

Further, frequent new product introductions in the home appliances industry can result in a decline in the average selling prices of our products and the obsolescence of our existing inventory. Generally, we periodically assess inventory impairment and typically recognise inventory write-down when their cost is lower than their net realisable value. However, due to the volatile nature of the value of some of our inventory, there can be no assurance that actual inventory loss will not exceed or fall below our provisions for inventory loss. Differences in the estimation of expected future values and any inventory or asset related write-downs or provision could affect our business operations and financial condition. In addition, the sale of excess inventory at discounted prices or in less preferred retail channels could impair our brand image and harm our gross margin. For health and safety reasons, we may also be required to dispose of expired WonderLab and WonderDewi skincare and nutritional products sold.

Accordingly, there can be no assurance that stock obsolescence and accumulation would not adversely affect our business operations and future financial condition.

9.1.16 We may not be able to adequately protect our intellectual property rights, and may be required to defend against charges of infringement of intellectual property or other proprietary rights of third parties

Our success with our products and services depends, in part, on our ability to protect our current and future technologies, products and services, and to defend our intellectual property rights, including any patent, trade secret, copyright and trademark rights owned by CUCKOO Holdings Group in respect of our CUCKOO-branded products, or any such rights jointly owned with our business partners in respect of our CUCKOO Co-Created products.

Attempts to protect the proprietary technology of our CUCKOO-branded products in various jurisdictions can be costly and there is no assurance that CUCKOO Holdings Group will undertake such measures. Competitors may compete with our products and technologies, in jurisdictions where we, CUCKOO Holdings Group or our business partners, as the case may be, have not obtained intellectual property rights.

9. RISK FACTORS

As at the LPD, we have not been required to assert our intellectual property rights or defend against charges of infringement of intellectual property or other proprietary rights of third parties. However, if we, CUCKOO Holdings Group, or our business partners fail to adequately protect the intellectual property rights in relation to our product offerings, our competitors may manufacture and market similar products and services, which may dilute our product differentiation and adversely affect our business operations and financial condition.

If our CUCKOO-branded products, CUCKOO Co-Created products or manufacturing processes are found to have infringed upon third-party rights, we, whether jointly with CUCKOO Holdings Group or our business partners, or otherwise, may be subject to significant liabilities and be required to seek licences from third parties, pay ongoing royalties or redesign certain products, or become subject to injunctions prohibiting the manufacture and sale of certain products or the use of intellectual property in certain jurisdictions. The defence of infringement suits and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel.

9.1.17 We may not be able to find suitable locations for retail outlets on commercially acceptable terms, or at all

Our performance depends on the location of our retail outlets. Our Sales Managers typically propose locations for CUCKOO Brandstores and CUCKOO Brandkiosks, which we then evaluate based on factors such as footfall, accessibility, the grade of the shopping malls and rental rates. The supply of prime locations is scarce and securing these locations may be challenging. Rental costs, especially in the prime areas within Malaysia and Singapore may rise beyond what we may deem as commercially justifiable. If we struggle to identify suitable locations to lease, our business operations and financial condition may be impaired.

Tech-savvy millennials have become a significant consumption force, and if they prefer to view products physically in stores but make their purchases online, this may reduce sales made through offline sales channels. As such, there can be no assurance that having a greater retail presence, at prime locations or otherwise, may improve our business operations or financial condition.

9.1.18 We may not be able to detect and prevent fraud or other misconduct committed by our business partners, employees, independent contractors or other third parties

We may be exposed to fraud or other misconduct committed by our business partners, employees, independent contractors, or other third parties that could affect our reputation and subject us to litigation, financial losses and sanctions imposed by governmental authorities. Such misconduct could include improperly using or disclosing sensitive information, engaging in improper activities such as offering bribes to, or receiving bribes from, counterparties in return for any type of benefit or gain, or engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities.

As at the LPD, we have over 7,000 personnel in the CUCKOO Sales Team and WonderLab Sales Team across Malaysia and Singapore. There can be no assurance that such personnel will comply with the terms and conditions governing their employment or service with us, or that we may be able to identify all instances of misconduct.

In the past, we discovered that a Sales Representative had engaged in irregular sales practices, involving fraudulent manipulation and duplication of identity card numbers, to artificially inflate sales numbers and earn more commission and other benefits. We have since terminated the Sales Representative's contract. Further, we have discovered that some of our former Sales Representatives have published misleading marketing and promotional offers, and incorrect or outdated information relating to our business on their social media accounts, which we are unable to remove.

9. RISK FACTORS

We have since tightened our internal control procedures to monitor our operations and ensure overall compliance, which include enhancement of our standard operating procedures relating to sales recognition and monitoring of our sales personnel. Further, we also maintain records of our sales personnel and their respective social media websites to conduct periodical checks on the content of their promotional websites to ensure that they are up-to-date and in compliance with our marketing guidelines. However, there is no assurance that such internal control procedures would be undertaken effectively to identify all instances of non-compliance or suspicious transactions in a timely manner, if at all, due to changes in business process or relevant personnel.

There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may result in negative publicity for us, which in turn may have a material and adverse impact on our business operations and financial condition.

9.1.19 If our Sales Representatives, Service Specialists and Wonder Stars are deemed as our employees, there may be adverse business, financial, tax, legal and other consequences

Under our present business model, our Sales Representatives, and certain of our Service Specialists and Wonder Stars are engaged under contract for service as independent contractors. In the past, we have faced legal claims from some of these independent contractors who have sought to claim certain benefits and/or compensation by alleging employee status, which are still ongoing as at the LPD. These claims in aggregate are not material to our Group. The tests governing whether a person is engaged as an independent contractor or an employee will be based on a finding of fact as to the actual nature of their relationship with us. Further, in an enforcement action initiated by SOCSO against us alleging that we were required to register with SOCSO one of our independent contractors, which SOCSO alleged was an employee, the High Court in June 2023 had affirmed that the said independent contractor was not our employee. Therefore, we would not be required to pay SOCSO contributions for such independent contractor.

Nevertheless, there can be no assurance that there will not be any changes to laws or regulations governing the definition or classification of independent contractors, or judicial decisions regarding independent contractor classification which could require the reclassification of our independent contractors as employees. If so, we may be required to incur significant additional expenses, potentially including expenses associated with the application and compliance with employment laws (including minimum wage, overtime, and meal and rest period requirements), employee benefits (including requirements with respect to statutory contribution and compulsory insurance), taxes, and penalties.

9.1.20 Our insurance coverage may be inadequate

We maintain insurance policies to cover a variety of risks that are relevant to our business needs and operations, and also maintain third-party insurance policies covering certain potential risks and liabilities including, burglary, fire, product liability, fidelity guarantee, marine cargo, flooding, and property liability. We have in the past made claims under our insurance policies, to cover losses we suffered.

For example, 2,038 units of water purifiers and air purifiers that we stored at a warehouse rented from a third party were damaged by a flood in the FYE2021. While we managed to fulfil customer orders with stock from other warehouses and received a payout of approximately RM1.3 million from our insurer in the FYE2023, there can be no assurance that we would have sufficient stock to do so should similar events arise in the future. There may also be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. Any risk that is not adequately covered by insurance may have an adverse effect on our business operations and financial condition.

9. RISK FACTORS

In addition, all our insurance policies are subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in our insurance premium, we may incur higher costs to renew our insurance policies. Further, there can be no assurance that such insurance policies will continue to be available to us based on acceptable terms and costs.

9.1.21 We rely on operating system providers to support some of our products and technologies, including our CUCKOO+ mobile application and our AI Chatbot

Our CUCKOO+ mobile application and our AI Chatbot, are dependent on the effective operation of certain mobile operating systems, networks and standards that are run by operating system providers and app stores (collectively, “Providers”).

The Providers that control these systems and networks frequently introduce new technology, and from time to time, they may introduce new systems and networks or modify existing ones. Further, we are also subject to the policies, practices, guidelines, certifications and terms of service of Providers’ platforms on which we publish our CUCKOO+ mobile application and content. A Provider may also change its fee structure, add fees associated with access to and use of its platform or app store, limit the use of personal information and other data for advertising purposes or restrict how users can share information on their platform or across other platforms. If we or our customers were to violate a Provider’s terms of service, guidelines, certifications or policies or if a Provider believes that we or our customers have violated, its terms of service, guidelines, certifications or policies, then that Provider could limit or discontinue our or our customers’ access to its platform.

If any Providers, stop providing us with access to their platform or infrastructure, fail to provide reliable access, cease operations, modify or introduce new systems or otherwise terminate services, the delay caused by qualifying and switching to other operating systems could be time consuming and costly and could materially and adversely affect our business operations and financial condition.

9.1.22 We may be subject to legal proceedings, regulatory disputes and governmental inquiries

We have in the past, and may from time to time, be subject to claims, lawsuits, government investigations and other proceedings. While these were not material, there is no assurance that future claims will not adversely affect our business operations and financial condition. See Section 9.1.19 of this Prospectus for further details of an enforcement action initiated by SOCSO against us.

Litigation and regulatory proceedings that we could face may be protracted and expensive and the results are difficult to predict. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our brand name and reputation may be affected regardless of the outcome of such proceedings, and our litigation costs could be significant.

Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines or require us to modify our products or technologies, make products unavailable or require us to stop offering certain features, all of which could negatively affect our business operations and financial condition.

9.2 RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE

9.2.1 We face intense competition within the home appliances and household goods industry

We operate in the home appliances and household goods industry where we face competition from many foreign and local players. Competition in the home appliances and household goods industry is based on several factors, including product pricing, product features and design, quality, performance, innovation, reputation, energy efficiency, distribution and financial incentives, such as salesforce incentives and sales rebates.

9. RISK FACTORS

Our competitors typically offer rental plans and outright purchases for their home appliances and household goods and would also typically offer periodic and ad-hoc after-sales doorstep services. We compete with our competitors in a variety of aspects including market experience, brand recognition, product variety, cost efficiencies, and financial, sales and marketing and technological resources. Our competitors may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than us, as well as established retailer relationships. Some of our competitors may also be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales, or be forced to reduce our prices to remain competitive.

In addition, further increase in market concentration of the household appliances and household goods industry may result in stronger competition for us and a decline in our relative market position, and any price competition from time to time may result in reduced average selling prices and profit margins, which could adversely affect our business operations and financial condition.

To maintain our market share, we may then have to launch similar promotions and other customer activities, particularly during seasonal festivities such as Hari Raya and Chinese New Year, which could adversely impact our profit margin.

There can be no assurance that we will be able to compete successfully with our competitors, and failure to do so would have an adverse effect on our business operations and financial condition.

9.2.2 Our business and future growth prospects rely on consumer demand for our products or rental plans

We operate in an industry that is subject to rapid and unpredictable changes in consumer demand and trends. Our success depends on our ability to identify and respond to constantly shifting consumer demand and trends, develop new and appealing products or rental plans on a timely basis, and achieve acceptance of such new products by customers.

In particular, we depend on, to a significant extent, continued consumer demand for home appliances, household goods, home care services and skincare products. We cannot provide any assurance that consumers will continue to demand such products or if we are able to anticipate and respond appropriately to changing consumer trends and preferences. If consumer preferences shift away from our products, our brands, business operations and financial condition may be materially and adversely affected.

Moreover, the choices and preferences of consumers may be influenced by new products that appear in the market. Accordingly, we have been continuously improving our brand awareness and developing rental and subscription plans and offering our products together with other complementary products, as well as developing, launching and promoting new products to maintain our competitiveness. To support our product upgrade and expansion plans, we also have actively recruited able employees and explored better financial, technical or marketing tools. All these tasks involve risks, and require substantial planning, expenditures and effective execution. We rely on big data analytics and market surveys to track our consumer brand awareness and anticipate changes and trends in consumer demand, and adjust our marketing strategies and product mix accordingly. If we misjudge consumer demand, we may incur unrecoverable development, production and marketing costs which will adversely affect our business operations and financial condition.

9. RISK FACTORS

9.2.3 Our business is subject to governmental regulations and approvals, and we are subject to changes in laws, regulations or government policy in the markets we operate

To operate our businesses, we are required to obtain and comply with various permits, licences, certificates, consents and other approvals from governmental authorities. Failure to obtain governmental approvals could have an adverse effect on our operations. The relevant laws and regulations governing our Group in our core markets which are material to our operations are summarised in Appendix I of this Prospectus, and details of the major approvals, licences, permits and registrations obtained by our Group for our business operations as at the LPD are set out in Appendix II of this Prospectus.

There can be no assurance that we will be able to fulfil the conditions necessary to obtain, maintain or renew the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. Additionally, there may be delays on the part of the relevant administrative bodies in reviewing our applications and granting approvals.

For example, we are required to obtain, maintain and renew business premise licenses in respect of the operation of our Retail Outlets, distribution centres and distribution hub. In addition, we are required to ensure that the properties occupied by our Group comply with relevant laws and regulations. Failure to obtain the necessary licences, permits and approvals in a timely manner may affect our ability to operate at our Retail Outlets, distribution centres and distribution hub and expose us to fines and other penalties. Further, in the event of failure to obtain the relevant permits and approvals, we may be required to incur costs to rectify the non-compliances, such as relocation costs.

As at the LPD, we are not fully compliant with certain applicable laws, regulations and rules and may be subject to inspections, examinations, inquiries and audits by governmental authorities while we are taking measures to rectify such non-compliances. See Section 7.17 of this Prospectus for details on the relevant non-compliances and rectification actions taken. While we have not, save as disclosed in Section 7.17 of this Prospectus, incurred penalties or faced any enforcement action arising from these non-compliances as at the LPD, there is no assurance that we will not be subject to further enforcement actions and penalties in the future, which may be material.

Many of our products are also subject to regulations relating to the manufacture, import and sale of such products. Any delays in obtaining or renewing the necessary approvals may cause interruptions in respect of the import and sale of these products, and any breach of the relevant regulations or conditions related to the relevant approvals may result in fines or other penalties.

Changes in laws, regulations or government policy (including in relation to taxation) could also adversely affect our business operations and financial condition. For example, from 1 March 2024, the rate of sales and service tax on most taxable services in Malaysia was increased from 6.0% to 8.0%. Any such changes may result in an increase in competitive intensity, increase in the costs of operations, reductions in prices or changes in price structures, which may result in an adverse effect on our business operations and financial condition.

9.2.4 A cybersecurity breach or failure of one or more key information technology (“IT”) systems could have a material adverse effect on our business or reputation

We rely on our own IT systems and infrastructure, as well as those of third parties, to support our business and performance. We use a variety of in-house technological solutions to track and analyse data to manage our inventory and sales, prevent overstocking, including a platform on which our sales personnel can track purchases made by their respective customers (see Section 7.11 of this Prospectus for further details on our IT systems). Our website, mobile application and other technological solutions rely on a variety of other technological tools, including online ordering systems, electronic billing and third-party cloud solutions. We also use third-party software for certain of our IT systems pursuant to contracts, which we renew on an annual basis.

9. RISK FACTORS

Our and our third-party service providers' data, IT systems and infrastructure may be vulnerable to various potential risks, including but not limited to incidents originating from legacy or non-integrated systems, or both, as well as fires, natural disasters, power failure, telecommunication failure, terrorist attacks, break-ins, data corruption and other similar events. Other risks and challenges could arise as we upgrade, modernise and standardise our IT systems.

We may also face risks because of human error or malfeasance or failure, disruption, cyber incidents or other security breaches of third-party systems or infrastructure. As techniques used by cyber criminals change frequently, a failure, disruption, cyber incident or other security breach may go undetected for a long period of time. A failure, disruption, cyber incident or other security breach of our IT systems or infrastructure, or those of our third-party service providers, could result in the theft, transfer, unauthorised access to, disclosure, modification, misuse, loss, or destruction of our data or that of our employees or other third parties, including sensitive or confidential data, personal information and intellectual property. Furthermore, our ability to protect and monitor the practices of our third-party service providers is more limited than our ability to protect and monitor our own IT systems and infrastructure. Efforts and investments to monitor our IT systems and infrastructure are costly, and as cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Further, there can be no assurance that our efforts will prevent a failure, disruption, cyber incident or other security breach of our or our third-party service providers' IT systems or infrastructure, or that we will detect or respond timely if there is such a failure, disruption, cyber incident or other security breach. Any such failure, disruption, cyber incident or other security breach could adversely affect our business, including our ability to expand our business, cause damage to our reputation, result in increased costs to address internal data, security, and personnel issues, and result in violations of applicable privacy laws and other laws and external financial obligations such as governmental fines, penalties, or regulatory proceedings. We may also face remediation efforts (liabilities for stolen assets or information, or repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorised use of proprietary information, litigation and legal risks, increased insurance premiums, reputational damage affecting our customers' and investors' confidence, as well as damage to our competitiveness, Share price and long-term shareholder value. Any failure by us to adequately protect our IT systems and the confidential data which we hold could have a material adverse effect on our business operations and financial condition.

9.2.5 We face risks related to the unauthorised disclosure of confidential information and compliance with privacy laws

We store highly confidential information on our IT systems, including personal data, financial information, and other types of information related to our business, products and customers, including but not limited to, through our website and CUCKOO+ mobile application (see Section 7.11 of this Prospectus for further details on our IT systems). Through the CUCKOO Sales Team, the WonderLab Sales Team and CUCKOO+ Service Group, we also collect and process a considerable volume of information which may be considered, in certain jurisdictions, to be sensitive personal data and is subject to legal regulations. As such, we must ensure that any processing, collection, use, storage, dissemination, transfer and disposal of data for which we are responsible, complies with relevant data protection and privacy laws in each jurisdiction, including the Personal Data Protection Act 2010 in Malaysia and the Personal Data Protection Act 2012 in Singapore.

9. RISK FACTORS

We rely on commercially available systems, software, tools and monitoring to provide secure processing, transmission, encryption and storage of confidential customer information, such as credit card details and other personal information. Our facilities and systems, either of our e-commerce platform, as well as those of our third-party service providers, such as third-party payment gateways including Cybersource and Visa, may be vulnerable. See Section 9.2.4 of this Prospectus for further details on potential risks related to failures or breaches of our IT systems. If our servers or the servers of the third parties on which our data is stored are the subject of a physical or electronic break-in or other cyber risks, confidential information could be stolen, rendered unavailable, devalued or destroyed. Any security breach involving the misappropriation, loss or other unauthorised disclosure or use of confidential information of our suppliers, business partners or others, whether by us or a third party, could subject us to civil and criminal penalties, have a negative impact on our reputation or expose us to liability. Further, the perception by our customers that we failed to comply with privacy laws or properly address privacy concerns could materially harm our business and standing with our customers.

9.2.6 We are subject to general economic conditions and consumer spending in Malaysia, as well as inflationary pressures and rising costs

The majority of our business is derived from our operations in Malaysia, which accounted for 98.9%, 98.7%, 98.6%, and 98.9% of our revenue in FYE2021, FYE2022, FYE2023, and FPE2024 respectively. As such, our business operations and financial condition depends on Malaysian consumer spending and the general state of the Malaysian economy, and may be adversely affected by overall political, economic and social conditions and developments in Malaysia, some of which are beyond our control. Such developments include any changes in government regulations and policies (such as price controls, interest rate adjustments, currency trading band adjustments and exchange rate controls), political leadership, taxation law and interest rates, as well as any uncertainty in the implementation of economic or legal reform, changes in labour conditions (including changes in regulations relating to minimum wage – see Section 12.2.2 (ii) of this Prospectus for further information) and nationalisation of assets, which may cause decreased economic activity in Malaysia.

Inflationary pressures related to domestic and global economic conditions or supply chain issues may also affect our business operations and financial condition. Uncertainty in the global markets due to geopolitical tensions and conflicts may result in high inflation, rising interest rates and high foreign exchange rate volatility, and disrupt global supply chains. We are exposed to the risk of cost increases due to rising inflation and interest rates in the markets in which we operate, and may cause us to experience lower sales volumes because of increases in the prices of our products, including but not limited to, increases to cover inflation and higher packaging and material costs, operation costs, and transportation costs.

Any adverse developments in one or more of the abovementioned conditions may cause disruptions to our business and operations or decline in demand for our products and services, which may consequently cause a decline in our revenue. Additionally, there is no assurance that political disturbances will not occur in Malaysia or that such disturbances will not directly or indirectly, materially and adversely affect our business operations and financial condition.

9.2.7 Product recalls may adversely affect our business operations and financial condition

Allegations of defective products or adverse effects on product safety or product failures may require us to recall a product. We may also be required by the applicable laws and regulations in the countries in which we operate to adopt new or amend existing return and/or exchange policies from time to time. If our products do not meet product safety standards and/or our customers' expectations, we may be required to carry out product recalls to protect our brand name and reputation. Costs incurred in connection with product recalls may have an adverse effect on our business operations and financial condition.

9. RISK FACTORS

9.3 RISKS RELATING TO OUR SHARES

9.3.1 Our Company and our Directors may be subject to certain sanctions under the Financial Investment Services and Capital Markets Act and the relevant regulations of the Republic of Korea (“Korea”) (“Korea Capital Markets Act”)

Pursuant to Articles 9(7), 119(1) and 120(1) of the Financial Investment Services and Capital Markets Act of Korea and Article 2-2(2)①2 of the Regulations on the Issuance and Disclosure of Securities, a securities registration statement (“**Statement**”) must be submitted to and duly accepted by the Financial Services Commission of Korea (“**FSC**”) if (i) a foreign corporation, which has more than 20% of its shares held by Korean residents as at the end of the most recent fiscal year, issues securities in a foreign jurisdiction; and (ii) Korean residents may acquire such securities either upon issuance or within one year from the date of issuance. Accordingly, we are required under the Korea Capital Markets Act to submit a Statement to the FSC for its acceptance prior to the offering of our Shares notwithstanding that our Shares will not be offered, sold or delivered to persons located in or who are residents of Korea pursuant to our IPO.

As at the date of this Prospectus, the Statement has not been submitted to the FSC as:

- (i) the Statement is required to be submitted to the FSC prior to the registration of this Prospectus with the SC and would be immediately exposed to the public upon submission to the FSC, which would result in a breach of Section 241 of the CMSA and the Guidelines on Advertising for Capital Market Products and Related Services issued by the SC;
- (ii) the Statement is required to include information (a) that is over and above the disclosures in this Prospectus; (b) that has yet to be made publicly available in Malaysia through the issuance of this Prospectus; and (c) that is over and above the prescribed content to which the SC’s consent may be sought for disclosure before the registration of this Prospectus as set out in Section 241(4)(b) of the CMSA; and
- (iii) we were unable to obtain waivers from the Financial Supervisory Services as necessary to ensure our compliance with both the requirements under Korean laws (i.e. the Korea Capital Markets Act) and Malaysian laws (i.e. the CMSA and Advertising Guidelines issued by SC).

Pursuant to the Korea Capital Markets Act, if found liable, the Company and/or its Directors may be subject to: (i) for directors, a fine not exceeding KRW200.0 million (approximately RM610,800 as at the LPD) or imprisonment for a term not exceeding five years; for legal entities, a fine not exceeding KRW200.0 million (approximately RM610,800 as at the LPD); (ii) a surcharge in an amount not exceeding 3% of the proceeds raised from the IPO which is capped at KRW2.0 billion (approximately RM6.1 million as at the LPD); and (iii) publicly announce such breach and order the correction thereof, and when deemed necessary, suspend or prohibit the issuance, public offering, or sale of securities or other related transactions, or impose measures such as restrictions on the issuance of securities for a period not exceeding one year.

9.3.2 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, whether such market can be sustained.

9. RISK FACTORS

There can be no assurance that the Final Retail Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and that the market price of our Shares will not decline below our Final Retail Price. A number of factors could cause our Share price to fluctuate, including but not limited to announcements of developments relating to our business, fluctuations in our business operations and financial condition, general industry conditions, and the performance of the global economy. These could also materially and adversely affect our ability to raise capital at a time and at a Share price we deem appropriate.

9.3.3 Our ability to pay dividends is dependent on our financial performance

Our ability to declare dividends to our shareholders will depend on, among others, our future earnings, capital requirements, business operations and financial condition, exchange controls, cashflows, and other considerations as our Board may consider relevant from time to time.

These factors are also dependent on market demand, and our business operations and financial condition, capital requirements and ability to implement our future plans. We may also be required to obtain the approval of certain of our financiers in order to declare dividends. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Our Board intends to declare a dividend for the FYE2025 after our Listing. However, the quantum has yet to be determined and is subject to factors stated above. In addition, our Board may, at any time and for any reason it deems appropriate, decide not to pay any dividend for the FYE2025 as our future dividends are at our Board's discretion. You should note that any statement on the payment of dividends in this Prospectus merely describes our Company's present intention. This shall neither constitute a legally binding obligation or statement on our Company nor a guarantee by our Board. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

See Section 12.5 of this Prospectus for a description of our dividend policy.

9.3.4 Our Share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our business operations and financial condition. These factors may include changes in analysts' recommendations or projections, economic and political conditions of our country as well as the growth potential of the home appliances and household goods industry.

In addition, the trading price and volume of our Shares is dependent on external factors such as the performance of the world exchanges and the inflow or outflow of foreign funds. These factors will contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares. There is no assurance that the price and trading of our Shares will not be subject to fluctuations.

9.3.5 Foreign Shareholders may not be able to participate in future rights offerings or certain other equity issues by us

If we offer, or cause to be offered, to our Shareholders rights to subscribe for additional Shares or any rights of any other nature, we will have the discretion as to the procedure to be followed in making such rights available to our foreign Shareholders or in restricting such rights for the benefit of such foreign Shareholders. In relation to any rights issue or preferential offering of Shares, we may, in our absolute discretion, elect not to extend an offer of our Shares under a rights issue to those foreign Shareholders whose addresses are outside Malaysia. Accordingly, such foreign Shareholders may be unable to participate in our rights offerings.

9. RISK FACTORS

9.3.6 Future offerings of a substantial number of our Shares in the public market may result in dilution

Our shareholders may experience dilution in their shareholdings upon offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. See Section 9.3.5 of this Prospectus. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the percentage shareholdings of existing Shareholders may be reduced.

9.3.7 The interests of our Promoters may not be aligned with the interest of our shareholders

Immediately after the completion of our IPO, our Promoters, will own in aggregate, 73.0% of our enlarged number of shares upon Listing. As a result, our Promoters will be able to have effective control over the business direction and management of our Company including the election of directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders unless our Promoters are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. Therefore, there is a risk that the interests of our Promoters may not be aligned with those of our other shareholders.

9.3.8 Substantial sales of our Shares by our Substantial Shareholders and Key Senior Management could cause the market price of our Shares to decline

Upon the completion of our IPO and Listing, we will have 1,432,800,000 Shares in issue, of which at least 1,055,540,802 Shares, representing 73.7% of our enlarged number of Shares upon Listing, will be held by our Promoters, Key Senior Management and Substantial Shareholders. Our Shares sold in our Listing will be traded on the Main Market following our Listing.

It is possible that our Promoters, Key Senior Management and/or Substantial Shareholders may dispose of some or all of our Shares that they hold after the moratorium period, pursuant to their own investment objectives. If our Promoters, Key Senior Management and/or Substantial Shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

9.3.9 There may be a delay or failure of our Listing

Our Listing may be potentially delayed or aborted due to the occurrence of any one or more of the following events:

- (i) our Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder;
- (ii) if we are unable to meet the public shareholding spread requirements of Bursa Securities under which at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our admission to the Official List; and
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- (i) the SC issues a stop order under Section 245(7)(a) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC; or

9. RISK FACTORS

- (ii) our Listing is aborted other than pursuant to a stop order by the SC, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares:

- (i) the SC issues a stop order under Section 245(7)(b) of the CMSA, the issue of our IPO Shares shall be deemed void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting, and supported by either: (a) consent from our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstance; or (b) a solvency statement from our Directors.

10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “related party” of a listed corporation is:

- (i) a director, having the meaning given in Section 2(1) of the CMA and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company;
- (ii) a major shareholder including any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation, its subsidiary or holding company, having an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares is:
 - (a) 10% or more of the total number of voting shares in the corporation; or
 - (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

In the context of this Section 10, our substantial shareholders fall within the definition of “major shareholder” as set out above.

10. RELATED PARTY TRANSACTIONS

10.1.2 Material related party transactions

Save as disclosed below, there are no material related party transactions entered into by our Group which involve the interest, direct or indirect, of our Directors, major shareholders and / or persons connected to them for the Financial Years Under Review, FPE2024, and the subsequent period from 1 October 2024 up to the LPD:

No.	Transacting parties	Nature of interest	Nature of transaction	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(i)	Our Company and CKH	CKH is a major shareholder of our Company Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CKH	(a) Purchase of CUCKOO-branded products and spare parts related to such products manufactured or sourced by CKH including water purifier and air purifier (“ CKH Products ”) ⁽¹⁾	287,659 (represents 38.9% of our Group's cost of sales)	204,448 (represents 30.9% of our Group's cost of sales)	213,657 (represents 28.6% of our Group's cost of sales)	217,445 (represents 34.0% of our Group's cost of sales)	70,579 (represents 21.0% of our Group's cost of sales)
			(b) License to use the trademark for the purpose of sales, promotion and distribution of the CKH Products (“ CKH Royalty Fee ”) ⁽¹⁾	30,921 (represents 4.2% of our Group's cost of sales)	30,787 (represents 4.7% of our Group's cost of sales)	30,633 (represents 4.1% of our Group's cost of sales)	24,877 (represents 3.9% of our Group's cost of sales)	13,521 (represents 4.0% of our Group's cost of sales)
			(c) Interest charges on amounts owing for CKH Products and CKH Royalty Fee which are past due ⁽¹⁾	15,495 (represents 8.3% of our Group's PAT)	6,326 (represents 307.8% of our Group's PAT)	10,208 (represents 11.8% of our Group's PAT)	5,856 (represents 5.6% of our Group's PAT)	455 (represents 1.1% of our Group's PAT)

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of interest	Nature of transaction	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(ii)	Our Company and CUCKOO Electronics Malaysia	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics Malaysia	(a) Rental of property at Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur, Malaysia, for our use as our head office ⁽²⁾	953 (represents 0.5% of our Group's PAT)	953 (represents 46.4% of our Group's PAT)	953 (represents 1.1% of our Group's PAT)	715 (represents 0.7% of our Group's PAT)	396 (represents 1.0% of our Group's PAT)
		Koo Bon Hak, Director and major shareholder of our Company, is also a director and major shareholder of CUCKOO Electronics Malaysia	(b) Rental of property at Level 15 EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur, Malaysia for our use as an office ⁽³⁾	485 (represents 0.3% of our Group's PAT)	485 (represents 23.6% of our Group's PAT)	485 (represents 0.6% of our Group's PAT)	364 (represents 0.4% of our Group's PAT)	201 (represents 0.5% of our Group's PAT)

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of interest	Nature of transaction	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(iii)	Our Company and CUCKOO Electronics	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics	(a) Purchase of CUCKOO-branded products and spare parts related to such products manufactured or sourced by CUCKOO Electronics including rice cooker, multi cooker and induction cooker (“ CKE Products ”) ⁽⁴⁾	603 (represents 0.1% of our Group's cost of sales)	1,178 (represents 0.2% of our Group's cost of sales)	510 (represents 0.1% of our Group's cost of sales)	831 (represents 0.1% of our Group's cost of sales)	442 (represents 0.1% of our Group's cost of sales)
		Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CUCKOO Electronics	(b) License to use the trademark for the purpose of sales, promotion and distribution of the CKE Products (“ CKE Royalty Fee ”) ⁽⁴⁾	333 (represents less than 0.1% of our Group's cost of sales)	542 (represents 0.1% of our Group's cost of sales)	152 (represents less than 0.1% of our Group's cost of sales)	79 (represents less than 0.1% of our Group's cost of sales)	36 (represents less than 0.1% of our Group's cost of sales)
			(c) Interest charges on amounts owing for CKE Products and CKE Royalty Fee which are past due ⁽⁴⁾	110 (represents 0.1% of our Group's PAT)	40 (represents 1.9% of our Group's PAT)	26 (represents less than 0.1% of our Group's PAT)	11 (represents less than 0.1% of our Group's PAT)	2 (represents less than 0.1% of our Group's PAT)

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of interest	Nature of transaction	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(iv)	Our Company and HEH Resources Sdn Bhd (“ HEH Resources ”)	Hoe Kian Huaw and Hoe Kian Eu, the directors and major shareholders of HEH Resources, are siblings of Hoe Kian Choon (Chief Executive Officer, Director and major shareholder of our Company)	Supply of hygiene kits, service packs and cleaning solutions ⁽⁵⁾ and provision of repacking services for leather polisher which are used on mattresses, washing machines and air conditioners sold by our Group	3,330 (represents 0.5% of our Group's cost of sales)	4,852 (represents 0.7% of our Group's cost of sales)	4,602 (represents 0.6% of our Group's cost of sales)	3,408 (represents 0.5% of our Group's cost of sales)	1,495 (represents 0.4% of our Group's cost of sales)
(v)	Our Company and Great Hoe Holdings	Hoe Kian Choon, Chief Executive Officer, Director and major shareholder of our Company, is also a director and major shareholder of Great Hoe Holdings	(a) Rental of property bearing the postal address Level 13A EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur, for our use as an office ⁽⁶⁾	460 (represents 0.2% of our Group's PAT)	460 (represents 22.4% of our Group's PAT)	460 (represents 0.5% of our Group's PAT)	345 (represents 0.3% of our Group's PAT)	191 (represents 0.5% of our Group's PAT)
			(b) Rental of property at Lot 753, Jalan Subang 3, Taman Perindustrian Subang, 47610 Subang Jaya, Selangor Darul Ehsan, Malaysia for our use as a distribution centre ⁽⁷⁾	1,729 (represents 0.9% of our Group's PAT)	1,729 (represents 84.1% of our Group's PAT)	1,729 (represents 2.0% of our Group's PAT)	1,153 (represents 1.1% of our Group's PAT)	-

10. RELATED PARTY TRANSACTIONS

No.	Transacting parties	Nature of interest	Nature of transaction	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(vi)	Our Company, Wonderlab Resources Sdn Bhd (“ Wonderlab Resources ”) and Mak Foong Ling	Mak Foong Ling, the spouse of Hoe Kian Choon (Chief Executive Officer, Director and major shareholder of our Wonderlab Resources	Acquisition of Wonderlab Resources’ business of trading of skin care and cosmetic products, and provision of cleaning services ⁽⁸⁾ and Purchase of beauty products including cosmetics and beauty services in Malaysia and provision of homecare services ⁽⁹⁾	1,772 (represents 0.3% of our Group’s NA)	-	-	-	-
				4,019 (represents 0.5% of our Group’s cost of sales)	-	-	-	-
(vii)	Our Company and CUCKOO Singapore	Hoe Kian Choon, Chief Executive Officer, Director and major shareholder of our Company, is also a director and major shareholder of CUCKOO Singapore (direct shareholdings of 13.7% ⁽¹⁰⁾ in CUCKOO Singapore)	Sale of our CUCKOO-branded products	1,871 (represents 0.2% of our Group’s revenue)	2,321 (represents 0.2% of our Group’s revenue)	2,043 (represents 0.2% of our Group’s revenue)	1,898 (represents 0.2% of our Group’s revenue)	1,489 (represents 0.3% of our Group’s revenue)

10. RELATED PARTY TRANSACTIONS

Notes:

- (1) Please refer to Section 7.21 of this Prospectus for the salient terms of the distribution agreement between our Company and CKH.
- (2) Tenancy agreement between CUCKOO Electronics Malaysia and our Company dated 31 October 2022 for the rental of such property. The initial tenancy of a term of two years expired on 31 October 2024, and was extended until 30 June 2025 on the same terms and conditions as stipulated in the original tenancy agreement. The monthly rental is RM79,431.00. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party.
- (3) Tenancy agreement between CUCKOO Electronics Malaysia and our Company dated 31 October 2022 for the rental of such property. The initial tenancy of a term of two years expired on 31 October 2024, and was extended until 30 June 2025 on the same terms and conditions as stipulated in the original tenancy agreement. The monthly rental is RM40,441.00. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party.
- (4) Distribution agreement between CUCKOO Electronics and our Company dated 1 January 2021, as supplemented by an agreement dated 16 August 2024, for the appointment of our Company as the sole and exclusive distributor for the CUCKOO-branded products manufactured or sourced by CUCKOO Electronics from time to time including but not limited to rice cookers, multi-cookers and induction cookers. The current term of the agreement ends on 31 December 2025, with an automatic renewal for successive periods of one year, unless terminated earlier in accordance with the agreement. The purchase prices of the CKE Products are set out in invoices issued by CUCKOO Electronics to our Company. The credit term granted to our Group is 90 days from the date of the respective invoices.
- (5) Agreement between HEH Resources and our Company dated 1 January 2023, for the purchase and supply of (i) hygiene kits and service packs used by our CUCKOO+ Service Group during servicing and maintenance of products sold by our Group and (ii) cleaning solutions which are used on mattresses, washing machines and air conditioners sold by our Group. The term of the agreement is for three years and expires on 31 December 2025, with an option by our Company to extend the term for another one year.
- (6) Tenancy agreement between Great Hoe Holdings and our Company dated 18 October 2022 for the rental of such property. The initial tenancy of a term of two years expired on 31 October 2024, and was extended until 30 June 2025 on the same terms and conditions as stipulated in the original tenancy agreement. The monthly rental is RM38,308.50. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party.
- (7) Sub-let agreement between Great Hoe Holdings and our Company dated 1 October 2021 for the rental of such property. The sub-tenancy of a term of three years and two months expired on 31 December 2024, with an option to renew for further term of three years and two months. The monthly rental was RM144,076.00. As at the LPD, our Company has terminated the agreement and vacated the premises.

10. RELATED PARTY TRANSACTIONS

- (8) Sale of business agreement between Wonderlab Resources (as vendor), Mak Foong Ling (as covenantor) and our Company (as purchaser), as supplemented by an agreement dated 21 July 2021, for the acquisition of Wonderlab Resources' assets and liabilities for its business of trading of skin care and cosmetic products, and provision of cleaning services ("**Wonderlab Acquisition**"). The total purchase consideration was RM1,772,760.00 which was fully settled in cash. The purchase consideration was arrived at after taking into consideration the valuation of the assets of RM 6,884,790.00 as ascribed by an independent valuer jointly appointed by the parties, net of the liabilities acquired. The Wonderlab Acquisition was completed on 10 May 2021.
- (9) Distribution agreement between Wonderlab Resources and our Company dated 1 January 2020 for the appointment of our Company as the exclusive distributor of Wonderlab Resources' (i) beauty products including cosmetics and / or beauty services in Malaysia; and (ii) professional home care services under the name Wonderklean. This agreement was terminated after the Wonderlab Acquisition.
- (10) As of January 2018, Hoe Kian Choon held 9.1% equity interest in CUCKOO Singapore. His shareholdings in CUCKOO Singapore increased to 13.7% in March 2023.

10. RELATED PARTY TRANSACTIONS

Our Directors confirm that all the above material related party transactions were transacted on an arm's length basis and based on terms and conditions which were not unfavourable to our Group after taking into consideration, amongst others, quotes and invoices from third parties for similar products and services, property analysis and business valuation reports as appraised by independent valuers and transfer pricing documentations of our Group. Further, the rental rate of each of our properties rented from related parties is within the range of rental rates of comparable properties based on the property analysis reports.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders (which mandate would typically be renewed as required at each AGM of our Company) to enter into such recurrent transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and non-interested shareholders and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any recurrent related party transaction and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus.

10.1.3 Related party transactions that are unusual in their nature or condition

There are no material transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in the Financial Years Under Review, FPE2024 and the subsequent period up to the LPD.

10.1.4 Outstanding loans and / or financial assistance made to or for the benefit of related parties

There are no material outstanding loans and / or financial assistance (including guarantees of any kind) that have been granted by our Group to or for the benefit of our related parties as at the end of the respective Financial Years Under Review, 30 September 2024 and the LPD.

10. RELATED PARTY TRANSACTIONS

10.1.5 Outstanding loans and / or financial assistance made by related parties to or for the benefit of the Group

Save as disclosed below, there are no material outstanding loans and / or financial assistance (including guarantees of any kind) made by related parties to or for the benefit of our Group as at the end of the respective Financial Years Under Review, 30 September 2024, and the LPD.

No.	Transacting parties	Nature of interest	Nature of transaction	Outstanding amount as at				
				31 Dec 2021	31 Dec 2022	31 Dec 2023	30 Sep 2024	LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(1)	CKH and our Company	CKH is a major shareholder of our Company Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CKH.	(a) Receipt of longer than general repayment terms for our purchase of CUCKOO-branded products from CKH ⁽¹⁾	113,470 (20.0% of our Group's NA)	136,326 (19.3% of our Group's NA)	150,602 (18.9% of our Group's NA)	(2)-	(2)-
			(b) Shareholders' loan extended by CKH to our Company (" CKH Loan ") ⁽³⁾	76,454 (13.5% of our Group's NA)	81,037 (11.5% of our Group's NA)	36,642 (4.6% of our Group's NA)	-	-
(2)	CUCKOO Electronics and our Company	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CUCKOO Electronics	Receipt of longer than general repayment terms for our purchase of CUCKOO-branded products from CUCKOO Electronics ⁽¹⁾	685 (0.1% of our Group's NA)	2,035 (0.3% of our Group's NA)	179 (less than 0.1% of our Group's NA)	(3)-	(3)-

10. RELATED PARTY TRANSACTIONS

Notes:

- (1) Pursuant to distribution agreements dated 1 January 2021 between (i) CKH and our Company; and (ii) CUCKOO Electronics and our Company, our Company had been granted by CKH and CUCKOO Electronics a repayment term of 24 months from the date of the invoices relating to our Group's purchase of products. CKH and CUCKOO Electronics respectively were entitled to impose interest charges (which were to be on an arm's length basis) on amounts which remained outstanding 30 days from the date of the invoice.

Such repayment term is longer than general repayment terms that are provided to our Group by other suppliers of 30 to 90 days. Hence our Company may have received financial assistance from CUCKOO Holdings Group.

However, pursuant to (i) the CKH Distribution Agreement, the repayment term has been revised to 90 days from the date of the invoice or the on-board date as stated in the bill of lading for each shipment of products, whichever is later; and (ii) the supplemental agreement which came into effect on 1 July 2024 between CUCKOO Electronics and our Company ("**CUCKOO Electronics Supplemental Distribution Agreement**") the repayment term has been revised to 90 days from the on-board date as stated in the bill of lading for each shipment of products.

Under (i) the CKH Distribution Agreement, CKH may impose interest charges on amounts which remain outstanding 30 days from the date of the invoice or the on-board date as stated in the bill of lading for the shipment of the products, whichever is later; and (ii) the CUCKOO Electronics Supplemental Distribution Agreement, CUCKOO Electronics may impose interest charges on amounts which remain outstanding 30 days from the on-board date as stated in the bill of lading. As at the LPD, the interest charges applied on outstanding amounts pursuant to these distribution agreements were based on the existing bank facilities granted to our Company.

- (2) With reference to note (1) above, we no longer receive financial assistance from CUCKOO Holdings Group as our repayment terms with CUCKOO Holdings Group has been revised to 90 days to be in line with those generally made available to our Group by other suppliers of 30 to 90 days.
- (3) Our Company had on 30 November 2021 entered into a shareholders' loan agreement with CKH whereby the trade payable sum of USD67,126,900 owed by our Company to CKH from our Company's purchases of CUCKOO-branded products was converted into a shareholders' loan. Pursuant to the shareholders' loan agreement, the term shall be 24 months from the date of the agreement and the loan amount shall be subject to interest of 2.0% per annum calculated on daily rests, or such other rate as may be determined on an arm's length basis with effect from the date of the agreement. Prior to the full settlement of the CKH Loan in August 2024, the interest charges applied then on outstanding amounts pursuant to such shareholder loan agreement were based on the then existing bank facilities granted to our Company.

10. RELATED PARTY TRANSACTIONS

Our Board is of the view that any potential conflict of interest situation arising from the receipt of financial assistance from CUCKOO Holdings Group has been mitigated as:

- (i) the receipt of financial assistance through the repayment term of 90 days for the amount owing to CUCKOO Holdings Group for our Group's purchase of products from them is based on normal commercial terms and are comparable to those which are generally provided by our other suppliers of 30 days to 90 days; and
- (ii) our Company has fully settled all outstanding trade and non-trade amounts owing to CUCKOO Holdings Group exceeding a repayment term of 90 days as at 31 August 2024, and the CKH Loan using bank borrowings and internally generated funds.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**10.2.1 Audit and Risk Management Committee Review**

Upon our Listing, our Audit and Risk Management Committee, will, amongst others, review the terms of all related party transactions (including recurrent related party transactions), and our Directors will report such transactions, if any, annually in our Company's annual report. The Audit and Risk Management Committee will also review any transaction, procedure or course of conduct that raises questions of management integrity, including our related party transactions. In reviewing the related party transactions, the Audit and Risk Management Committee will consider, among other things, (i) the rationale and the cost/benefit to our Group, (ii) where possible comparative quotes will be taken into consideration, (iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length and are not detrimental to the interest of our minority shareholders.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom we enter into transactions. As disclosed in this Prospectus, some of our Directors and / or substantial shareholders are also directors and, in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to the interest of our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and MCGG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board's members are independent Directors and will undertake an annual assessment of our independent Directors;

10. RELATED PARTY TRANSACTIONS

- (ii) in the event that there are any proposed related party transactions that involve the direct or indirect interest of our Directors, our interested Directors shall disclose to our Board the nature and extent of their interest including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which is not in our best interest. Our interested Directors shall also abstain from any of our Board's deliberation and voting on the relevant resolutions in respect of such proposed related party transactions; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment which would in turn, make a recommendation to our Board.

Further, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions. The interested persons shall abstain from voting on the relevant resolutions in respect of such proposed related party transactions at our general meetings.

11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES WHICH ARE IN SIMILAR TRADE AS OUR GROUP, OUR CUSTOMERS AND / OR OUR SUPPLIERS

11.1.1 Involvement of our Directors and substantial shareholders in entities which are in similar trade as our Group

Save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which carry on a similar trade as our Group as at the LPD:

Interested party	Interested corporations	Principal activity	Nature of interest
<ul style="list-style-type: none"> • Koo Bon Hak • CUCKOO Holdings • CKH 	<ul style="list-style-type: none"> • CUCKOO Holdings • Subsidiaries of CUCKOO Holdings which carry on similar trade as our Group: <ul style="list-style-type: none"> - CKH - CUCKOO Electronics - Qingdao Cuckoo Electronics Co., Ltd. - Shenyang Homesys Trading Co., Ltd. - CUCKOO Liaoning Electronic Commerce Co., Ltd. - CUCKOO Electronics America, Inc. - CUCKOO Vina Co., Ltd. - CUCKOO Appliances Private Limited - CUCKOO Rental America, Inc - CUCKOO Oceania Pty. Ltd. - CUCKOO Indonesia (collectively, the “Affected Subsidiaries”) 	<p>Manufacture, repair, wholesale, retail, import and export of household appliances, installation services and aftersales services</p>	<p>Koo Bon Hak, our Director and substantial shareholder, is also:</p> <ul style="list-style-type: none"> (i) a director and substantial shareholder of CUCKOO Holdings; (ii) a director and substantial shareholder of each of the Affected Subsidiaries via his shareholdings in CUCKOO Holdings; and (iii) representative director of CKH and CUCKOO Electronics; and (iv) the chief executive officer of CKH and CUCKOO Electronics. <p>CUCKOO Holdings is a common substantial shareholder of our Company and each of the Affected Subsidiaries.</p> <p>CKH is a common major shareholder of our Company and some of the Affected Subsidiaries.</p>

11. CONFLICT OF INTEREST

Save for CUCKOO Holdings and CKH, which are both companies listed on the Korea Exchange, none of the Affected Subsidiaries are listed on a recognised stock exchange in any jurisdiction.

Our Board is of the view that any potential conflict of interest situation arising from the interest of the Director and substantial shareholders in the above companies which carry on a similar trade as our Group is mitigated as there is a separate and clear delineation of the geographical target markets between our Group, and CUCKOO Holdings and its Affected Subsidiaries. This is because, through the distributorship agreements between (i) our Company and CKH; and (ii) our Company and CUCKOO Electronics, we are provided the sole and exclusive rights to distribute products manufactured by and / or sourced from CKH and CUCKOO Electronics, in Malaysia, Singapore and Brunei. Further, Koo Bon Hak is our non-executive Director, and is not involved in the day-to-day management and operations of our Group.

The table below sets out each of the Affected Subsidiaries respective geographical target markets for the distribution of CKH and / or CUCKOO Electronics' products:

Entities	Geographical target market ⁽¹⁾
CKH / CUCKOO Electronics	South Korea
Qingdao CUCKOO Electronics Co., Ltd. / Shenyang Homesys Trading Co., Ltd. / CUCKOO Liaoning Electronic Commerce Co., Ltd.	China
CUCKOO Electronics America, Inc.	U.S.
CUCKOO Vina Co., Ltd.	Vietnam
CUCKOO Appliances Private Limited	India
CUCKOO Rental America, Inc.	U.S.
CUCKOO Oceania Pty. Ltd.	Australia
CUCKOO Indonesia	Indonesia

Note:

(1) The respective entities distribute the products through different channels including wholesale, retail, and e-commerce.

11. CONFLICT OF INTEREST

11.1.2 Involvement of our Directors and substantial shareholders in entities which are our customers and / or suppliers

Save as disclosed below, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are our customers and / or suppliers as at the LPD:

No.	Entities	Principal activity	Nature of transaction	Nature of interest
(i)	CKH (Supplier)	Manufacturing, rental and sale of home furniture, kitchen appliances, and electrical appliances	Supply of CUCKOO-branded home appliances (including but not limited to water purifiers, air purifiers and dehumidifiers) sold by our Group and spare parts related to such products	Koo Bon Hak, our Director and substantial shareholder, is also a director, representative director, substantial shareholder and the Chief Executive Officer of CKH. CKH is our substantial shareholder.
(ii)	CUCKOO Electronics (Supplier)	Manufacturing and sale of home furniture, kitchenware, and electrical appliances	Supply of CUCKOO-branded kitchen appliances (including, but not limited to, rice cookers, multi-cookers and induction cookers) and spare parts related to such products	Koo Bon Hak, our Director and substantial shareholder, is also a director, representative director, substantial shareholder and the Chief Executive Officer of CUCKOO Electronics. CUCKOO Electronics is a subsidiary of CUCKOO Holdings, our substantial shareholder.
(iii)	HEH Resources Sdn Bhd (“HEH Resources”) (Supplier)	Wholesale of a variety of goods without any particular specialisation	Supply of hygiene kits, service packs and cleaning solutions (including leather polisher) which are used on mattresses, washing machines and air conditioners sold by our Group	Hoe Kian Huaw and Hoe Kian Eu, the siblings of Hoe Kian Choon (our Chief Executive Officer, Director and substantial shareholder), are the directors and major shareholders of HEH Resources.
(iv)	A Kind Man Sdn Bhd (“A Kind Man”) (Supplier)	Personal development course/motivational; creative, arts and entertainment activities; consultancy services in public relation and communications	Provision of marketing services including promoting our products on podcasts, social media platforms and websites, and media production services	Mak Foong Ling, the spouse of Hoe Kian Choon (our Chief Executive Officer, Director and substantial shareholder), is the sole director and shareholder of A Kind Man.

11. CONFLICT OF INTEREST

Our Board is of the view that any potential conflict of interest situation arising from the interest, direct or indirect, of our Directors and substantial shareholders in the above companies which are suppliers of our Group is mitigated due to the following:

- (i) as set out in Section 11.1.1 of this Prospectus, CUCKOO Holdings and its Affected Subsidiaries (including CKH and CUCKOO Electronics) are not in competition with our Group's business and operations as our Group is the sole and exclusive distributor of CKH and CUCKOO Electronics' products in Malaysia, Singapore and Brunei. The distributorship agreements with CKH and CUCKOO Electronics allow us to leverage on the established and reputable "CUCKOO" brand;
- (ii) our Group's dependency on CUCKOO Holdings Group has been and will continue to be reducing as our Group continues to diversify our purchases including through the expansion of our business segments since 2020 such as our WonderLab, WonderDewi, WonderKlean and our CUCKOO Co-Created segments (under which we launched products with business partners other than CUCKOO Holdings Group such as LSK, Fujiaire and OGAWA Malaysia since 2020, 2022 and 2023, respectively);
- (iii) Koo Bon Hak is our non-executive Director and he is not involved in the day-to-day management and operations of our Group;
- (iv) our transactions with the above listed entities were and will be carried out on an arm's length basis and based on terms and conditions which are not unfavourable to our Group after taking into consideration, among others, quotes and invoices from third parties for similar products and services and transfer pricing documentations of our Group; and
- (v) HEH Resources and A Kind Man are not our major suppliers, and we are not dependent on them. Our Group is able to source similar products and services from other suppliers, and these suppliers collectively contributed to less than 5.0% of our Group's total cost of sales for each of the Financial Years Under Review.

Moving forward, our Audit and Risk Management Committee will oversee and supervise any conflict of interest or potential conflict of interest situations that may arise. We have established procedures (as disclosed in Section 10.2 of this Prospectus) to ensure that the related party transactions are carried out on an arm's length basis and based on terms and conditions which are not unfavourable to our Group. Any future dealings with parties in which our Directors and substantial shareholders have interest, direct or indirect, will be based on such established procedures for related party transactions and in accordance with the Listing Requirements.

11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

11.2.1 RHB Investment Bank

RHB Investment Bank Berhad, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad (collectively, the "**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with the Company and its subsidiaries ("**Group**"). RHB Banking Group have engaged and may in the future, engage in transactions with and perform services for our Group in addition to the roles set out in this Prospectus.

11. CONFLICT OF INTEREST

In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, its Directors, its shareholders, its affiliates and / or any other entity or person, hold long or short positions in securities issued by our Company and / or its affiliates, make investment recommendations and / or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and / or its affiliates. This is a result of the businesses of RHB Banking Group generally acting independently of each other and accordingly there may be situations where parts of the RHB Banking Group and / or our customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of RHB Banking Group may also subscribe for our Company's Proposed IPO to be offered under the Institutional Offering following the bookbuilding process.

As at the LPD, RHB Banking Group in its course of ordinary business offered various facilities with a combined limit of approximately RM45.0 million to our Group ("**RHB Facilities**"). Our Group will not be utilising any gross proceeds raised from the Public Issue and Offer for Sale to repay the RHB Facilities.

Notwithstanding the above, RHB Investment Bank is of the view that the abovementioned does not give rise to a conflict of interest situation in its capacity as the Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter, and Joint Underwriter due to the following reasons:

- (i) the RHB Facilities of RM45.0 million were provided by RHB Banking Group on an arms' length basis and are in the ordinary course of business, and the RHB Facilities are not material when compared to the consolidated audited net assets attributable to the owners of RHB Bank Berhad as at 31 December 2024 of approximately RM32.5 billion (representing approximately 0.14% of RHB Bank Berhad's consolidated audited net assets attributable to the owners of RHB Bank Berhad);
- (ii) the RHB Facilities are not conditional upon RHB Investment Bank being appointed as the Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter, and Joint Underwriter for the IPO;
- (iii) the corporate finance division of RHB Investment Bank ("**RHB CF**") is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and BNM governing our advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review our business operations. The team in charge of the Group's IPO in RHB Investment Bank is independent from the team handling the credit facilities. Further, there is no involvement by RHB CF for any credit application process undertaken by other departments within RHB Banking Group;
- (iv) RHB Investment Bank is a licensed investment bank and its appointment as the Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter, and Joint Underwriter is in its ordinary course of business. RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its aforesaid appointment; and
- (v) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, CMSA and its own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB Investment Bank has confirmed that there is no conflict of interest in its capacity as the Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Managing Underwriter, and Joint Underwriter for our IPO.

11. CONFLICT OF INTEREST

11.2.2 AmInvestment Bank

AmInvestment Bank, its subsidiaries and associated companies, as well as its holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of AMMB Holdings Berhad (collectively, the “**AmBank Group**”) form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, trading, asset and fund management and credit transaction service businesses in its ordinary course of business with our Group. AmBank Group has engaged and may in the future, engage in transactions with and perform services for our Group in addition to the roles set out in this Prospectus.

In addition, any member of the AmBank Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our Directors, our shareholders, our affiliates and / or any other entity or person, hold long or short positions in securities issued by our Company and / or our affiliates, make investment recommendations and / or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and / or our affiliates. This is a result of the businesses of the AmBank Group generally acting independently of each other and accordingly there may be situations where parts of the AmBank Group and / or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of AmBank Group may also subscribe for our IPO Shares to be offered under the Institutional Offering following the bookbuilding process.

As at the LPD, AmBank Group has in its ordinary course of business offered extended credit facilities with a combined limit of RM110.0 million to our Group (“**AmBank Facilities**”). Our Group will not be utilising any gross proceeds raised from the Public Issue to repay any of the AmBank Facilities.

Notwithstanding the above, AmBank Group is of the view that the abovementioned does not give rise to a conflict of interest situation in its capacity as the Joint Global Coordinator, Joint Bookrunner and Joint Underwriter due to the following reasons:

- (i) AmBank Group forms a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Joint Global Coordinator, Joint Bookrunner and Joint Underwriter for our IPO is in its ordinary course of business. Furthermore, AmInvestment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Joint Global Coordinator, Joint Bookrunner and Joint Underwriter for our IPO;
- (ii) each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by BNM; and
- (iii) the credit facilities were provided by AmBank Group on an arm’s length basis and in its ordinary course of business, and the said credit facilities represented approximately 0.3% of AmBank Group’s audited net assets of approximately RM19.44 billion as at 31 March 2024.

AmInvestment Bank confirms that there is no conflict of interest in its capacity as the Joint Global Coordinator, Joint Bookrunner and Joint Underwriter.

11. CONFLICT OF INTEREST

11.2.3 Rahmat Lim & Partners

Rahmat Lim & Partners confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to our Company as to Malaysian law for our IPO.

11.2.4 Clifford Chance Pte Ltd

Clifford Chance Pte Ltd confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to our Company as to United States federal securities law and Singapore law for our IPO.

11.2.5 Jipyong LLC

Jipyong LLC confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to the Company as to Korean law for our IPO.

11.2.6 Christopher & Lee Ong

Christopher & Lee Ong confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to the Joint Global Coordinators, Joint Bookrunners, Managing Underwriter and Joint Underwriters as to Malaysian law for our IPO.

11.2.7 Baker & McKenzie.Wong & Leow

Baker & McKenzie.Wong & Leow confirms that there is no existing or potential conflict of interests in its capacity as the legal adviser to the Joint Global Coordinators and Joint Bookrunners as to United States federal securities law for our IPO.

11.2.8 KPMG PLT

KPMG PLT confirms that there is no existing or potential conflict of interests in its capacity as the Auditors and Reporting Accountants for our IPO.

11.2.9 Frost & Sullivan

Frost & Sullivan confirms that there is no existing or potential conflict of interests in its capacity as Independent Market Researcher for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical consolidated financial information for the Financial Years Under Review and Financial Periods Under Review have been extracted from the audited consolidated financial statements contained in the Accountants' Report included in Section 13 of this Prospectus.

Our financial statements have been prepared in accordance with the MFRS and IFRS. There are no accounting policies which are peculiar to our Group with regard to the nature of the business or the industry which our Group is involved in. For further details on the accounting policies of our Group, see respective notes of the Accountants' Report as set out in Section 13 of this Prospectus.

Our historical consolidated financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operation as set out in Section 12.2 of this Prospectus and the Accountants' Report, together with its accompanying notes as set out in Section 13 of this Prospectus.

12.1.1 Historical audited consolidated statements of profit or loss and other comprehensive income

	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,139,076	1,046,446	1,116,649	823,003	930,365
Cost of sales	(738,736)	(661,439)	(746,534)	(545,533)	(640,428)
GP	400,340	385,007	370,115	277,470	289,937
Other income	17,653	12,458	3,825	3,362	3,280
Distribution expenses	(58,009)	(77,889)	(84,870)	(56,392)	(63,388)
Administrative expenses	(51,303)	(201,059)	(62,740)	(44,155)	(53,835)
Net losses on impairment of financial instruments	(20,661)	(27,772)	(52,258)	(43,498)	(36,014)
Results from operating activities	288,020	90,745	174,072	136,787	139,980
Finance income	1,637	2,473	2,739	2,065	10,901
Finance costs	(40,230)	(41,246)	(38,180)	(37,460)	(14,597)
PBT	249,427	51,972	138,631	101,392	136,284
Tax expense	(62,991)	(49,917)	(51,762)	(42,286)	(32,595)
PAT	186,436	2,055	86,869	59,106	103,689
PAT attributable to:					
Owners of our Company	186,694	2,440	87,260	59,232	104,003
Non-controlling interests	(258)	(385)	(391)	(126)	(314)
PAT	186,436	2,055	86,869	59,106	103,689
Other comprehensive income/(expense):					
Item that is or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	(70)	(502)	(706)	(550)	1,183
Total comprehensive income	186,366	1,553	86,163	58,556	104,872

12. FINANCIAL INFORMATION

	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(expense) attributable to:					
Owners of our Company	186,624	1,938	86,554	58,682	105,186
Non-controlling interests	(258)	(385)	(391)	(126)	(314)
Total comprehensive income	186,366	1,553	86,163	58,556	104,872
	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
EBITDA (RM'000) ⁽¹⁾	366,172	156,064	234,312	183,305	176,128
Adjusted PAT (RM'000) ⁽²⁾	186,436	151,081	100,585	59,106	103,689
EBITDA margin (%) ⁽³⁾	32.1	14.9	21.0	22.3	18.9
GP margin (%) ⁽⁴⁾	35.1	36.8	33.1	33.7	31.2
PBT margin (%) ⁽⁵⁾	21.9	5.0	12.4	12.3	14.6
PAT margin (%) ⁽⁶⁾	16.4	0.2	7.8	7.2	11.1
Adjusted PAT margin (%) ⁽⁷⁾	16.4	14.4	9.0	7.2	11.1
Basic and diluted EPS (sen) ⁽⁸⁾	13.0	0.2	6.1	4.1	7.3

Notes:

- (1) The following table sets out the computation in arriving at our EBITDA for the respective Financial Years Under Review and the Financial Periods Under Review (see note 2 below for information regarding the use of non-MFRS measures):

	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	249,427	51,972	138,631	101,392	136,284
Add/(Less):					
Finance income	(1,637)	(2,473)	(2,739)	(2,065)	(10,901)
Finance costs	40,230	41,246	38,180	37,460	14,597
Depreciation and amortisation	78,152	65,319	60,240	46,518	36,148
EBITDA	366,172	156,064	234,312	183,305	176,128

12. FINANCIAL INFORMATION

- (2) The following table sets out the computation in arriving at our adjusted PAT for the respective Financial Years Under Review and the Financial Periods Under Review:

	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	186,436	2,055	86,869	59,106	103,689
Add/(Less):					
Share-based expenses ^(a)	-	137,509	-	-	-
Prosperity tax	-	11,517	-	-	-
Additional tax expense arising from SVDP2.0 ^(b)	-	-	13,716	-	-
Adjusted PAT	186,436	151,081	100,585	59,106	103,689

Notes:

- (a) Share-based expenses refer to a one-off payment pursuant to the share option scheme at an exercise price of RM1.00 per Share, to reward our Directors and key management team, which was granted on 15 October 2022.
- (b) In order to mitigate the tax risk that the IRB may regard the finance lease interest income as part of the deemed profit amount under the Income Tax Leasing Regulations 1986 which should be taxed upfront rather than over the term of the rental contract, we had participated in the Special Voluntary Disclosure Programme 2.0.

EBITDA, EBITDA margin, adjusted PAT and adjusted PAT margin are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the MFRS or IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with the MFRS or IFRS or as alternatives to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA, EBITDA margin, adjusted PAT and adjusted PAT margin are not standardised terms, and hence, a direct comparison of similarly titled measures between companies may not be possible. Other companies may calculate EBITDA, EBITDA margin, adjusted PAT and adjusted PAT margin differently from us, limiting its usefulness as a comparative measure.

- (3) Computed based on EBITDA divided by revenue.
- (4) Computed based on GP divided by revenue.
- (5) Computed based on PBT divided by revenue.
- (6) Computed based on PAT divided by revenue.
- (7) Computed based on adjusted PAT divided by revenue.
- (8) Computed based on PAT attributable to the owners of our Company divided by the enlarged total number of 1,432,800,000 Shares immediately after our IPO.

12. FINANCIAL INFORMATION

12.1.2 Selected consolidated statements of financial position

	Audited			
	FYE2021	FYE2022	FYE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000
Non-current assets	656,661	633,642	752,040	904,464
Property, plant and equipment	135,778	86,094	100,557	76,887
Right of use assets	12,462	10,173	12,112	9,153
Intangible assets	9,222	8,225	7,228	6,481
Trade and other receivables	486,727	505,707	600,545	771,006
Deferred tax assets	12,472	23,443	31,598	40,937
Current assets	500,008	608,552	522,968	586,582
Inventories	110,680	133,205	122,068	142,430
Trade and other receivables	295,216	330,859	308,743	328,339
Current tax assets	162	202	202	212
Prepayments	8,710	10,803	7,856	13,314
Cash and cash equivalents	85,240	133,483	84,099	102,287
Total assets	1,156,669	1,242,194	1,275,008	1,491,046
Non-current liabilities	240,746	98,849	14,433	158,155
Loans and borrowings	106,239	53,655	-	155,298
Lease liabilities	11,342	7,834	4,170	2,857
Trade and other payables	123,165	37,360	10,263	-
Current liabilities	348,680	437,040	463,219	504,041
Loans and borrowings	55,533	58,533	59,952	154,431
Lease liabilities	9,617	10,054	9,603	7,473
Trade and other payables	175,548	266,992	306,759	261,443
Provision	12,292	14,705	13,642	12,206
Current tax liabilities	29,655	14,749	8,247	14,779
Deferred income	17,021	10,140	3,659	1,088
Contract liabilities	49,014	61,867	61,357	52,621
Total liabilities	589,426	535,889	477,652	662,196
Share capital	44,031	44,031	186,428	186,428
Reserves	524,146	663,593	612,638	644,446
Equity attributable to owners of our Company / NA	568,177	707,624	799,066	830,874
Non-controlling interests	(934)	(1,319)	(1,710)	(2,024)
Total equity	567,243	706,305	797,356	828,850
Total equity and liabilities	1,156,669	1,242,194	1,275,008	1,491,046

12. FINANCIAL INFORMATION

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial performance and results of operations for the Financial Years Under Review and Financial Periods Under Review should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

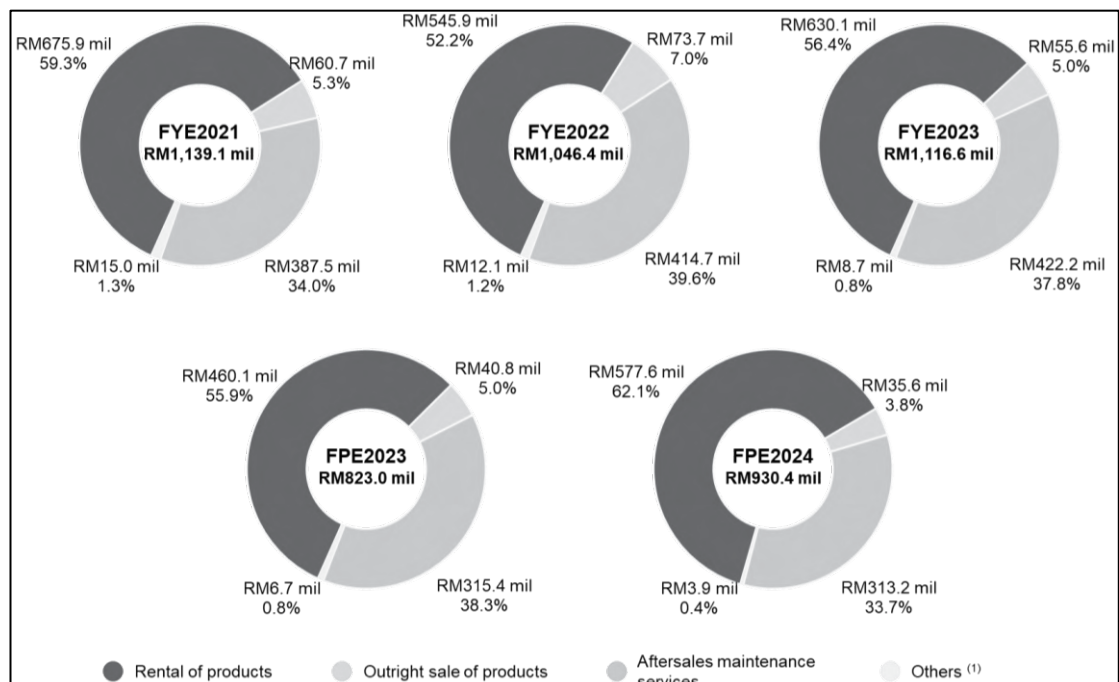
12.2.1 Overview of our operations

We are a company with a vision to be a "Healthy Home Creator", dedicated to fostering healthy lifestyles for our customers through our home appliances, household goods, skincare and nutritional food products, and home care services.

Our business comprises four segments, namely, CUCKOO-branded, CUCKOO Co-Created, WonderLab and WonderDewi, and WonderKlean. See Section 7.5 of this Prospectus for further information on these segments.

We derive our revenue mainly from the rental and outright sale of our products, and provision of aftersales maintenance services for such products under our CUCKOO-branded and CUCKOO Co-Created segments. For the FYE2021, FYE2022, FYE2023, FPE2023 and FPE2024, our revenue from the rental and outright sale of our products under our CUCKOO-branded and CUCKOO Co-Created segments contributed to 64.6%, 59.2%, 61.4%, 60.9% and 65.9% of our total revenue respectively, whilst our revenue from the provision of aftersales maintenance services contributed to 34.0%, 39.6%, 37.8%, 38.3% and 33.7% of our total revenue respectively.

Our revenue contribution by business activities for the Financial Years Under Review and the Financial Periods Under Review are set out below:



Note:

- (1) Others comprise revenue from our WonderLab and WonderDewi segment, WonderKlean segment, and IT support and maintenance services.

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As at the LPD, we have operations in Malaysia and Singapore, whilst we had appointed CUCKOO Brunei as our sub-distributor for the distribution of our products and services in Brunei. Our revenue is derived mainly from Malaysia, which accounted for 98.9%, 98.7%, 98.6%, 98.6% and 98.9% of our total revenue for the FYE2021, FYE2022, FYE2023, FPE2023 and FPE2024 respectively. Please refer to Section 12.2.3(i) of this Prospectus for further details.

We distribute our products and services through an omni-channel distribution network. Our offline channels comprise our CUCKOO Sales Team and CUCKOO+ Service Group, retail outlets, and third-party retailers. Our online channels comprise our e-Brandstores, e-Brandshops, and third-party e-commerce platforms. See Section 7.5.5 of this Prospectus for further details on our omni-channel distribution network.

12.2.2 Significant factors that materially affect our financial condition and results of operations

(i) Significant upfront capital requirements to fund the growth of our rental business

Our business model which mainly involves offering rental plans for our products to our customers, requires us to have significant upfront capital to fund the purchase of products from our suppliers and pay sales commissions. Further, there is a mismatch between revenue recognition and operating cashflows. This is as revenue from rental of our products is recognised upfront whilst operating cash inflows are dependent on collection of rental payments from our customers over their contract terms. As such, we require significant capital and/or steady operating cashflows to fund the growth of our rental business, and our ability to grow our rental business may be adversely impacted if we are unable to secure sources of funding in a timely manner or on acceptable terms (see Section 9.1.3 and Section 9.1.4 of this Prospectus for further details).

Since we commenced our rental business, we have mainly relied on the support of CUCKOO Holdings Group to provide us with a longer repayment term of 24 months to finance our upfront capital requirements for the purchase of CUCKOO-branded products, which has supported our positive cashflows from operating activities for the Financial Years Under Review. This repayment term has been shortened to a 90-day period since July 2024. In addition, as at 31 July 2024, we have settled all outstanding trade payables owing to the CUCKOO Holdings Group that were outstanding for more than 90 days. The shortening of the repayment period and the settlement had resulted in our cashflows from operating activities being negative for the FPE2024. If our internally generated funds are insufficient and we continue to grow our rental business, our cashflows from operating activities is expected to be negative for future financial periods. See Section 12.3.1 of this Prospectus for more information on our liquidity, and Section 4.5.3 of this Prospectus for more information on our working capital requirements.

For the Financial Years Under Review and the Financial Periods Under Review, we have used a substantial amount of our cashflows to repay CUCKOO Holdings Group, which had limited our cashflows and hence, our revenue growth. For the FYE2021, FYE2022, FYE2023, FPE2023 and FPE2024:

- (i) we paid RM614.7 million, RM255.3 million, RM287.2 million, RM191.0 million and RM358.5 million to the CUCKOO Holdings Group respectively; and
- (ii) the amounts which remained outstanding to the CUCKOO Holdings Group were RM190.6 million, RM219.4 million, RM187.4 million, RM180.1 million and RM47.2 million respectively.

In addition, our ability to grow our rental business is dependent on our ability to collect from our customers. See Section 7.6 of the Prospectus for details of the credit assessment checks that we conduct on our customers and our collection rate.

12. FINANCIAL INFORMATION

(ii) Labour expenses

We mainly rely on our contract employees and independent contractors to sell our products and services, and for the provision of our Group's services. See Section 7.5.5.1 of this Prospectus for further details. Accordingly, labour-related expenses represent a substantial portion of our cost, and any future changes to labour related expenses, such as salary increments, increase in commissions, or increases in the statutory minimum wage of Malaysia, may have an adverse impact on our profitability.

The following table sets out the percentage of total labour expenses against our Group's revenue for the Financial Years Under Review and the Financial Periods Under Review:

	<u>FYE2021</u>	<u>FYE2022</u>	<u>FYE2023</u>	<u>FPE2023</u>	<u>FPE2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Employee and contract employee wages, salaries and benefits ⁽¹⁾	25,075	33,663	68,617	46,789	77,194
Independent contractors and contract employees commissions ⁽²⁾	<u>328,537</u>	<u>318,686</u>	<u>333,210</u>	<u>245,658</u>	<u>243,442</u>
Total labour expenses	<u>353,612</u>	<u>352,349</u>	<u>401,827</u>	<u>292,447</u>	<u>320,636</u>
Total as a percentage of revenue ⁽³⁾	31.0%	33.7%	36.0%	35.5%	34.5%

Notes:

- (1) Wages, salaries, benefits and other reimbursements and expenses relating to permanent employees and contract employees, as well as employee benefits and reimbursements for transport expenses.
- (2) Commissions paid to the independent contractors and contract employees in the CUCKOO Sales Team, the Wonder Star Team, and the CUCKOO+ Service Group.
- (3) Computed based on total labour expenses divided by revenue.

In the FYE2023, we changed our distribution strategy from a direct selling to an omni-channel distribution strategy to market and distribute our products through our various offline and online channels (see Section 7.5.5 of this Prospectus for further details on our omni-channel marketing and distribution network). We expect that this change may reduce the labour-intensiveness of our business in the future.

(iii) Transfer pricing adjustments or reallocations

Our purchases of products from CKH and CUCKOO Electronics are regarded as intra-group transactions from the Republic of Korea and Malaysian transfer pricing perspective and may be subject to scrutiny by tax authorities in the Republic of Korea and Malaysia as to whether such intra-group transactions have been conducted on an arm's length basis. Accordingly: (i) CKH and our Company; and (ii) CUCKOO Electronics and our Company, have agreed to adopt a transfer pricing policy based on the transactional net margin method where our operating profit margin will be adjusted with reference to the range of operating profit margins of selected comparable companies in Malaysia to comply with the arm's length principle.

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Based on the adopted transfer pricing policy, an analysis will be carried out to determine the range of operating profit margins achieved by selected comparable companies in Malaysia, and our operating profit margin will then be benchmarked against such range of operating profit margins on a year-on-year basis. If our operating profit margin falls outside such range of operating profit margins, then our operating profit will be adjusted to fall within the range of operating profit margins of selected comparable companies in Malaysia, and vice versa. For the FYE2021 and FYE2022, we incurred RM74.3 million and RM9.2 million in transfer pricing adjustments, respectively, whilst no transfer pricing adjustments were incurred for the FYE2023, FPE2023 and FPE2024.

(iv) Foreign currency exchange fluctuations

Our financial condition and results of operations are exposed to the risk of foreign currency exchange fluctuations between the RM and USD. For the Financial Years Under Review and the Financial Periods Under Review, 98.9%, 98.7%, 98.6%, 98.6% and 98.9% of our revenue respectively were transacted in RM, and 91.0%, 77.7%, 73.8%, 76.1% and 68.4% of our total purchases respectively were transacted in USD. The purchase price of products under the CUCKOO-branded segment is primarily denominated in USD. Any unfavourable movement in exchange rates between RM and USD may have a negative impact on our financial performance.

While we may take into account buffers for foreign exchange fluctuations when determining the price for our products and rental plans, we may not be able to pass on increases in purchase cost arising from any negative impact of foreign exchange rate movements on to our customers if such negative impacts exceed our buffers, as our rental plans are longer term contracts with predetermined monthly repayment sums and the pricing for our rental contracts are locked in for the term of the contract.

In addition, our exposure in foreign currency as at the end of each of the Financial Years Under Review and the FPE2024 is as set out below:

	<u>31 Dec 2021</u>	<u>31 Dec 2022</u>	<u>31 Dec 2023</u>	<u>30 Sep 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade and other receivables	2,914	2,874	3,535	1,333
Bank loan	(161,772)	(112,188)	-	-
Trade and other payables	(190,609)	(219,398)	(187,423)	(47,205)
Total	<u>(349,467)</u>	<u>(328,712)</u>	<u>(183,888)</u>	<u>(45,872)</u>

For the FYE2021, FYE2022, FYE2023, and FPE2024 we recognised approximately RM16.2 million, RM21.7 million, RM14.6 million, RM17.6 million respectively, in foreign exchange loss on the aggregate amounts due to CUCKOO Holdings Group and to banks, arising from the appreciation of the USD against the RM. For the FPE2024, we recognised a net foreign exchange gain of RM8.9 million due to the depreciation of the USD against the RM. Transactions with CUCKOO Brunei and CUCKOO Singapore are in USD. In addition, the financial statements of CUCKOO Singapore were prepared in SGD, its functional currency. As at the LPD, we do not practice foreign currency hedging.

12. FINANCIAL INFORMATION

The foreign currency exchange rates used in our consolidated financial statements for conversion of values denominated in foreign currencies to RM are summarised in the following table:

	Average exchange rate of RM relative to the following foreign currencies					% change in the value of RM relative to the respective foreign currency ⁽¹⁾		
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024	FYE2021-2022	FYE2022-2023	FPE2023-2024
SGD1.00	3.08	3.19	3.40	3.37	3.46	3.6	6.6	2.8
USD1.00	4.15	4.40	4.57	4.52	4.63	6.0	3.9	2.5

Note:

- (1) A positive change in value indicates that the value of the RM depreciated relative to the respective foreign currencies, while a negative change in value indicates that the value of the RM appreciated relative to the respective foreign currencies.

(v) General economic conditions and consumer spending in Malaysia

The majority of our business is derived from our operations in Malaysia, which accounted for 98.9%, 98.7%, 98.6% and 98.9% of our revenue in FYE2021, FYE2022, FYE2023 and FPE2024, respectively. As a result, our business depends on, and will continue to depend on, Malaysian consumer spending and the general state of the Malaysian economy. Demand for, and prevailing prices of, our products relate directly to the strength of the Malaysian economy, including overall economic growth levels. As our borrowings are interest-bearing obligations, any hike in interest rates would also affect our financial performance.

Malaysia's GDP has grown at a CAGR of 3.0% between 2019 and 2024 and is expected to grow at a CAGR of 4.1% from 2024 to 2029. In general, positive conditions in the broader Malaysian economy promote customer spending on our products and services, while economic weakness, which generally results in a reduction of customer spending, may have a different or more extreme effect on spending on our products and services. More specifically, we also depend on the condition of the Malaysian home appliances and household goods industry. See Section 8 of this Prospectus for the Independent Market Research Report by Frost & Sullivan for further details on the outlook of the rental industry for home appliances and household goods in Malaysia.

Historically, there have been changes in the Malaysian tax regulations and these changes affected our costs, expenses and margins, such as the prosperity tax, which was enacted by the Finance Act 2021, under which companies with a chargeable income of up to RM100.0 million were taxed at a rate of 24%, and companies with a chargeable income of over RM100.0 million were taxed at a one-off rate of 33% for the amount exceeding RM100 million. The prosperity tax amounting to RM11.5 million was applicable to our Company in the FYE2022.

(vi) Impact of inflation

Our financial performance for the Financial Years Under Review was not materially affected by the impact of inflation. Nevertheless, there is no assurance that inflation may not affect our future results of operations and financial performance.

(vii) Government, economic, fiscal and monetary policies

Our business is subject to the risk relating to government, economic, fiscal or monetary policies in Malaysia and in countries that we operate and/or transact business. Any unfavourable changes in such government, economic, fiscal or monetary policies may materially affect our operations.

12. FINANCIAL INFORMATION

12.2.3 Results of operations

For the Financial Years Under Review and the Financial Periods Under Review, revenue from our CUCKOO-branded and CUCKOO Co-Creations segments collectively contributed to 98.7%, 98.8%, 99.2%, 99.2% and 99.6% of our total revenue respectively, and 98.9%, 99.3%, 99.5%, 99.2% and 100.0% of our total GP. Revenue and GP contribution from our WonderLab and WonderDewi, and WonderKlean segments were immaterial for the Financial Years Under Review and the Financial Periods Under Review. As such, the discussions and analysis on our results of operations primarily focus on our CUCKOO-branded and CUCKOO Co-Creations segments.

The results of operations of our Group are as follows:

(i) Revenue

Our revenue is derived primarily from the rental of our CUCKOO-branded and CUCKOO Co-Created products, under which:

- (a) in respect of our rental contracts where ownership of our products is transferred to our customers upon completion of payment pursuant to terms of the contract, we recognise:
 - (1) finance lease sales upon delivery and installation (if applicable) of our products; and
 - (2) finance lease interest income over the term of such contract, reflecting a constant rate of return; and
- (b) in respect of our rental contracts where ownership of our products is not transferred to our customers upon completion of monthly rental instalment payments under the terms of the contract ("**Operating Lease Contracts**"), we recognise rental income on a straight-line basis over the term of the contract. We ceased offering Operating Lease Contracts since October 2020.

Revenue from outright sales is from sale of products where customers make payment of the full purchase price of the products upfront. Such revenue is recognised at the point in time when the goods are delivered to customers and installed (if applicable).

Revenue from maintenance services is from the provision of our aftersales maintenance services including sale of spare parts, which are typically offered with our CUCKOO-branded and CUCKOO Co-Created products to our customers throughout the tenure of the rental contracts or for a limited term for outright sales. Our aftersales maintenance services are also available as packages which may be sold separately from our products. Such revenue is recognised on a periodic basis during the term of the rental contracts, or for a limited term for outright purchases.

12. FINANCIAL INFORMATION

Revenue by business segments and activities

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
CUCKOO-branded	1,091,190	95.8	938,980	89.7	954,068	85.4	710,739	86.4	734,700	79.0
Rental of products	650,236	57.1	465,949	44.5	501,645	44.9	371,691	45.2	412,751	44.4
- Finance lease sales	318,584	28.0	217,073	20.7	293,918	26.3	213,564	26.0	301,061	32.4
- Finance lease interest income	70,703	6.2	37,144	3.5	40,289	3.6	26,633	3.2	32,388	3.5
- Rental income	260,949	22.9	211,732	20.2	167,438	15.0	131,494	16.0	79,302	8.5
Outright sales	55,055	4.8	66,776	6.4	48,378	4.3	35,995	4.4	32,908	3.5
Maintenance services	385,899	33.9	406,255	38.8	404,045	36.2	303,053	36.8	289,041	31.1
CUCKOO Co-Created	32,928	2.9	95,353	9.1	153,859	13.8	105,528	12.8	191,721	20.6
Rental of products	25,677	2.2	79,920	7.6	128,481	11.5	88,389	10.7	164,874	17.7
- Finance lease sales	24,274	2.1	75,313	7.2	119,643	10.7	83,236	10.1	154,882	16.6
- Finance lease interest income	1,403	0.1	4,607	0.4	8,838	0.8	5,153	0.6	9,992	1.1
Outright sales	5,694	0.5	6,965	0.7	7,199	0.6	4,838	0.6	2,723	0.3
Maintenance services	1,557	0.1	8,468	0.8	18,179	1.6	12,301	1.5	24,124	2.6
Others ⁽¹⁾	14,958	1.3	12,113	1.2	8,722	0.8	6,736	0.8	3,944	0.4
Total	1,139,076	100.0	1,046,446	100.0	1,116,649	100.0	823,003	100.0	930,365	100.0

Note:

- (1) Others comprise revenue from our WonderLab and WonderDewi segment and WonderKlean segment, as well as revenue from IT support and maintenance services.

12. FINANCIAL INFORMATION

Revenue by business segments, and products and services

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
CUCKOO-branded	1,091,190	95.8	938,980	89.7	954,068	85.4	710,739	86.4	734,700	79.0
<u>Products</u>										
Water purifiers	616,665	54.1	486,941	46.5	504,405	45.2	372,223	45.2	407,728	43.8
Air purifiers	79,846	7.0	40,887	3.9	42,915	3.8	33,094	4.0	27,955	3.0
Others ⁽¹⁾	8,780	0.8	4,897	0.5	2,703	0.3	2,369	0.3	9,976	1.1
<u>Services</u>										
Maintenance services	385,899	33.9	406,255	38.8	404,045	36.2	303,053	36.8	289,041	31.1
CUCKOO Co-Created	32,928	2.9	95,353	9.1	153,859	13.8	105,528	12.8	191,721	20.6
<u>Products</u>										
Mattresses	31,371	2.8	54,125	5.2	46,705	4.2	37,209	4.5	42,397	4.6
Air conditioners	-	-	32,760	3.1	51,820	4.6	37,536	4.6	67,635	7.3
Massage chairs	-	-	-	-	37,155	3.3	18,482	2.2	57,565	6.2
<u>Services</u>										
Maintenance services	1,557	0.1	8,468	0.8	18,179	1.6	12,301	1.5	24,124	2.6
Others ⁽²⁾	14,958	1.3	12,113	1.2	8,722	0.8	6,736	0.8	3,944	0.4
Total	1,139,076	100.0	1,046,446	100.0	1,116,649	100.0	823,003	100.0	930,365	100.0

Notes:

- (1) Includes multi-cookers, kitchen appliances, and other products.
- (2) Others comprise revenue from our WonderLab and WonderDewi segment and WonderKlean segment, as well as revenue from IT support and maintenance services.

12. FINANCIAL INFORMATION

Revenue by country of operations

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	1,126,851	98.9	1,032,779	98.7	1,101,088	98.6	811,384	98.6	920,485	98.9
Singapore	5,945	0.5	7,175	0.7	7,291	0.7	5,509	0.7	5,282	0.6
Brunei	6,057	0.5	6,490	0.6	8,270	0.7	6,110	0.7	4,598	0.5
Others ⁽¹⁾	223	*	2	*	-	-	-	-	-	-
Total	1,139,076	100.0	1,046,446	100.0	1,116,649	100.0	823,003	100.0	930,365	100.0

* Denotes less than 0.1%.

Note:

- (1) Others include revenue from Republic of Korea and Indonesia for our sale of second-hand products provided by CKH and refurbished by us (on an ad-hoc basis).

Commentaries on revenue

FPE2024 compared to FPE2023

Our revenue increased by RM107.4 million or 13.0% from RM823.0 million for the FPE2023 to RM930.4 million for the FPE2024 primarily due to increases in revenue from the CUCKOO-branded and CUCKOO Co-Created segments.

CUCKOO-branded segment

Our revenue from the CUCKOO-branded segment increased by RM24.0 million or 3.4% from RM710.7 million for the FPE2023 to RM734.7 million for the FPE2024 primarily due to an increase in revenue from finance lease sales, which was partially offset by decreases in revenue from rental income and maintenance services.

- (a) Our revenue from finance lease sales increased by RM87.5 million or 41.0% from RM213.6 million for the FPE2023 to RM301.1 million for the FPE2024 due to an increase by 40,276 units sold through rental plans, primarily comprising CUCKOO-branded water purifiers. This was driven by a higher number of new rental contracts entered into by existing customers for the FPE2024 due to promotional discounts that we offered to existing customers to enter into new rental contracts.
- (b) Our revenue from rental income decreased by RM52.2 million or 39.7% from RM131.5 million for the FPE2023 to RM79.3 million for the FPE2024 primarily due to the expiry or termination of Operating Lease Contracts, which we ceased offering since October 2020. As at 30 September 2024, there were 187,600 active Operating Lease Contracts as compared to 314,609 as at 30 September 2023.
- (c) Our revenue from maintenance services decreased by RM14.0 million or 4.6% from RM303.0 million for the FPE2023 to RM289.0 million for the FPE2024 primarily due to a decrease by 13,819 in the number of active orders.

CUCKOO Co-Created segment

Our revenue from the CUCKOO Co-Created segment increased by RM86.2 million or 81.7% from RM105.5 million for the FPE2023 to RM191.7 million for the FPE2024 primarily due to increases in revenue from finance lease sales and maintenance services.

12. FINANCIAL INFORMATION

- (a) Our revenue from finance lease sales increased by RM71.6 million or 86.1% from RM83.2 million for the FPE2023 to RM154.8 million for the FPE2024. This was mainly due to an increase by 19,542 units sold through rental plans contributed by all CUCKOO Co-Created products. This was primarily due to promotional activities that we commenced in January 2024 for air conditioners and the launch of our CUCKOO Co-Created massage chair in partnership with OGAWA Malaysia in June 2023.
- (b) Our revenue from maintenance services increased by RM11.8 million or 96.1% from RM12.3 million for the FPE2023 to RM24.1 million for the FPE2024. This was mainly due to an increase by 42,380 in the number of active orders.

FYE2023 compared to FYE2022

Our revenue increased by RM70.2 million or 6.7% from RM1,046.4 million for the FYE2022 to RM1,116.6 million for the FYE2023 primarily due to an increase in revenue from our CUCKOO-branded and CUCKOO Co-Created segments.

CUCKOO-branded segment

Our revenue from our CUCKOO-branded segment increased by RM15.1 million or 1.6% from RM939.0 million for the FYE2022 to RM954.1 million for the FYE2023 primarily due to an increase in revenue from finance lease sales, which was partially offset by decreases in revenue from rental income and outright sales.

- (a) Our revenue from finance lease sales increased by RM76.8 million or 35.4% from RM217.1 million for the FYE2022 to RM293.9 million for the FYE2023, due to an increase by 37,985 units sold through rental plans, primarily comprising CUCKOO-branded water purifiers. This was driven by an increase in sales due to more general marketing and promotional activities by our Group (including promotional discounts that we offered to existing customers to enter into new rental contracts).
- (b) Our revenue from rental income decreased by RM44.3 million or 20.9% from RM211.7 million in the FYE2022 to RM167.4 million for the FYE2023. This was due to the expiry or termination of our Operating Lease Contracts, which we ceased offering since October 2020. As at 31 December 2023, there were 275,435 active Operating Lease Contracts as compared to 381,793 active Operating Lease Contracts as at 31 December 2022.
- (c) Our revenue from revenue from outright sales of products decreased by RM18.4 million or 27.5% from RM66.8 million for the FYE2022 to RM48.4 million for the FYE2023 due to a decrease by 5,681 units sold, primarily comprising CUCKOO-branded water purifiers, due to the cessation of additional sales commissions which were offered by our Group to independent contractors to promote outright sales in the FYE2022.

CUCKOO Co-Created segment

Our revenue from our CUCKOO Co-Created segment increased by RM58.5 million or 61.4% from RM95.4 million for the FYE2022 to RM153.9 million for the FYE2023 primarily due to increases in revenue from finance lease sales and maintenance services.

- (a) Our revenue from finance lease sales increased by RM44.3 million or 58.9% from RM75.3 million for the FYE2022 to RM119.6 million for the FYE2023, due to an increase by 9,302 units sold through rental plans, primarily comprising CUCKOO Co-Created air conditioners and massage chairs. This was following the launch of our CUCKOO Co-Created massage chair in partnership with OGAWA Malaysia in June 2023.
- (b) Our revenue from maintenance services increased by RM9.7 million or 114.7% from RM8.5 million for the FYE2022 to RM18.2 million for the FYE2023. This was mainly due to an increase by 25,606 in the number of active orders.

12. FINANCIAL INFORMATION

FYE2022 compared to FYE2021

Our revenue decreased by RM92.6 million or 8.1% from RM1,139.1 million for the FYE2021 to RM1,046.4 million for the FYE2022 primarily due to a decrease in revenue from our CUCKOO-branded segment, partially offset by an increase in revenue from the CUCKOO Co-Created segment.

CUCKOO-branded segment

Our revenue from CUCKOO-branded products decreased by RM152.2 million or 13.9% from RM1,091.2 million for the FYE2021 to RM939.0 million for the FYE2022 primarily due to decreases in revenue from finance lease sales and rental income, partially offset by revenue from outright sales and maintenance services.

- (a) Our revenue from finance lease sales decreased by RM101.5 million or 31.9% from RM318.6 million for the FYE2021 to RM217.1 million for the FYE2022 due to a decrease by 43,792 units sold through rental plans, primarily comprising CUCKOO-branded water purifiers, as a result of our marketing and promotional activities and additional sales commissions introduced by our Group to promote outright sales.
- (b) Our revenue from rental income decreased by RM49.2 million or 18.9% from RM260.9 million in the FYE2021 to RM211.7 million for the FYE2022 primarily due to the expiry or termination of our Operating Lease Contracts, which we ceased offering since October 2020. As at 31 December 2022, there were 381,793 active Operating Lease Contracts as compared to 440,996 active Operating Lease Contracts as at 31 December 2021.
- (c) Our revenue from maintenance services increased by RM20.4 million or 5.3% from RM385.9 million for the FYE2021 to RM406.3 million for the FYE2022 primarily due to our entry into new contracts with a higher contract value despite recording 13,602 fewer active orders for the FYE2022.
- (d) Our revenue from outright sales increased by RM11.7 million or 21.3% from RM55.1 million for the FYE2021 to RM66.8 million for the FYE2022 due to an increase by 2,170 units sold, primarily comprising CUCKOO-branded water purifiers. This was in line with marketing and promotional activities to promote outright sales and additional sales commissions introduced by our Group to encourage outright sales by our independent contractors.

CUCKOO Co-Created segment

Our revenue from the CUCKOO Co-Created segment increased by RM62.4 million or 189.6% from RM32.9 million for the FYE2021 to RM95.4 million for the FYE2022 due to increases in revenue from finance lease sales, outright sales, and maintenance services.

- (a) Our revenue from finance lease sales increased by RM51.0 million or 210.3% from RM24.2 million for the FYE2021 to RM75.3 million for the FYE2022, due to an increase by 14,664 units sold through rental plans, primarily comprising CUCKOO Co-Created mattresses and air-conditioners. This was following the launch of our CUCKOO-Co-created air-conditioners in partnership with Fujiaire in January 2022.
- (b) Our revenue from revenue from outright sales increased by RM1.3 million or 22.3% from RM5.7 million for the FYE2021 to RM7.0 million for the FYE2022. This was mainly due to an increase by 212 units sold, primarily comprising CUCKOO Co-Created air-conditioners, following the launch of our CUCKOO-Co-created air-conditioners in partnership with Fujiaire in January 2022.
- (c) Our revenue from maintenance services increased by RM6.9 million or 443.9% from RM1.6 million in the FYE2021 to RM8.5 million in the FYE2022. This was mainly due to an increase by 21,136 in the number of active orders.

12. FINANCIAL INFORMATION

(ii) Cost of sales

Cost of sales by cost components

Our cost of sales by cost components for the Financial Years Under Review and the Financial Periods Under Review are as set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Salaries and commission related expenses	312,815	42.4	301,451	45.6	347,448	46.5	251,851	46.2	274,310	42.8
Products and spare parts costs	282,881	38.3	230,909	34.9	265,527	35.6	194,540	35.7	249,990	39.1
Revenue sharing	14,338	1.9	26,512	4.0	51,043	6.8	33,351	6.1	61,610	9.6
Costs associated with operating lease assets	84,130	11.4	54,820	8.3	41,213	5.5	33,265	6.0	17,831	2.8
Brand royalty	28,048	3.8	31,330	4.7	30,785	4.1	22,713	4.2	24,956	3.9
Others ⁽¹⁾	16,524	2.3	16,417	2.5	10,518	1.4	9,813	1.8	11,731	1.8
Total cost of sales	738,736	100.0	661,439	100.0	746,534	100.0	545,533	100.0	640,428	100.0

Note:

(1) Include transportation, warehouse storage and logistics expenses, import sales tax and custom duties.

Cost of sales by business segments

Our cost of sales by business activities and products for the Financial Years Under Review and the Financial Periods Under Review are as set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
CUCKOO-branded	707,374	95.8	591,490	89.4	631,264	84.6	467,515	85.7	504,207	78.8
CUCKOO Co-Created	20,812	2.8	60,684	9.2	108,265	14.5	73,590	13.5	132,234	20.6
Others ⁽¹⁾	10,550	1.4	9,265	1.4	7,005	0.9	4,428	0.8	3,987	0.6
Total cost of sales	738,736	100.0	661,439	100.0	746,534	100.0	545,533	100.0	640,428	100.0

Note:

(1) Others comprise costs incurred under the WonderLab and WonderDewi segment, the WonderKlean segment, and IT related staff and server rental costs.

12. FINANCIAL INFORMATION

Commentaries on cost of sales

(a) Salaries, commissions and related expenses

Salaries, commissions and related expenses accounted for 42.4%, 45.6%, 46.5%, 46.2% and 42.8% of the total cost of sales for the FYE2021, FYE2022, FYE2023, FPE2023 and FPE2024 respectively. Our salaries, commissions and related expenses comprise salaries, commissions, wages, allowances, statutory contributions and related expenses paid to our contract employees and independent contractors, as applicable.

FPE2024 compared to FPE2023

Our salaries, commissions and related expenses increased by RM22.5 million or 8.9% from RM251.8 million for the FPE2023 to RM274.3 million for the FPE2024 primarily due to a higher amount of commission paid to our contract employees and independent contractors as a result of a higher number of CUCKOO-branded and CUCKOO Co-Created products sold.

FYE2023 compared to FYE2022

Our salaries, commissions and related expenses increased by RM45.9 million or 15.3% from RM301.5 million for the FYE2022 to RM347.4 million for the FYE2023 primarily due to (i) a change in our compensation structure after we adopted an omni-channel network strategy which resulted in a higher amount of commission paid upfront to our contract employees and (ii) a higher number of CUCKOO-branded and CUCKOO Co-Created products sold which resulted in a higher amount of commission paid to our contract employees and independent contractors.

FYE2022 compared to FYE2021

Our salaries, commissions and related expenses decreased by RM11.4 million or 3.6% from RM312.8 million for the FYE2021 to RM301.5 million for the FYE2022 primarily due to a decrease in commissions paid to our independent contractors. This was mainly due to the lower number of products sold.

(b) Products and spare parts costs

Our products and spare parts costs comprise the cost of purchase of products, filters, spare and replacement parts, cleaning solutions and polishers from our suppliers, and transfer pricing adjustments for products purchased from CUCKOO Holdings Group.

FPE2024 compared to FPE2023

Our products and spare parts costs increased by RM55.5 million or 28.5% from RM194.5 million for the FPE2023 to RM250.0 million for the FPE2024 primarily arising from an increase by RM56.4 million in product costs due to a higher number of products sold, and an increase in cost per unit of our CUCKOO-branded products coupled with the appreciation of the USD against the RM for the FPE2024.

FYE2023 compared to FYE2022

Our products and spare parts costs increased by RM34.6 million or 15.0% from RM230.9 million for the FYE2022 to RM265.5 million for the FYE2023 primarily arising from (i) an increase by RM38.7 million in product costs due to a higher number of products sold and the appreciation of the USD against the RM for the FYE2023, (ii) no transfer pricing adjustments for the FYE2023 (compared to a transfer pricing adjustment of RM9.2 million for the FYE2022) as our operating profit margins were within the range of selected comparable companies in Malaysia for the FYE2023.

12. FINANCIAL INFORMATION

FYE2022 compared to FYE2021

Our products and spare parts costs decreased by RM52.0 million or 18.4% from RM282.9 million for the FYE2021 to RM230.9 million for the FYE2022 primarily due to a decrease by RM65.0 million in transfer pricing adjustments made for the FYE2022 as our operating profit margins were higher for the FYE2021, in line with our higher revenue from our CUCKOO-branded segment. This was partially offset by an increase of RM16.4 million in costs arising from the cost of filters and spare parts as we conducted a higher number of aftersales maintenance services in FYE2021, resulting in a higher number of filters and spare parts used.

(c) Revenue sharing

Our revenue sharing represents the costs paid to our business partners namely, LSK and OGAWA Malaysia, for our mattresses and massage chairs sold under our CUCKOO Co-Created segment, which are payable upon our successful monthly collection from customers in accordance with our respective distribution agreements with our business partners. This reduces our need to have a significant upfront capital outlay to fund our purchase of products from our suppliers and pay sales commissions as our business partners are paid as and when we receive rental payments from our customers (based on an agreed ratio with each business partner) throughout the term of the rental contract. See Section 7.3.7 of this Prospectus for further information.

FPE2024 compared to FPE2023

Our revenue sharing increased by RM28.3 million or 84.7% from RM33.3 million for the FPE2023 to RM61.6 million for the FPE2024 primarily due to an increase in revenue sharing amounts paid to LSK and Ogawa Malaysia as we sold a higher number of CUCKOO Co-created mattresses and massage chairs through rental plans in the FPE2024.

FYE2023 compared to FYE2022

Our revenue sharing increased by RM24.5 million or 92.5% from RM26.5 million for the FYE2022 to RM51.0 million for the FYE2023 primarily arising from an increase in revenue sharing amounts paid to OGAWA Malaysia, as we sold a higher number of massage chairs following the launch of our CUCKOO Co-Created massage chair in partnership with OGAWA Malaysia in June 2023.

FYE2022 compared to FYE2021

Our revenue sharing increased by RM12.2 million or 84.9% from RM14.3 million for the FYE2021 to RM26.5 million for the FYE2022 primarily due to an increase in revenue sharing amounts paid to LSK as we sold a higher number of mattresses through rental plans.

(d) Costs associated with operating lease assets

Our costs associated with operating lease assets comprise depreciation, impairment, and write-off costs for our Operating Lease Contracts. We had ceased offering Operating Lease Contracts since October 2020, and as such, our costs associated with operating lease assets will continue to reduce until all subsisting Operating Lease Contracts with our customers terminate or expire. For the FYE2021, FYE2022, FYE2023, FPE2023 and FPE2024, our costs associated with operating lease assets accounted for 11.4%, 8.3%, 5.5%, 6.0% and 2.8% of our total cost of sales respectively.

12. FINANCIAL INFORMATION

(iii) GP and GP margin

Our GP and GP margin by business segments for the Financial Years Under Review and the Financial Periods Under Review are as set out below:

	FYE2021			FYE2022			FYE2023			FPE2023			FPE2024		
	GP		(2) GP margin	GP		(2) GP margin	GP		(2) GP margin	GP		(2) GP margin	GP		(2) GP margin
	RM'000	%	%	RM'000	%	%	RM'000	%	%	RM'000	%	%	RM'000	%	%
CUCKOO-branded	383,816	95.9	35.2	347,490	90.3	37.0	322,804	87.2	33.8	243,224	87.7	34.2	230,493	79.5	31.4
CUCKOO Co-Created	12,116	3.0	36.8	34,669	9.0	36.4	45,594	12.3	29.6	31,938	11.5	30.3	59,487	20.5	31.0
Others ⁽¹⁾	4,408	1.1	29.5	2,848	0.7	23.5	1,717	0.5	19.7	2,308	0.8	34.3	(43)	*	(1.1)
Total	400,340	100.0	35.1	385,007	100.0	36.8	370,115	100.0	33.1	277,470	100.0	33.7	289,937	100.0	31.2

* Denotes less than 0.1%

Notes:

- (1) Others refer to WonderLab and WonderDewi, WonderKlean, and IT support and maintenance services.
- (2) Computed based on GP divided by revenue.

Commentaries on GP and GP margin

FPE2024 compared to FPE2023

Our GP increased by RM12.4 million or 4.5% from RM277.5 million for the FPE2023 to RM289.9 million for the FPE2024 primarily due to an increase in our GP from our CUCKOO Co-Created segment, partially offset by a decrease in our GP from our CUCKOO-branded segment.

Our GP margin decreased from 33.7% in the FPE2023 to 31.2% in the FPE2024 primarily due to a decrease in our GP margin from our CUCKOO-branded segment.

CUCKOO-branded segment

Our GP decreased by RM12.7 million or 5.2% from RM243.2 million for the FPE2023 to RM230.5 million for the FPE2024. This was mainly contributed by the higher increase in product and spare parts costs (as compared to our revenue) due to increase in cost per unit of CUCKOO-branded products coupled with the appreciation of the USD against the RM for the FPE2024.

As a result, our GP margin decreased from 34.2% in the FPE2023 to 31.4% in the FPE2024.

12. FINANCIAL INFORMATION

CUCKOO Co-Created segment

Our GP increased by RM27.5 million or 86.3% from RM31.9 million for the FPE2023 to RM59.4 million for the FPE2024 in line with our increase in revenue by 81.7% contributed by increases in finance lease sales and maintenance services.

As a result, our GP margin increased marginally from 30.3% in the FPE2023 to 31.0% in the FPE2024.

FYE2023 compared to FYE2022

Our GP decreased by RM14.9 million or 3.9% from RM385.0 million for the FYE2022 to RM370.1 million for the FYE2023 primarily due to a decrease in our GP from our CUCKOO-branded segment, partially offset by an increase in our GP from our CUCKOO Co-Created segment.

Our GP margin decreased from 36.8% in the FYE2022 to 33.1% in the FYE2023 primarily due to a decrease in our GP margin from our CUCKOO-branded segment and CUCKOO Co-Created segment.

CUCKOO-branded segment

Our GP decreased by RM24.7 million or 7.1% from RM347.5 million for the FYE2022 to RM322.8 million for the FYE2023. This was mainly contributed by the higher increase in our products and spare parts costs (as compared to our revenue), and a change in our compensation structure after we adopted an omni-channel network strategy in the FYE2023 which resulted in a higher amount of commission paid upfront to our contract employees.

As a result, our GP margin decreased from 37.0% in the FYE2022 to 33.8% in the FYE2023.

CUCKOO Co-Created segment

Our GP increased by RM10.9 million or 31.5% from RM34.7 million for the FYE2022 to RM45.6 million for the FYE2023. This was mainly contributed by increase in revenue by 61.4%, which was partially offset by a higher increase in revenue sharing amounts paid to our business partner, LSK, due to an increase in the agreed revenue sharing ratio attributable to LSK during the FYE2023, and a change in our compensation structure after we adopted an omni-channel network strategy in the FYE2023 which resulted in a higher amount of commission paid upfront to our contract employees.

As a result, our GP margin decreased from 36.4% in the FYE2022 to 29.6% in the FYE2023.

FYE2022 compared to FYE2021

Our GP decreased by RM15.3 million or 3.8% from RM400.3 million for the FYE2021 to RM385.0 million for the FYE2022 primarily due to a decrease in our GP from our CUCKOO-branded segment, partially offset by an increase in our GP from our CUCKOO Co-Created segment.

Our GP margin increased from 35.1% in the FYE2021 to 36.8% in the FYE2022 primarily due to an increase in our GP margin from our CUCKOO-branded segment.

CUCKOO-branded segment

Our GP decreased by RM36.3 million or 9.5% from RM383.8 million for the FYE2021 to RM347.5 million for the FYE2022 in line with the decrease in our revenue by 13.9%, which was mainly due to a decrease in our finance lease sales.

Notwithstanding this, our GP margin increased from 35.2% in the FYE2021 to 37.0% in the FYE2022 primarily due to lower product and spare parts costs arising from: (i) lower transfer pricing adjustments; and (ii) lower costs associated with operating lease assets.

12. FINANCIAL INFORMATION

CUCKOO Co-Created segment

Our GP increased by RM22.6 million or 186.1% from RM12.1 million for the FYE2021 to RM34.7 million for the FYE2022 in line with the increase in our revenue by 189.6% contributed by an increase in finance lease sales.

As a result, our GP margin decreased marginally from 36.8% in the FYE2021 to 36.4% in the FYE2022.

(iv) Other income

Our other income for the Financial Years Under Review and the Financial Periods Under Review is as set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Income from subleasing of short-term leases	7,949	45.1	9,372	75.1	298	7.8	280	8.3	77	2.3
Gain on bargain purchase	5,391	30.5	-	-	-	-	-	-	-	-
License fee	2,260	12.8	649	5.2	280	7.3	257	7.6	23	0.7
Lease income	-	-	-	-	577	15.1	416	12.4	426	13.0
Penalty fee	600	3.4	632	5.1	802	21.0	591	17.6	1,611	49.1
Flood compensation	-	-	332	2.7	1,343	35.0	1,343	40.0	-	-
Scrap sales	324	1.8	405	3.3	379	10.0	257	7.6	740	22.6
Others ⁽¹⁾	1,129	6.4	1,068	8.6	146	3.8	218	6.5	403	12.3
Total	17,653	100.0	12,458	100.0	3,825	100.0	3,362	100.0	3,280	100.0

Note:

- (1) Others includes courier fees charged by us to customers who purchase WonderLab products, where the total amount of each order is less than RM100, Program Subsidi Upah, which was a subsidy provided by the Malaysian government to small and medium enterprises during the Covid-19 pandemic, job and rental support scheme from IRAS, compensation for defective spare parts, and others.

Commentaries on other income

FPE2024 compared to FPE2023

Our other income decreased by RM0.1 million or 2.4% from RM3.4 million for the FPE2023 to RM3.3 million for the FPE2024. This was mainly attributed to the absence of compensation received in the FPE2024 from an insurance claim of RM1.3 million for flood-related damage to our products stored at a third-party warehouse for the FPE2023, partially offset by an increase by RM1.0 million in income from penalty fees imposed on our customers who terminated their rental contracts prior to expiry.

12. FINANCIAL INFORMATION

FYE2023 compared to FYE2022

Our other income decreased by RM8.7 million or 69.3% from RM12.5 million for the FYE2022 to RM3.8 million for the FYE2023 primarily due to a decrease in income from subleasing by RM9.1 million as a result of our change of distribution strategy to an omni-channel distribution strategy in the FYE2023, under which we held leases directly instead of subleasing them to our independent contractors. This was partially offset by compensation amounting to RM1.3 million that we received from an insurance claim for flood-related damage to our products stored at a third-party warehouse in the FYE2023.

FYE2022 compared to FYE2021

Our other income decreased by RM5.2 million or 29.4% from RM17.7 million for the FYE2021 to RM12.5 million for the FYE2022 primarily due to a one-off gain of RM5.4 million arising from the purchase of WonderLab, which was recognised in the FYE2021, and decrease by RM1.6 million in license fee income as there was a decrease in the number of new retail outlets opened in the FYE2022.

(v) Distribution expenses

Our distribution expenses for the Financial Years Under Review and the Financial Periods Under Review are set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Marketing and advertisement expenses	25,619	44.2	33,724	43.3	34,086	40.1	20,089	35.6	20,989	33.2
Wages, salaries and others	12,272	21.2	16,807	21.6	19,649	23.2	13,822	24.5	14,906	23.5
Commission and related expenses	17,020	29.3	18,599	23.9	16,235	19.1	11,620	20.6	15,391	24.3
Depreciation of right-of-use assets	2,447	4.2	3,754	4.8	8,213	9.7	6,109	10.8	7,103	11.2
Incentive trip expenses	-	-	1,972	2.5	1,804	2.1	1,780	3.2	643	1.0
Depreciation of property, plant and equipment	-	-	-	-	1,491	1.8	745	1.3	2,236	3.5
Others ⁽¹⁾	651	1.1	3,033	3.9	3,392	4.0	2,227	4.0	2,120	3.3
Total	58,009	100.0	77,889	100.0	84,870	100.0	56,392	100.0	63,388	100.0

Note:

- (1) Others include gifts and rewards, travelling and entertainment expenses, and events and functions expenses and other expenses.

12. FINANCIAL INFORMATION

Commentaries on distribution expenses**FPE2024 compared to FPE2023**

Our distribution expenses increased by RM7.0 million or 12.4% from RM56.4 million for the FPE2023 to RM63.4 million for the FPE2024 primarily arising from: (a) an increase of RM3.8 million in commission and related expenses due to a higher collection rate of outstanding rental payments in the FPE2024; (b) an increase of RM1.5 million in the depreciation of the warehouse space within our distribution hub in Subang Jaya, Selangor Darul Ehsan that we commenced use of and began depreciating in July 2023; and (c) an increase of RM1.1 million in wages, salaries and related expenses due to an increase in staff headcount.

FYE2023 compared to FYE2022

Our distribution expenses increased by RM7.0 million or 9.0% from RM77.9 million for the FYE2022 to RM84.9 million for the FYE2023 primarily arising from: (a) an increase of RM4.5 million in the depreciation of right-of-use assets, as such depreciation was recognised in the FYE2023 with respect to certain retail outlets, and not in the FYE2022 when such retail outlets were sub-leased by our Company to independent contractors before we adopted our omni-channel network strategy; (b) an increase of RM2.8 million in wages, salaries and related expenses due to an increase in staff headcount and salary increments; and (c) RM1.5 million arising from the commencement of depreciation of property, plant and equipment as a result of the acquisition of our distribution hub located in Subang Jaya, Selangor Darul Ehsan in July 2023. These were partially offset by a decrease of RM2.4 million in commissions and related expenses due to a lower collection rate of outstanding rental payments in the FYE2023.

FYE2022 compared to FYE2021

Our distribution expenses increased by RM19.9 million or 34.3% from RM58.0 million for the FYE2021 to RM77.9 million for the FYE2022 primarily arising from: (a) an increase of RM8.1 million in marketing and advertisement expenses for increased marketing and advertising activities; (b) an increase of RM4.5 million in wages, salaries and related expenses due to an increase in staff headcount and salary increments; (c) an increase of RM1.6 million in commission and related expenses due to higher collections of outstanding rental payments in the FYE2022; and (d) an increase of RM1.9 million in costs relating to an incentive trip provided to our independent contractors in the FYE2022 for their sales performance.

12. FINANCIAL INFORMATION**(vi) Administrative expenses**

Our administrative expenses for the Financial Years Under Review and the Financial Periods Under Review are set out below:

	FYE2021		Audited FYE2022		FYE2023		Unaudited FPE2023		Audited FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Share-Based Expenses	-	-	137,509	68.4	-	-	-	-	-
Wages, salaries and others	12,654	24.7	16,557	8.2	20,012	31.9	15,772	35.7	15,891	29.5
Expenses relating to short-term leases	10,354	20.2	11,304	5.6	11,990	19.1	8,974	20.3	9,280	17.3
Depreciation of property, plant and equipment	3,485	6.8	3,855	1.9	5,538	8.8	3,796	8.6	5,080	9.4
Rental subsidy	8,761	17.1	9,418	4.7	451	0.7	451	1.0	-	-
Professional fees	1,218	2.4	3,487	1.7	1,565	2.5	1,257	2.8	6,041	11.2
Depreciation of right-of-use asset	2,194	4.3	2,345	1.2	2,253	2.6	1,752	4.0	1,650	3.1
IT maintenance services	843	1.6	2,486	1.2	1,326	2.1	1,011	2.3	1,414	2.6
Utilities	1,726	3.4	1,847	0.9	2,799	4.5	1,890	4.3	2,389	4.5
Insurance	660	1.3	615	0.3	1,702	2.7	1,171	2.7	1,012	1.9
Prepayment written off	-	-	-	-	2,956	4.7	-	-	-	-
Training	775	1.5	957	0.5	1,252	2.0	710	1.6	1,089	2.0
Staff benefits	616	1.2	1,312	0.7	1,002	1.6	670	1.5	1,032	1.9
Amortisation of trademark	748	1.5	997	0.5	997	1.6	748	1.7	748	1.4
Maintenance	1,290	2.5	1,239	0.6	1,750	2.8	1,219	2.8	1,744	3.2
Private retirement scheme contribution	1,296	2.5	1,118	0.6	735	1.2	588	1.3	130	0.2
Promotional activities	850	1.7	867	0.4	681	1.1	523	1.2	579	1.1
Impairment loss on right-of-use assets	-	-	459	0.2	665	1.1	-	-	542	1.0
Courier charges	705	1.4	540	0.3	434	0.7	335	0.8	211	0.4
Compensation fee	138	0.3	277	0.1	425	0.7	288	0.7	553	1.0
Others ⁽¹⁾	2,990	5.8	3,870	1.9	4,207	6.7	3,000	6.7	4,450	8.3
Total	51,303	100.0	201,059	100.0	62,740	100.0	44,155	100.0	53,835	100.0

Note:

(1) Others include building-related expenses and other miscellaneous expenses.

12. FINANCIAL INFORMATION

Commentaries on administrative expenses

FPE2024 compared to FPE2023

Our administrative expenses increased by RM9.7 million or 21.9% from RM44.1 million for the FPE2023 to RM53.8 million for the FPE2024 primarily due to: (a) an increase of RM4.8 million in professional advisers' fees for our IPO and loan facility fees; and (b) an increase of RM1.3 million in depreciation of the office space within our distribution hub in Subang Jaya, Selangor Darul Ehsan that we commenced use of and began depreciating in July 2023.

FYE2023 compared to FYE2022

Our administrative expenses decreased by RM138.4 million or 68.8% from RM201.1 million for the FYE2022 to RM62.7 million for the FYE2023 primarily due to: (a) a one-off recognition of RM137.5 million in Share-Based Expenses in the FYE2022, which arose under the share option scheme to reward our Executive Director and management team. Such share options were fully exercised in the FYE2023; and (b) a decrease in rental subsidy by RM9.0 million, which we ceased offering to our independent contractors following the commencement of our omni-channel distribution strategy in the FYE2023.

FYE2022 compared to FYE2021

Our administrative expenses increased by RM149.7 million or 291.9% from RM51.3 million for the FYE2021 to RM201.1 million for the FYE2022 primarily arising from: (a) a one-off recognition of RM137.5 million in Share-Based Expenses in the FYE2022; (b) an increase of RM3.9 million in wages, salaries and other employee related expenses due to an increase in staff headcount and salary increments in the FYE2022; and (c) an increase in professional fees of RM2.3 million for our IPO and other professional fees rendered to our Company.

(vii) Net losses on impairment of financial instruments

Our net losses on impairment of financial instruments for the Financial Years Under Review and the Financial Periods Under Review are set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trade receivables	3,785	18.3	12,610	45.4	15,643	29.9	12,440	28.6	10,720	29.8
Net investment in lease	16,573	80.3	15,231	54.8	36,582	70.1	31,058	71.4	25,294	70.2
Other receivables	232	1.1	(73)	(0.2)	33	*	-	-	-	-
Inter-company balances	71	0.3	4	*	-	-	-	-	-	-
Total	20,661	100.0	27,772	100.0	52,258	100.0	43,498	100.0	36,014	100.0

* Denotes less than 0.1%.

Commentaries on net losses on impairment of financial instruments

FPE2024 compared to FPE2023

Our net losses on impairment of financial instruments decreased by RM7.5 million or 17.2% from RM43.5 million for the FPE2023 to RM36.0 million for the FPE2024 primarily due to decreases in impairment of net investment in leases based on the expected credit loss ("ECL") assessment under MFRS 9 which reflects changes in credit risk of the trade receivables and net investment in leases at the end of the reporting period.

12. FINANCIAL INFORMATION**FYE2023 compared to FYE2022**

Our net losses on impairment of financial instruments increased by RM24.5 million or 88.2% from RM27.8 million for the FYE2022 to RM52.3 million for the FYE2023 primarily due to increases in impairment of net investment in leases based on the ECL assessment under MFRS 9 which (a) reflects changes in credit risk of the trade receivables and net investment in leases at the end of the reporting period and (b) was attributed to the higher amounts of trade receivables and net investment in leases.

FYE2022 compared to FYE2021

Our net losses on impairment of financial instruments increased by RM7.1 million or 34.4% from RM20.7 million for the FYE2021 to RM27.8 million for the FYE2022 primarily due to an increase in impairment of net investment in leases based on the ECL assessment under MFRS 9 which reflects changes in credit risk of the trade receivables and net investment in leases at the end of the reporting period.

(viii) Finance income

Our finance income for the Financial Years Under Review and the Financial Periods Under Review is set out below:

	Audited						Unaudited		Audited	
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income on deposits placed with licensed banks	1,167	71.2	2,061	83.3	2,712	99.0	2,041	98.8	2,028	18.6
Interest income on net investment in sublease	470	28.8	412	16.7	27	1.0	24	1.2	6	0.1
Net foreign exchange gain on amounts due to inter-companies	-	-	-	-	-	-	-	-	8,867	81.3
Total	1,637	100.0	2,473	100.0	2,739	100.0	2,065	100.0	10,901	100.0

Commentaries on finance income**FPE2024 compared to FPE2023**

Our finance income increased by RM8.8 million or 427.9% from RM2.1 million for the FPE2023 to RM10.9 million for the FPE2024 primarily arising from the recognition of a net foreign exchange gain of RM8.9 million on lower outstanding amounts to CUCKOO Holdings Group and decrease in foreign exchange rates applied to amounts owing to CUCKOO Holdings Group which were denominated in USD.

FYE2023 compared to FYE2022

Our finance income increased by RM0.2 million or 10.8% from RM2.5 million for the FYE2022 to RM2.7 million for the FYE2023 primarily arising from an increase by RM0.6 million in interest income from deposits placed with licensed banks due to higher interest rate. This was offset by a decrease of RM0.4 million in interest income on net investments in sub-lease, as we ceased the sub-leasing arrangements with our independent contractors following the commencement of our omni-channel distribution strategy in the FYE2023.

12. FINANCIAL INFORMATION**FYE2022 compared to FYE2021**

Our finance income increased by RM0.9 million or 51.1% from RM1.6 million for the FYE2021 to RM2.5 million for the FYE2022 primarily arising from an increase by RM0.9 million in interest income from deposits placed with licensed banks due to higher interest rate and higher bank balances.

(ix) Finance costs

Our finance costs for the Financial Years Under Review and the Financial Periods Under Review are as set out below:

	Audited				Unaudited				Audited		
	FYE2021		FYE2022		FYE2023		FPE2023		FPE2024		
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Interest expense on:											
- amounts due to inter-companies	15,602	38.8	6,366	15.4	10,234	26.8	9,325	24.9	5,867	40.2	
- bank and merchant charges	6,919	17.2	7,294	17.7	6,765	17.7	4,951	13.2	5,056	34.7	
- loans and borrowings	198	0.5	4,801	11.6	5,556	14.5	4,832	12.9	3,010	20.6	
- lease liabilities	1,359	3.4	1,135	2.8	981	2.6	734	2.0	664	4.5	
Net foreign exchange loss on amounts due to inter-companies	16,152	40.1	21,650	52.5	14,644	38.4	17,618	47.0	-	-	
Total	40,230	100.0	41,246	100.0	38,180	100.0	37,460	100.0	14,597	100.0	

Commentaries on finance costs**FPE2024 compared to FPE2023**

Our finance costs decreased by RM22.9 million or 61.0% from RM37.5 million for the FPE2023 to RM14.6 million for the FPE2024 primarily arising from: (a) the absence of net foreign exchange loss on outstanding foreign currency amounts owing to CUCKOO Holdings Group arising from lower outstanding amounts to CUCKOO Holdings Group and decrease in foreign exchange rates applied to amounts owing to CUCKOO Holdings Group which were denominated in USD; (b) a decrease in interest expense on amounts due to CUCKOO Holdings Groups by RM3.5 million mainly due to lower outstanding amounts in the FPE2024; and (c) a decrease in interest expense on loans and borrowings by RM1.8 million due to a decrease interest rate on our existing BOC Loan after we have entered into an interest rate swap arrangement in September 2023.

FYE2023 compared to FYE2022

Our finance costs decreased by RM3.0 million or 7.4% from RM41.2 million for the FYE2022 to RM38.2 million for the FYE2023 primarily due to a decrease in net foreign exchange loss on outstanding foreign currency amounts by RM7.0 million arising from: (a) amounts owing to CUCKOO Holdings Group, which decreased from USD50.1 million in the FYE2022 to USD40.9 million in the FYE2023; and (b) lower net foreign exchange loss with respect to outstanding amounts under the BoC Loan, which were converted from USD to RM in September 2023. This was partially offset by an increase of RM4.1 million in interest expense on our bank borrowings and amount due to CUCKOO Holdings Group as a result of an increase in interest rates.

12. FINANCIAL INFORMATION**FYE2022 compared to FYE2021**

Our finance costs increased by RM1.0 million or 2.5% from RM40.2 million for the FYE2021 to RM41.2 million for the FYE2022 primarily arising from (a) an increase by RM5.5 million in net foreign exchange loss due to changes in foreign exchange rates applied to amounts owing to CUCKOO Holdings Group, and outstanding amounts under the BoC Loan which were denominated in USD; and (b) an increase in interest charges on loans and bank borrowings by RM4.7 million due to additional bank borrowings of USD40.0 million. This was partially offset by a decrease by RM9.2 million in interest expense on amounts outstanding to CUCKOO Holdings Group mainly due to lower outstanding amounts in the FYE2022.

(x) PBT, PAT and taxation

Our PBT, PAT and taxation for the Financial Years Under Review and Financial Periods Under Review are as set out below:

	<u>FYE2021</u>	<u>FYE2022</u>	<u>FYE2023</u>	<u>FPE2023</u>	<u>FPE2024</u>
PBT (RM'000)	249,427	51,972	138,631	101,392	136,284
PBT margin	21.9%	5.0%	12.4%	12.3%	14.6%
Taxation (RM'000)	62,991	49,917	51,762	42,286	32,595
Effective tax rate ⁽¹⁾	25.3%	96.0%	37.3%	41.7%	23.9%
PAT (RM'000)	186,436	2,055	86,869	59,106	103,689
PAT margin	16.4%	0.2%	7.8%	7.2%	11.1%

Note:

(1) Computed based on taxation divided by PBT.

Commentaries on PBT, PAT and taxation**FPE2024 compared to FPE2023**

Our PBT increased by RM34.9 million or 34.4% from RM101.4 million for the FPE2023 to RM136.3 million for the FPE2024. Our PBT margin increased from 12.3% for the FPE2023 to 14.6% for the FPE2024.

Our PAT increased by RM44.6 million or 75.5% from RM59.1 million for the FPE2023 to RM103.7 million for the FPE2024. Our PAT margin increased from 7.2% for the FPE2023 to 11.1% for the FPE2024. The increases in our PBT and PAT were primarily due to higher GP and the decreases in finance costs and net losses on impairment of financial instruments.

For the FPE2024, our effective tax rate was 23.9% which was marginally lower than the statutory tax rate of 24.0%. This was mainly attributed to: (i) the tax effect arising from non-deductible expenses of approximately RM3.6 million incurred for professional fees and depreciation of non-qualifying property, plant and equipment; and (ii) over provision of RM3.4 million in deferred tax liability arising from depreciation of non-qualifying property, plant and equipment.

For the FPE2023, our effective tax rate was 41.7% which was higher than the statutory tax rate of 24.0%. This was mainly attributed to: (i) the tax effect arising from non-deductible expenses of approximately RM16.5 million incurred mainly comprising additional tax expense of RM13.7 million arising from the Special Voluntary Disclosure Programme 2.0 that we participated in; and (ii) under provision of RM1.2 million in prior years relating to finance lease interest income.

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FYE2023 compared to FYE2022

Our PBT increased by RM86.6 million or 166.7% from RM52.0 million for the FYE2022 to RM138.6 million for the FYE2023 while our PBT margin increased from 5.0% for the FYE2022 to 12.4% for the FYE2023. Our PAT increased by RM84.8 million or 41.3 times from RM2.1 million for the FYE2022 to RM86.9 million for the FYE2023 while our PAT margin improved from 0.2% for the FYE2022 to 7.8% for the FYE2023.

The improvements in PBT and PAT were mainly attributed to the lower administrative expenses as a result of a one-off recognition of RM137.5 million in Share-Based Expenses in the FYE2022, partially offset by an additional tax expense of RM13.7 million in the FYE2023 pursuant to the Special Voluntary Disclosure Programme 2.0 that we participated in. We had for the Year of Assessment ("YA") 2019, YA2020 and YA2021 computed our income taxes in accordance with the accounting treatment of leases, whereby our income from the rental contract attributable to the product was computed as taxable income upfront, and a tax deduction was claimed on the cost of the product, whilst the finance lease interest income was computed as taxable income over the term of the rental contract. As the tax treatment is subject to technical interpretation of the Income Tax Leasing Regulations 1986 ("ITLR"), we have participated in the Special Voluntary Disclosure Programme 2.0 and voluntarily subjected our finance lease interest income to be taxed upfront rather than over the term of the rental contract to mitigate the risk that the IRB may regard the finance lease interest income as part of the deemed profit under the ITLR. The IRB accepted our submission in good faith and issued the additional assessments amounting to RM13.7 million for YA 2019 to YA 2021, and indicated that no further review whether through an audit or investigation will be performed in the future for these YAs where the voluntary disclosure had been made. The said additional tax payable has been fully settled as at the LPD.

For the FYE2023, our effective tax rate was 37.3% which was higher than the statutory tax rate of 24.0%. This was mainly attributed to: (i) the tax effect arising from non-deductible expenses of RM16.2 million incurred mainly comprising additional tax expense of RM13.7 million arising from the Special Voluntary Disclosure Programme 2.0 that we participated in; and (ii) under-provision of RM1.2 million in prior years relating to finance lease interest income.

For the FYE2022, our effective tax rate was 96.0% which was higher than the statutory tax rate of 24.0%. This was mainly attributed to: (i) the tax effect of RM28.4 million arising from non-deductible expenses mainly comprising Share-Based Expenses; and (ii) additional tax expenses of RM11.5 million arising from prosperity tax which was enacted by the Finance Act 2021 for chargeable income above RM100.0 million at one-off rate of 33.0%. These were partially offset by over-provision in income tax for prior years relating to a gain on acquisition of business and recognition of deferred tax assets arising from impairment of receivables.

FYE2022 compared to FYE2021

Our PBT decreased by RM197.4 million or 79.2% from RM249.4 million for the FYE2021 to RM52.0 million for the FYE2022 while our PBT margin decreased from 21.9% for the FYE2021 to 5.0% for the FYE2022. Our PAT decreased by RM184.3 million or 98.9% from RM186.4 million for the FYE2021 to RM2.1 million for the FYE2022 while our PAT margin decreased from 16.4% for the FYE2021 to 0.2% for the FYE2022.

The decrease in PBT and PAT were primarily due to the lower GP, and higher administrative expenses incurred for the FYE2022 as a result of a one-off Share-Based Expenses of RM137.5 million.

For the FYE2021, our effective tax rate was 25.3% which was higher than the statutory tax rate of 24.0%. This was mainly attributed to the tax effect arising from under-provision in deferred tax liability arising from unrealised foreign exchange gain.

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12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

Our working capital is funded through a combination of both internal and external sources of funds. Our internal sources of funds comprise shareholders' equity and cash generated from our operations, whilst external sources were mainly banking facilities from financial institutions. These funds were used for our operations and growth.

Based on our audited consolidated statement of financial position as at 30 September 2024, we have cash and cash equivalents of RM102.3 million and working capital of RM82.5 million (calculated as current assets less current liabilities). After taking into consideration of our Group's funding requirements for our maintenance and committed capital expenditures, our existing level of cash and bank balances, our negative operating cashflows recognised for the FPE2024, expected cash flows to be generated from our operations and the estimated net proceeds from the Public Issue, our Board is of the view that we have sufficient working capital for 12 months from the date of this Prospectus.

12.3.2 Cash flows

The table below sets out the summary of our audited consolidated statements of cash flows for the Financial Years Under Review and the Financial Periods Under Review:

	Audited			Unaudited	Audited
	FYE2021	FYE2022	FYE2023	FPE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from/(used in) operating activities	60,613	149,496	103,389	89,827	(114,026)
Net cash used in investing activities	(4,166)	(25,825)	(40,630)	(40,662)	(216)
Net cash (used in)/from financing activities	(49,929)	(74,930)	(111,475)	(76,228)	132,086
Net increase/(decrease) in cash and cash equivalents	6,518	48,741	(48,716)	(27,063)	17,844
Cash and cash equivalents at the beginning of the financial year/period	78,717	85,240	133,483	133,483	84,099
Effect of exchange rate fluctuations on cash held	5	(498)	(668)	(564)	344
Cash and cash equivalents at the end of the financial year/period	85,240	133,483	84,099	105,856	102,287

All of our cash and cash equivalents are held in RM and foreign currencies including USD and SGD. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants. Please refer to Section 15.5 of this Prospectus for further details on the repatriation of capital and remittance of profit from our subsidiaries.

Commentaries on cash flows

FYE2021

Net cash from operating activities

Our net cash from operating activities was RM60.6 million after taking into account the following changes:

- (i) an increase by RM168.6 million in trade and other receivables mainly due to higher net investment in leases;
- (ii) a decrease by RM86.1 million in trade and other payables mainly due to the conversion of trade payables owing to CKH into a shareholders' loan;

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- (iii) an increase by RM23.5 million in inventories mainly due to higher goods in transit;
- (iv) payment of interest of RM23.9 million; and
- (v) payment of taxes of RM39.3 million.

Net cash used in investing activities

Our net cash used in investing activities was RM4.2 million, which was primarily attributable to the following:

- (i) RM3.6 million used for purchase of property, plant and equipment that mainly comprised: (a) renovations for distribution centres and retail outlets of RM1.6 million; and (b) computers and software of RM1.0 million;
- (ii) RM1.8 million used for the acquisition of the beauty care business from Wonderlab Resources (M) Sdn. Bhd.; and
- (iii) RM1.2 million for interest received from short-term deposits with financial institutions.

Net cash used in financing activities

Our net cash used in financing activities was RM49.9 million, which was primarily attributable to the following:

- (i) RM201.6 million in repayment of loan from our immediate holding company, CKH;
- (ii) RM10.7 million in payment of lease liabilities relating to rental of premises which was recognised in accordance with MFRS 16 Leases;
- (iii) RM4.7 million in repayment of the BoC Loan; and
- (iv) RM167.2 million from the drawdown of the BoC Loan which was utilised for the repayment of amounts owing to CUCKOO Holdings Group.

FYE2022
Net cash from operating activities

Our net cash from operating activities was RM149.5 million after taking into account the following changes:

- (i) an increase in inventories of RM23.4 million due to increase in finished goods arising from a decrease in sale of products;
- (ii) an increase in trade and other receivables of RM60.3 million due to higher net investment in leases; and
- (iii) payment of taxes of RM75.8 million.

Net cash used in investing activities

Our net cash used in investing activities was RM25.8 million, which was primarily attributable to the following:

- (i) RM19.7 million used for deposit for the acquisition of our distribution hub in Subang Jaya, Selangor Darul Ehsan;
- (ii) RM8.3 million used for the acquisition of property, plant and equipment which mainly comprise our acquisition of office premises in Shah Alam (see Appendix IV for this Prospectus for further details); and

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- (iii) RM2.1 million in interest received from short-term deposits with financial institutions.

Net cash used in financing activities

Our net cash used in financing activities was RM74.9 million, which was primarily attributable to the following:

- (i) RM58.4 million in repayment of the BoC Loan;
- (ii) RM11.7 million in payment of lease liabilities relating to rental of premises which was recognised in accordance with MFRS 16, Leases; and
- (iii) RM4.8 million in interest paid on the BoC Loan.

FYE2023

Net cash from operating activities

Our net cash from operating activities was RM103.4 million after taking into account the following changes:

- (i) a decrease in inventories of RM11.1 million due to lower finished goods in line with increase in sale of products;
- (ii) an increase in trade and other receivables and prepayments of RM147.3 million mainly due to higher net investment in leases;
- (iii) an increase in trade and other payables of RM42.0 million due to higher purchases from suppliers; and
- (iv) payment of taxes of RM66.4 million.

Net cash used in investing activities

Our net cash used in investing activities was RM40.6 million, which was primarily attributable to the following:

- (i) RM43.3 million used for acquisition of property, plant and equipment which mainly comprise the remaining balance of the purchase consideration for the acquisition of our distribution hub in Subang Jaya, Selangor Darul Ehsan; and
- (ii) RM2.7 million in interest received from short-term deposits with financial institutions.

Net cash used in financing activities

Our net cash used in financing activities was of RM111.5 million, which was primarily attributable to the following:

- (i) RM57.1 million in repayment of the BoC Loan;
- (ii) RM42.2 million in repayment of loan from our immediate holding company, CKH;
- (iii) RM11.5 million in payment of lease liabilities relating to rental of premises, which was recognised in accordance with MFRS 16, Leases; and
- (iv) RM5.6 million in interest paid on the BoC Loan; and
- (v) RM4.9 million received from the issuance of shares by our Company pursuant to the exercise of employees share options granted in FYE2022 to our Executive Director and management personnel.

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FPE2023

Net cash from operating activities

Our net cash from operating activities was RM89.8 million after taking into account the following changes:

- (i) an increase in trade and other payables by RM18.4 million mainly due to higher purchases from suppliers;
- (ii) an increase in trade and other receivables by RM102.0 million mainly due to higher net investment in leases;
- (iii) a decrease in inventories by RM16.9 million mainly due to lower finished goods in line with an increase in sale of products;
- (iv) payment of interest of RM5.7 million; and
- (v) payment of taxes of RM57.1 million.

Net cash used in investing activities

Our net cash used in investing activities was RM40.7 million, which was primarily attributable to the following:

- (i) RM42.7 million used for acquisition of property, plant and equipment which mainly comprise the remaining balance of the purchase consideration for the acquisition of our distribution hub in Subang Jaya, Selangor Darul Ehsan; and
- (ii) RM2.0 million in interest received from short-term deposits with financial institutions.

Net cash used in financing activities

Our net cash used in financing activities was RM76.2 million, which was primarily attributable to the following:

- (i) RM40.8 million in repayment of the BoC Loan;
- (ii) RM27.2 million repayment of loan from our immediate holding company, CKH;
- (iii) RM8.3 million in payment of lease liabilities relating to rental of premises, which was recognised in accordance with MFRS 16, Leases;
- (iv) RM4.9 million received from the issuance of shares by our Company pursuant to the exercise of employees share options granted in FYE2022 to our Executive Director and management personnel; and
- (v) RM4.8 million in interest paid on the BoC Loan.

FPE2024

Net cash used in operating activities

Our net cash used in operating activities was RM114.0 million after taking into account the following changes:

- (i) an increase in trade and other receivables by RM232.8 million mainly due to higher net investment in leases;
- (ii) an increase in inventories by RM20.4 million mainly due to increase in finished goods arising from higher purchases of products;

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- (iii) a decrease in trade and other payables by RM12.0 million mainly due to repayments made by our Group to CUCKOO Holdings Group;
- (iv) payment of interest of RM5.7 million; and
- (v) payment of taxes of RM35.4 million.

Net cash used in investing activities

Our net cash used in investing activities was approximately RM0.2 million, which was primarily attributable to the following:

- (i) RM2.2 million used for the acquisition of property, plant and equipment which mainly comprise renovation costs used for our Retail Outlets, CUCKOO Training Hubs and distribution hub; and
- (ii) RM2.0 million in interest received from short-term deposits with financial institutions.

Net cash from financing activities

Our net cash from financing activities was RM132.1 million, which was primarily attributable to the following:

- (i) RM305.0 million received from drawdown of loans and borrowings;
- (ii) RM73.4 million in dividend paid to our shareholders on 25 April 2024 (see Section 12.5 of this Prospectus for more information);
- (iii) RM55.2 million in repayment of the BoC Loan and other term loans;
- (iv) RM32.2 million in repayment of the loan from our immediate holding company, CKH; and
- (v) RM9.1 million in payment of lease liabilities relating to rental of premises which was recognised in accordance with MFRS 16, Leases.

12.3.3 Key financial ratios

The following table sets out certain of our key financial ratios for the financial years/period indicated:

	FYE2021	FYE2022	FYE2023	FPE2024
Trade receivables turnover period (days) ⁽¹⁾	217	283	307	337
Trade payables turnover period (days) ⁽²⁾	150	76	88	82
Inventory turnover (days) ⁽³⁾	49	67	62	57
Current ratio (times) ⁽⁴⁾	1.4	1.4	1.1	1.2
Gearing ratio (times) ⁽⁵⁾	0.3	0.2	0.1	0.4
Total borrowings ⁽⁶⁾	161,772	112,188	59,952	309,729

Notes:

- (1) Computed based on average gross trade receivables and net investment in lease as at the beginning and end of the financial year/period divided by total revenue for such financial year/period, and multiplied by number of days in the financial year/period.
- (2) Computed based on average trade payables as at the beginning and end of the financial year/period divided by total cost of sales of such year/period, and multiplied by number of days in the financial year/period.

12. FINANCIAL INFORMATION

- (3) Computed based on average inventories as at the beginning and end of the financial year/period divided by total cost of sales of such year/period, and multiplied by number of days in the financial year/period.
- (4) Computed based on current assets divided by current liabilities.
- (5) Computed based on total bank borrowings and total lease liabilities divided by total equity as at the end of the financial year/period.
- (6) Total borrowings consist of interest-bearing bank borrowings.

(a) Trade receivables turnover

Our trade receivables for the Financial Years Under Review and FPE2024 are as set out below:

	<u>FYE2021</u>	<u>FYE2022</u>	<u>FYE2023</u>	<u>FPE2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening trade receivables	586,666	769,273	852,233	1,025,881
- Net investment in lease	530,303	729,668	806,536	963,612
- Trade receivables	56,363	39,605	45,697	62,269
Closing trade receivables	769,273	852,233	1,025,881	1,263,232
- Net investment in lease	729,668	806,536	963,612	1,192,778
- Trade receivables	39,605	45,697	62,269	70,454
Average trade receivables	677,970	810,753	939,057	1,144,557
Total revenue	1,139,076	1,046,446	1,116,649	930,365
Trade receivables turnover period (days)⁽¹⁾	217	283	307	337

Note:

- (1) Computed based on average trade receivables divided by total revenue for such financial year, and multiplied by number of days in the financial year/period.

We generally offer our corporate customers a payment period of up to 60 days. Our customers who purchase products and services through rental plans, save for corporate customers, make payments upfront, with balance payments being made on a monthly basis over the course of the relevant contract term.

Our average trade receivables turnover period increased from 307 days as at 31 December 2023 to 337 days as at 30 September 2024. This was mainly due to increase in sale of products through rental plans.

Our average trade receivables turnover period increased from 283 days as at 31 December 2022 to 307 days as at 31 December 2023. This was mainly due to increase in sale of products with rental plans of longer tenure.

Our average trade receivables turnover period increased from 217 days as at 31 December 2021 to 283 days as at 31 December 2022. This was mainly due to increase in sale of products with rental plans of longer tenure.

As at 30 September 2024, we had RM70.5 million in trade receivables outstanding, which comprised primarily monthly rental payments from our customers.

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Our ageing analysis for our trade receivables as at 30 September 2024:

	Past due (months)							Total RM'000
	Current	1	2	3	4	5	More than 5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Trade receivables	349	11,610	4,102	2,977	2,824	2,019	46,573	70,454
% of total trade receivables	0.5%	16.5%	5.8%	4.2%	4.0%	2.9%	66.1%	100.0%
Subsequent collections up to the LPD	349	9,891	2,538	1,066	1,130	531	17,473	32,978
Outstanding trade receivables as at LPD	-	1,719	1,564	1,911	1,694	1,488	29,100	37,476
% of total trade receivables	-	2.4%	2.2%	2.7%	2.4%	2.1%	41.3%	53.1%

We do not have any significant exposure to any individual customer as the value of each monthly rental payment by them is low. Our customers are subject to credit assessment checks before they are allowed to purchase our products under a rental plan. Generally, our ability to collect payments from customers reduces as the period for which such payments are past due increases. As at the LPD, we have collected approximately RM32.9 million or 46.9% of the total trade receivables which were outstanding as at 30 September 2024.

(b) Trade payables turnover

	FYE2021 RM'000	FYE2022 RM'000	FYE2023 RM'000	FPE2024 RM'000
Opening trade payables	482,001	125,986	148,573	212,342
- Amount due to immediate holding company	463,192	66,759	98,966	140,339
- Amount due to a related corporation	11,010	268	2,035	153
- Trade payables	1,455	4,703	8,675	34,431
- Trade accruals	6,344	54,256	38,897	37,419
Closing trade payables	125,986	148,573	212,342	169,150
- Amount due to immediate holding company	66,759	98,966	140,339	46,942
- Amount due to a related corporation	268	2,035	153	263
- Trade payables	4,703	8,675	34,431	83,746
- Trade accruals	54,256	38,897	37,419	38,199
Average trade payables	303,994	137,280	180,458	190,746
Cost of sales	738,736	661,439	746,534	640,428
Trade payables turnover period (days) ⁽¹⁾	150	76	88	82

Note:

- (1) Computed based on average trade payables divided by total cost of sales of such financial year, and multiplied by number of days in the financial year/period.

12. FINANCIAL INFORMATION

In July 2024, our repayment term for CUCKOO Holdings Group was changed from 24 months to 90 days. Subsequent to that, the normal credit period granted to us by our suppliers generally range from 30 to 90 days. We have entered into revenue sharing arrangements with LSK and OGAWA Malaysia, under which payments for rental plans are made upon successful monthly collection from our customers in accordance with our respective distribution agreements with them throughout the term of the rental contract.

Our trade payables turnover period decreased from 88 days for the FYE2023 to 82 days for the FPE2024. This was mainly due to repayments being made to CUCKOO Holdings Group in the FPE2024.

Our trade payables turnover period increased from 76 days for the FYE2022 to 88 days for the FYE2023 primarily due to an increase in trade payables owing to LSK and OGAWA Malaysia under revenue sharing arrangements which are payable over the term of the rental contract.

Our trade payables turnover period improved from 150 days as at 31 December 2021 to 76 days as at 31 December 2022. This was mainly due to the conversion of trade payables owing to CKH into a shareholders' loan.

The ageing analysis for our trade payables as at 30 September 2024 is as follows:

	Current	Past due (months)				Total
		1	2	3	More than 3	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	22,302	26,319	30,493	958	50,879	130,951
% of total trade payables	17.0%	20.1%	23.3%	0.7%	38.9%	100.0%
Subsequent payments up to the LPD	18,684	21,614	20,608	227	8,801	69,934
Outstanding trade payables as at the LPD	3,618	4,705	9,885	731	42,078	61,017
% of total trade payables	2.8%	3.6%	7.5%	0.6%	32.1%	46.6%

As at the LPD, we have paid RM69.9 million or 53.4% of our total outstanding trade payables as at 30 September 2024. The trade payables that are past due are primarily attributable to revenue sharing arrangements with our business partners.

12. FINANCIAL INFORMATION

(c) Inventory turnover

Our inventory comprises finished goods and goods in transit, which are products we purchase from CKH and our business partners who are our suppliers. Our inventories for the Financial Years Under Review are as set out below and FPE2024 are as set out below:

	<u>FYE2021</u>	<u>FYE2022</u>	<u>FYE2023</u>	<u>FPE2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Closing inventory	110,680	133,205	122,068	142,430
Finished goods	76,441	118,754	98,057	121,310
Goods in transit	34,239	14,451	24,011	21,120
Opening inventory	87,370	110,680	133,205	122,068
Average inventory	99,025	121,943	127,637	132,249
Cost of goods sold	738,736	661,439	746,534	640,428
Inventory turnover (days) ⁽¹⁾	49	67	62	57

Note:

- (1) Computed as an average of the opening and closing inventory for the financial year/period divided by cost of goods sold for such financial year/period, multiplied by number of days in the financial year/period.

Our inventory turnover period decreased from 62 days for the FYE2023 to 57 days for the FPE2024. This was mainly attributed to the higher cost of sales in line with a higher number of units being sold in the FPE2024.

Our inventory turnover period improved from 67 days for the FYE2022 to 62 days for the FYE2023. This was mainly attributed to the higher cost of sales in line with higher number of units being sold in the FYE2023.

Our inventory turnover period increased from 49 days for the FYE2021 to 67 days for the FYE2022. This was mainly due to an increase in finished goods and lower cost of sales, both in line with lower sale of products.

(d) Current ratio

Our current ratio for the Financial Years Under Review and FPE2024 is as set out below:

	<u>FYE2021</u>	<u>FYE2022</u>	<u>FYE2023</u>	<u>FPE2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current assets	500,008	608,552	522,968	586,582
Current liabilities	348,680	437,040	463,219	504,041
Current ratio (times)	1.4	1.4	1.1	1.2

Our current ratio increased from 1.1 times as at 31 December 2023 to 1.2 times as at 30 September 2024 primarily due to our repayments to CUCKOO Holdings Group in the FPE2024, which we made by drawing down on our term loans.

Our current ratio decreased from 1.4 times as at 31 December 2022 to 1.1 times as at 31 December 2023 primarily due to lower cash and cash equivalents arising from the purchase of a distribution hub in Subang Jaya, Selangor Darul Ehsan in cash.

Our current ratio remained at 1.4 times as at 31 December 2021 and 31 December 2022.

12. FINANCIAL INFORMATION

(e) Gearing ratio

Our gearing ratio for the Financial Years Under Review and FPE2024 is as set out below:

	FYE2021	FYE2022	FYE2023	FPE2024
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	161,772	112,188	59,952	309,729
Lease liabilities	20,959	17,888	13,773	10,330
Total equity	567,243	706,305	797,356	828,850
Gearing ratio (times)⁽¹⁾	0.3	0.2	0.1	0.4

Note:

(1) Computed based on total loans and borrowings and total lease liabilities, divided by total equity.

Our gearing ratio increased from 0.1 times as at 31 December 2023 to 0.4 times as at 30 September 2024 mainly due to the drawdown of bank borrowings in the FPE2024.

Our gearing ratio decreased from 0.2 times as at 31 December 2022 to 0.1 times as at 31 December 2023 primarily due to the repayment of the BoC Loan in the FYE2023.

Our gearing ratio decreased from 0.3 times as at 31 December 2021 to 0.2 times as at 31 December 2022 primarily due to the repayment of the BoC Loan in the FYE2022.

12.3.4 Bank borrowings

As at 30 September 2024, our Group's total outstanding bank borrowings amounted to RM309.7 million, all of which related to interest-bearing bank loans.

For more information on our bank borrowings, see Note 13 of the Accountants' Report in Section 13 of this Prospectus.

We have not been in default of either interest or principal for any of our bank borrowings during the Financial Years Under Review, and from 1 January 2024 up to and including the LPD.

As at the LPD, we are not in breach of the terms and conditions or covenants associated with our bank borrowings which would materially affect our financial position and results of operations or the investment in our Shares. There is no seasonality in our bank borrowings trend and there is no restrictions on the use of our committed banking facilities.

As at 30 September 2024, all our bank borrowings are interest bearing including RM10.9 million which is fixed rate borrowings and RM298.8 million which is variable rate borrowings. The following table sets out the maturity profile of our bank borrowings as at 30 September 2024:

	Contractual	On demand	Within 1	Over 5	Total
	Interest rate	or within 1	year to 5	years	
	%	year	years	years	RM'000
		RM'000	RM'000	RM'000	RM'000
Term loans	4.00 - 4.85%	154,431	155,298	-	309,729
Total		154,431	155,298	-	309,729

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities (if required).

12. FINANCIAL INFORMATION

The currency profile of our bank borrowings as at 30 September 2024:

	Payable within 12 months	Payable after 12 months	Total
	RM'000	RM'000	RM'000
RM / CNY ⁽¹⁾	10,900	-	10,900
Total	10,900	-	10,900

Note:

- (1) Our BoC Loan is denominated in CNY, pursuant to which we have a cross-currency swap arrangement for hedging against underlying foreign currency exposure under such loan. As at the LPD, the BoC Loan has been fully repaid.

12.3.5 Capital expenditure and divestiture

Capital expenditure

Our capital expenditure for the Financial Years Under Review, and FPE2024 and from 1 October 2024 to the LPD is as below:

	FYE2021	FYE2022	FYE2023	FPE2024	From 1 October 2024 to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Capital work-in-progress	-	6,000	-	-	-
Buildings	-	-	57,704	-	-
Furniture and fittings	423	387	1,193	396	19
Equipment	300	235	641	106	159
Computers and software	1,048	632	347	123	51
Motor vehicles	70	232	455	-	-
Renovation	1,925	828	2,599	1,531	529
Signage and signboards	181	116	93	88	50
Total	3,947	8,430	63,032	2,244	808

Our capital expenditure for the FYE2021 mainly comprised computers and software purchased for our employees and renovation costs for our Retail Outlets and distribution centres.

Our capital expenditure for the FYE2022 mainly comprised capital work-in-progress for the acquisition of our office premises.

Our capital expenditure for the FYE2023 mainly comprised costs in relation to the purchase of a distribution hub in Subang Jaya, Selangor Darul Ehsan, and renovation costs for our Retail Outlets and the distribution hub.

Our capital expenditure for the FPE2024 mainly comprised renovation costs for our Retail Outlets, CUCKOO Training Hubs and our distribution hub.

Our capital expenditure for the period from 1 October 2024 to the LPD mainly comprised renovation costs for our Retail Outlets and CUCKOO+ Service Centres.

Capital divestiture

In September 2022, we disposed of our entire equity interest of 28.44% in CUCKOO Indonesia to a third party for a total cash consideration of RM152,000, following our management's decision to focus on our existing markets. Save for this, we did not undertake any capital divestitures for the Financial Years Under Review, the FPE2024 and for the period from 1 October 2024 to the LPD.

12. FINANCIAL INFORMATION

12.3.6 Material capital commitments and contractual obligations

Our material capital commitments as at the LPD are as follows:

	As at the LPD
	RM'000
Approved but not contracted for:	
- Opening of Brandshops	5,000
- Upgrading of IT systems	5,600
Total	10,600

We plan to meet our material capital commitments through proceeds from our IPO, with any shortfall to be funded from internally generated funds and/or external financing. Please refer to Section 4.5 of this Prospectus for further details on our utilisation of proceeds.

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material adverse effect on our financial results.

12.3.7 Order book

Due to the nature of our business, we do not maintain an order book.

12.3.8 Trend information

Save as disclosed in this Prospectus, and to our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations or make our Group's historical consolidated financial statements not indicative of our future financial performance and position.

12.3.9 Treasury policies and objectives

One of the main treasury responsibilities is to ensure that we have the liquidity and cash to meet our obligations as they fall due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations, as well as loans and borrowings. It is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, currency, credit, legal and regulatory) associated with these activities, using appropriate mitigation techniques.

The overarching goal of our capital management is to ensure sustainability of shareholders' equity, thereby fortifying our capacity to support and expand our business to maximise shareholders' value.

12. FINANCIAL INFORMATION

12.4 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 January 2025 and after adjusting for the effects of the Public Issue and utilisation of IPO proceeds as set out in Section 4.5 of this Prospectus.

	Unaudited	Pro Forma	
	As at 31 January 2025 RM'000	After Public Issue RM'000	After Public Issue and use of IPO proceeds RM'000
Indebtedness			
<u>Current</u>			
<i>Secured and unguaranteed</i>			
Term loans	106,800	106,800	66,800
<i>Unsecured and unguaranteed</i>			
Term loan	29,673	29,673	29,673
Islamic multi trade line	10,695	10,695	10,695
Hire purchase liability	15	15	15
Lease liabilities	7,357	7,357	7,357
	154,540	154,540	114,540
<u>Non-current</u>			
<i>Secured and unguaranteed</i>			
Term loans	82,700	82,700	82,700
<i>Unsecured and unguaranteed</i>			
Term loan	49,648	49,648	49,648
Lease liabilities	3,394	3,394	3,394
	135,742	135,742	135,742
Total indebtedness	290,282	290,282	250,282
Shareholders' equity/capitalisation			
Share capital	186,428	364,373	364,373
Reserves	676,347	670,449	670,449
Total equity attributable to owners of our Company	862,775	1,034,822	1,034,822
Non-controlling interests	(2,236)	(2,236)	(2,236)
Total capitalisation/shareholders' equity	860,539	1,032,586	1,032,586
Total capitalisation and indebtedness	1,150,821	1,322,868	1,282,868
Gearing ratio (times) ⁽¹⁾	0.34	0.28	0.24

Note:

(1) Computed based on total indebtedness divided by total shareholders' equity/capitalisation.

As at the LPD, we do not have any contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position.

12. FINANCIAL INFORMATION

12.5 DIVIDEND POLICY

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our projected levels of capital expenditure and other growth/investment plans; and
- (iii) applicable restrictive covenants and conditions under our financing documents.

As at the LPD, our Group has banking facilities with Bank of China (Malaysia) Berhad, Affin Islamic Bank Berhad, AmBank (M) Berhad and RHB Islamic Bank Berhad pursuant to which we are restricted from declaring dividends without the said financial institutions' written consents. These restrictions will remain in place for as long as the facilities are subsisting, unless the terms are otherwise varied or amended.

Our ability to declare dividends will depend upon our operating results, earnings, capital requirements, general financial condition and other relevant factors including exchange controls.

We target a payout ratio of at least 20% of our net profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital (which refers to capital which are mainly used for the maintenance of our Retail Outlets and CUCKOO+ Service Centres) and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plan approved by our Board.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 9.1.4 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

We did not declare or pay any dividends to our shareholders for the FYE2021, FYE2022 and FPE2024. For the FYE2023, we declared a dividend of RM73.4 million (dividend payout ratio of 84.1%) which was paid on 25 April 2024 ("**Dividend**"). The Dividend was fully funded via internally generated funds. Our Directors confirm that such dividend declared and paid is not expected to affect our future plans and strategies as set out in Section 7.4 of this Prospectus moving forward. We do not intend to declare any dividends prior to our Listing.

13. ACCOUNTANTS' REPORT

Cuckoo International (MAL) Berhad
(Registration No. 201401026804 (1102894-H))
(Incorporated in Malaysia)
and its subsidiaries

**Accountants' Report on the
Consolidated Financial Statements**

13. ACCOUNTANTS' REPORT

1

Cuckoo International (MAL) Berhad

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statement of financial position**

	Note	30.9.2024 RM'000 Audited	31.12.2023 RM'000 Audited	31.12.2022 RM'000 Audited	31.12.2021 RM'000 Audited
Assets					
Property, plant and equipment	3	76,887	100,557	86,094	135,778
Right-of-use assets	4	9,153	12,112	10,173	12,462
Intangible assets	5	6,481	7,228	8,225	9,222
Trade and other receivables	8	771,006	600,545	505,707	486,727
Deferred tax assets	9	40,937	31,598	23,443	12,472
Total non-current assets		904,464	752,040	633,642	656,661
Inventories	10	142,430	122,068	133,205	110,680
Trade and other receivables	8	328,339	308,743	330,859	295,216
Current tax assets		212	202	202	162
Prepayments		13,314	7,856	10,803	8,710
Cash and cash equivalents	11	102,287	84,099	133,483	85,240
Total current assets		586,582	522,968	608,552	500,008
Total assets		1,491,046	1,275,008	1,242,194	1,156,669
Equity					
Share capital	12	186,428	186,428	44,031	44,031
Reserves		644,446	612,638	663,593	524,146
Equity attributable to owners of the Company		830,874	799,066	707,624	568,177
Non-controlling interests		(2,024)	(1,710)	(1,319)	(934)
Total equity		828,850	797,356	706,305	567,243
Liabilities					
Loans and borrowings	13	155,298	-	53,655	106,239
Lease liabilities		2,857	4,170	7,834	11,342
Trade and other payables	14	-	10,263	37,360	123,165
Total non-current liabilities		158,155	14,433	98,849	240,746
Loans and borrowings	13	154,431	59,952	58,533	55,533
Lease liabilities		7,473	9,603	10,054	9,617
Trade and other payables	14	261,443	306,759	266,992	175,548
Provision	15	12,206	13,642	14,705	12,292
Current tax liabilities		14,779	8,247	14,749	29,655
Deferred income	16	1,088	3,659	10,140	17,021
Contract liabilities	17	52,621	61,357	61,867	49,014
Total current liabilities		504,041	463,219	437,040	348,680
Total liabilities		662,196	477,652	535,889	589,426
Total equity and liabilities		1,491,046	1,275,008	1,242,194	1,156,669

The notes on pages 11 to 82 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT

2

Cuckoo International (MAL) Berhad

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statement of profit or loss and other comprehensive income**

	Note	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Revenue	18	930,365	823,003	1,116,649	1,046,446	1,139,076
Cost of sales		(640,428)	(545,533)	(746,534)	(661,439)	(738,736)
Gross profit		289,937	277,470	370,115	385,007	400,340
Other income		3,280	3,362	3,825	12,458	17,653
Distribution expenses		(63,388)	(56,392)	(84,870)	(77,889)	(58,009)
Administrative expenses		(53,835)	(44,155)	(62,740)	(201,059)	(51,303)
Net loss on impairment of financial instruments	21	(36,014)	(43,498)	(52,258)	(27,772)	(20,661)
Results from operating activities		139,980	136,787	174,072	90,745	288,020
Finance income	19	10,901	2,065	2,739	2,473	1,637
Finance costs	20	(14,597)	(37,460)	(38,180)	(41,246)	(40,230)
Net finance costs		(3,696)	(35,395)	(35,441)	(38,773)	(38,593)
Profit before tax	21	136,284	101,392	138,631	51,972	249,427
Tax expense	22	(32,595)	(42,286)	(51,762)	(49,917)	(62,991)
Profit for the period/year		103,689	59,106	86,869	2,055	186,436
Other comprehensive income/(expense), net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations		1,183	(550)	(706)	(502)	(70)
Other comprehensive income/(expense) for the period/year, net of tax		1,183	(550)	(706)	(502)	(70)
Total comprehensive income for the period/year		104,872	58,556	86,163	1,553	186,366

13. ACCOUNTANTS' REPORT

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Consolidated statement of profit or loss and other comprehensive income (continued)

	Note	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit/(Loss) attributable to:						
Owners of the Company		104,003	59,232	87,260	2,440	186,694
Non-controlling interests		(314)	(126)	(391)	(385)	(258)
Profit for the period/year		<u>103,689</u>	<u>59,106</u>	<u>86,869</u>	<u>2,055</u>	<u>186,436</u>
Total comprehensive income/(expense) attributable to:						
Owners of the Company		105,186	58,682	86,554	1,938	186,624
Non-controlling interests		(314)	(126)	(391)	(385)	(258)
Total comprehensive income for the period/year		<u>104,872</u>	<u>58,556</u>	<u>86,163</u>	<u>1,553</u>	<u>186,366</u>
Basic earnings per ordinary share (sen)	23	<u>8.07</u>	<u>4.75</u>	<u>6.94</u>	<u>0.21</u>	<u>16.08</u>
Diluted earnings per ordinary share (sen)	23	<u>8.07</u>	<u>4.75</u>	<u>6.94</u>	<u>0.20</u>	<u>16.08</u>

The notes on pages 11 to 82 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT

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Cuckoo International (MAL) Berhad

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

and its subsidiaries
Consolidated statement of changes in equity

Audited	/-----Attributable to owners of the Company-----/				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000			
At 1 January 2021	44,031	-	(23)	337,545	381,553	(676)	380,877
Foreign currency translation differences for foreign operations	-	-	(70)	-	(70)	-	(70)
Total other comprehensive expense for the year	-	-	(70)	-	(70)	-	(70)
Profit/(Loss) for the year	-	-	-	186,694	186,694	(258)	186,436
Total comprehensive (expense)/ income for the year	-	-	(70)	186,694	186,624	(258)	186,366
At 31 December 2021/1 January 2022	44,031	-	(93)	524,239	568,177	(934)	567,243
Foreign currency translation differences for foreign operations	-	-	(502)	-	(502)	-	(502)
Total other comprehensive expense for the year	-	-	(502)	-	(502)	-	(502)
Profit/(Loss) for the year	-	-	-	2,440	2,440	(385)	2,055
Total comprehensive (expense)/ income for the year	-	-	(502)	2,440	1,938	(385)	1,553
<i>Contribution by owners of the Company:</i>							
- Share-based payment transaction	-	137,509	-	-	137,509	-	137,509
At 31 December 2022	44,031	137,509	(595)	526,679	707,624	(1,319)	706,305
	Note 12	Note 12					

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Consolidated statement of changes in equity (continued)

Audited	/-----Attributable to owners of the Company-----/ /-----Non-distributable-----/ Distributable						
	Share capital RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2023	44,031	137,509	(595)	526,679	707,624	(1,319)	706,305
Foreign currency translation differences for foreign operations	-	-	(706)	-	(706)	-	(706)
Total other comprehensive expense for the year	-	-	(706)	-	(706)	-	(706)
Profit/(Loss) for the year	-	-	-	87,260	87,260	(391)	86,869
Total comprehensive (expense)/ income for the year	-	-	(706)	87,260	86,554	(391)	86,163
<i>Contribution by owners of the Company:</i>							
- Share options exercised	142,397	(137,509)	-	-	4,888	-	4,888
At 31 December 2023/1 January 2024	186,428	-	(1,301)	613,939	799,066	(1,710)	797,356
Foreign currency translation differences for foreign operations	-	-	1,183	-	1,183	-	1,183
Total other comprehensive income for the period	-	-	1,183	-	1,183	-	1,183
Profit/(Loss) for the period	-	-	-	104,003	104,003	(314)	103,689
Total comprehensive income/ (expense) for the period	-	-	1,183	104,003	105,186	(314)	104,872
<i>Distribution to owners of the Company:</i>							
- Dividend to owners of the Company (Note 27)	-	-	-	(73,378)	(73,378)	-	(73,378)
At 30 September 2024	186,428	-	(118)	644,564	830,874	(2,024)	828,850
	Note 12	Note 12					

13. ACCOUNTANTS' REPORT

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Consolidated statement of changes in equity (continued)

Unaudited	/-----Attributable to owners of the Company-----/				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000			
At 1 January 2023	44,031	137,509	(595)	526,679	707,624	(1,319)	706,305
Foreign currency translation differences for foreign operations	-	-	(550)	-	(550)	-	(550)
Total other comprehensive expense for the period	-	-	(550)	-	(550)	-	(550)
Profit/(Loss) for the period	-	-	-	59,232	59,232	(126)	59,106
Total comprehensive (expense)/income for the period	-	-	(550)	59,232	58,682	(126)	58,556
<i>Contribution by owners of the Company:</i>							
- Share options exercised	142,397	(137,509)	-	-	4,888	-	4,888
At 30 September 2023	186,428	-	(1,145)	585,911	771,194	(1,445)	769,749
	Note 12	Note 12					

The notes on pages 11 to 82 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT

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Cuckoo International (MAL) Berhad

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statement of cash flows**

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Cash flows from operating activities					
Profit before tax	136,284	101,392	138,631	51,972	249,427
<i>Adjustments for:</i>					
Amortisation of trademark	747	747	997	997	748
Bad debts written off	-	-	-	109	-
Depreciation of property, plant and equipment	26,515	37,753	48,576	57,844	72,361
Depreciation of right-of-use assets	8,886	8,018	10,667	6,478	5,043
Finance costs	14,597	19,842	23,536	19,596	24,078
Finance income	(2,034)	(2,065)	(2,739)	(2,473)	(1,637)
Bargain purchase gain on acquisition of business	-	-	-	-	(5,391)
Loss/(Gain) on derecognition of right-of use assets	65	-	-	-	(9)
Gain on disposal of an associate	-	-	-	(152)	-
Net (reversal of)/impairment loss on property, plant and equipment	(1,339)	(527)	(632)	(183)	6,071
Impairment loss on right-of-use assets	542	-	665	459	-
Net loss on impairment of financial instruments	36,014	43,498	52,258	27,772	20,661
Net unrealised (gain)/loss on foreign exchange	(16,027)	14,066	7,090	14,207	19,657
Property, plant and equipment written off	735	557	640	1,339	8,966
Share-based payments	-	-	-	137,509	-
Operating profit before working capital changes	204,985	223,281	279,689	315,474	399,975
Change in inventories	(20,362)	16,930	11,125	(23,396)	(23,549)
Change in provision	(1,436)	1,428	(1,063)	2,413	(513)
Change in trade and other receivables and prepayments	(232,783)	(102,016)	(147,279)	(60,278)	(168,644)
Change in deferred income	(2,571)	(5,086)	(6,481)	(6,881)	(5,337)
Change in contract liabilities	(8,736)	(405)	(510)	12,853	7,500
Change in trade and other payables	(11,997)	18,424	42,046	(6,839)	(86,117)
Cash (used in)/generated from operations	(72,900)	152,556	177,527	233,346	123,315
Interest received	6	24	27	412	470
Interest paid	(5,720)	(5,685)	(7,746)	(8,428)	(23,881)
Tax paid	(35,412)	(57,068)	(66,419)	(75,834)	(39,291)
Net cash (used in)/from operating activities	(114,026)	89,827	103,389	149,496	60,613

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Consolidated statement of cash flows (continued)

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Cash flows from investing activities					
Acquisition of property, plant and equipment	(2,244)	(42,703)	(43,342)	(8,348)	(3,561)
Acquisition of business (Note 29)	-	-	-	-	(1,772)
Deposits paid for acquisition of property, plant and equipment	-	-	-	(19,690)	-
Interest received from short-term deposits	2,028	2,041	2,712	2,061	1,167
Proceeds from disposal of an associate	-	-	-	152	-
Net cash used in investing activities	(216)	(40,662)	(40,630)	(25,825)	(4,166)
Cash flows from financing activities					
Drawdown of loans and borrowings	305,000	-	-	-	167,208
Interest paid on loans and borrowings	(3,010)	(4,832)	(5,556)	(4,802)	(197)
Proceeds from issuance of shares	-	4,888	4,888	-	-
Payment of lease liabilities	(9,135)	(8,318)	(11,488)	(11,744)	(10,657)
Repayment of loans and borrowings	(55,223)	(40,763)	(57,114)	(58,384)	(4,654)
Repayment of loan from immediate holding company	(32,168)	(27,203)	(42,205)	-	(201,629)
Dividend paid to the owners of the Company (Note 27)	(73,378)	-	-	-	-
Net cash from/(used in) financing activities	132,086	(76,228)	(111,475)	(74,930)	(49,929)
Net increase/(decrease) in cash and cash equivalents	17,844	(27,063)	(48,716)	48,741	6,518
Effect of exchange rate fluctuations on cash held	344	(564)	(668)	(498)	5
Cash and cash equivalents at 1 January	84,099	133,483	133,483	85,240	78,717
Cash and cash equivalents at the end of period/year	102,287	105,856	84,099	133,483	85,240

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Consolidated statement of cash flows (continued)**Cash and cash equivalents**

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	Note	30.9.2024 RM'000 Audited	30.9.2023 RM'000 Unaudited	31.12.2023 RM'000 Audited	31.12.2022 RM'000 Audited	31.12.2021 RM'000 Audited
Cash and bank balances	11	102,035	105,599	83,842	133,230	84,991
Deposits placed with licensed banks	11	252	257	257	253	249
		<u>102,287</u>	<u>105,856</u>	<u>84,099</u>	<u>133,483</u>	<u>85,240</u>

Acquisition of property, plant and equipment

During the financial period/year, the Group acquired property, plant and equipment with an aggregate cost of RM2,244,000 (1.1.2023 to 30.9.2023: RM62,393,000; 1.1.2023 to 31.12.2023: RM63,044,000; 1.1.2022 to 31.12.2022: RM9,300,000; 1.1.2021 to 31.12.2021: RM3,800,000) via the following:

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Transferred from inventories	-	-	12	870	239
Transferred from deposits	-	19,690	19,690	82	-
Satisfied by cash	2,244	42,703	43,342	8,348	3,561
	<u>2,244</u>	<u>62,393</u>	<u>63,044</u>	<u>9,300</u>	<u>3,800</u>

Cash outflows for leases as a lessee

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Included in net cash (used in)/from operating activities:					
Interest paid in relation to lease liabilities (Note 20)	664	734	981	1,135	1,359
Payment relating to short-term leases (Note 21)	9,275	8,980	11,990	11,688	10,205
Included in net cash from/ (used in) financing activities:					
Payment of lease liabilities	9,135	8,318	11,488	11,744	10,657
Total cash outflows for leases	<u>19,074</u>	<u>18,032</u>	<u>24,459</u>	<u>24,567</u>	<u>22,221</u>

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Consolidated statement of cash flows (continued)**Reconciliation of movements of liabilities to cash flows arising from financing activities**

Audited	Bank loans RM'000	Lease liabilities RM'000	Loan from immediate holding company RM'000	Total RM'000
At 1 January 2021	-	22,546	-	22,546
Conversion to shareholder loan from trade and other payables	-	-	275,538	275,538
Net changes from financing cash flows	162,554	(10,657)	(201,629)	(49,732)
Acquisition of new lease	-	10,135	-	10,135
Other changes	(782)	(1,065)	2,545	698
At 31 December 2021/ 1 January 2022	161,772	20,959	76,454	259,185
Net changes from financing cash flows	(58,384)	(11,744)	-	(70,128)
Acquisition of new lease	-	8,622	-	8,622
Other changes	8,800	51	4,583	13,434
At 31 December 2022/ 1 January 2023	112,188	17,888	81,037	211,113
Net changes from financing cash flows	(57,114)	(11,488)	(42,205)	(110,807)
Acquisition of new lease	-	7,332	-	7,332
Other changes	4,878	41	(2,190)	2,729
At 31 December 2023/ 1 January 2024	59,952	13,773	36,642	110,367
Net changes from financing cash flows	249,777	(9,135)	(32,168)	208,474
Acquisition of new lease	-	5,809	-	5,809
Other changes	-	(117)	(4,474)	(4,591)
At 30 September 2024	309,729	10,330	-	320,059
Unaudited				
At 1 January 2023	112,188	17,888	81,037	211,113
Net changes from financing cash flows	(40,763)	(8,318)	(27,203)	(76,284)
Acquisition of new lease	-	4,626	-	4,626
Other changes	4,877	3	8,857	13,737
At 30 September 2023	76,302	14,199	62,691	153,192

The notes on pages 11 to 82 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT

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Cuckoo International (MAL) Berhad

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

and its subsidiaries**Notes to the consolidated financial statements**

Cuckoo International (MAL) Berhad is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

16th Floor, Menara Bangkok Bank
Laman Sentral Berjaya
No.105, Jalan Ampang
50450 Kuala Lumpur

Registered office

B-21-1, Level 21
Tower B, Northpoint Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur

The Company is principally engaged in trading and rental of home appliances, mattresses and furniture, trading of beauty care products, providing home care services and investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the consolidated financial statements.

The immediate and ultimate holding companies during the financial period are Cuckoo Homesys Co. Ltd. and Cuckoo Holdings Co., Ltd. Both companies were incorporated in Republic of Korea and listed on the Korea Stock Exchange.

1. Basis of preparation**(a) Statement of compliance**

The consolidated financial statements of the Company and its subsidiaries (together referred as the "Group" and individually referred to as "Group entities") have been prepared in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing") and for no other purposes.

The consolidated financial statements of the Company for the financial period ended 30 September 2024 and the financial years ended 31 December 2023, 2022, 2021 have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

13. ACCOUNTANTS' REPORT

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1. Basis of preparation (continued)**(a) Statement of compliance (continued)**

The following are accounting standards, interpretations and amendments of the MFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements – Volume 11:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 7, *Financial Instruments: Disclosures*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 10, *Consolidated Financial Statements*
 - Amendments to MFRS 107, *Statement of Cash Flows*
- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2025 for those amendments that are effective for annual periods beginning on or after 1 January 2025;
- from the annual period beginning on 1 January 2026 for those amendments that are effective for annual periods beginning on or after 1 January 2026; and
- from the annual period beginning on 1 January 2027 for those accounting standards that are effective for annual periods beginning on or after 1 January 2027.

13. ACCOUNTANTS' REPORT

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1. Basis of preparation (continued)**(a) Statement of compliance (continued)**

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currencies

These consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 25 – measurement of expected credit loss ("ECL").

2. Changes in material accounting policies**Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants**

The Group has adopted the amendments to MFRS 101, *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants* from 1 January 2024. The amendments clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period (Note 13).

The Group has analysed all existing borrowings and determined that the new amendments did not result in a change in the classification of the Group's borrowings. There is also no retrospective impact on the comparative consolidated statement of financial position.

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3. Property, plant and equipment

	<i>/-----Subject to operating lease-----/</i>												Total RM'000
	Capital work-in- progress RM'000	Buildings RM'000	Furniture and fittings RM'000	Equipment RM'000	Computers and software RM'000	Motor vehicles RM'000	Renovation RM'000	Signboards and signages RM'000	Water purifiers - rental RM'000	Rice cookers - rental RM'000	Air purifiers - rental RM'000	Inductions - rental RM'000	
Cost													
At 1 January 2021	-	-	4,839	2,640	2,342	230	7,038	661	417,266	315	28,575	362	464,268
Additions	-	-	369	279	1,015	70	1,647	181	238	-	-	1	3,800
Acquisition of business (Note 29)	-	-	54	21	33	-	278	-	-	-	-	-	386
Written off	-	-	-	-	-	-	-	-	(22,997)	-	(2,487)	(118)	(25,602)
Effect of movements in exchange rates	-	-	3	-	-	-	12	-	-	-	-	-	15
At 31 December 2021/1 January 2022	-	-	5,265	2,940	3,390	300	8,975	842	394,507	315	26,088	245	442,867
Additions	6,000	-	387	235	632	232	828	116	869	-	-	1	9,300
Written off	-	-	(1,188)	(112)	(1)	-	(961)	(159)	(7,223)	-	(436)	(23)	(10,103)
Effect of movements in exchange rates	-	-	13	2	4	-	59	1	6	-	-	-	85
At 31 December 2022/1 January 2023	6,000	-	4,477	3,065	4,025	532	8,901	800	388,159	315	25,652	223	442,149
Transfer (6,000)	(6,000)	6,000	-	-	-	-	-	-	-	-	-	-	-
Additions	-	57,704	1,193	641	347	455	2,599	93	12	-	-	-	63,044
Written off	-	-	-	-	-	-	-	-	(2,400)	-	(10)	(3)	(2,413)
Effect of movements in exchange rates	-	-	13	3	4	-	84	-	4	-	-	-	108
At 31 December 2023	-	63,704	5,683	3,709	4,376	987	11,584	893	385,775	315	25,642	220	502,888

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3. Property, plant and equipment (continued)

	Capital work-in- progress RM'000	Buildings RM'000	Furniture and fittings RM'000	Equipment RM'000	Computers and software RM'000	Motor vehicles RM'000	Renovation RM'000	Signboards and signages RM'000	/-----Subject to operating lease-----/				Total RM'000
									Water purifiers - rental RM'000	Rice cookers - rental RM'000	Air purifiers - rental RM'000	Inductions - rental RM'000	
Cost													
At 1 January 2024	-	63,704	5,683	3,709	4,376	987	11,584	893	385,775	315	25,642	220	502,888
Additions	-	-	396	106	123	-	1,531	88	-	-	-	-	2,244
Written off	-	-	(205)	(1,192)	(230)	(232)	(336)	(2)	-	-	-	-	(2,197)
Effect of movements in exchange rates	-	-	(17)	(4)	(6)	-	(125)	-	(6)	-	-	-	(158)
At 30 September 2024	-	63,704	5,857	2,619	4,263	755	12,654	979	385,769	315	25,642	220	502,777
Depreciation													
At 1 January 2021	-	-	3,340	1,472	1,503	34	4,140	352	217,172	314	16,786	171	245,284
Depreciation for the year	-	-	842	555	464	59	1,202	146	65,518	1	3,508	66	72,361
Written off	-	-	-	-	-	-	-	-	(15,156)	-	(1,408)	(72)	(16,636)
Effect of movements in exchange rates	-	-	3	-	-	-	6	-	-	-	-	-	9
At 31 December 2021/1 January 2022	-	-	4,185	2,027	1,967	93	5,348	498	267,534	315	18,886	165	301,018
Depreciation for the year	-	-	616	550	619	113	1,601	154	51,636	-	2,514	41	57,844
Written off	-	-	(1,117)	(108)	(1)	-	(919)	(141)	(5,243)	-	(339)	(19)	(7,887)
Effect of movements in exchange rates	-	-	13	2	3	-	37	1	-	-	-	-	56
At 31 December 2022	-	-	3,697	2,471	2,588	206	6,067	512	313,927	315	21,061	187	351,031

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3. Property, plant and equipment (continued)

	Capital work-in- progress RM'000	Buildings RM'000	Furniture and fittings RM'000	Equipment RM'000	Computers and software RM'000	Motor vehicles RM'000	Renovation RM'000	Signboards and signages RM'000	/-----Subject to operating lease-----/				Total RM'000
									Water purifiers - rental RM'000	Rice cookers - rental RM'000	Air purifiers - rental RM'000	Inductions - rental RM'000	
Depreciation													
At 1 January 2023	-	-	3,697	2,471	2,588	206	6,067	512	313,927	315	21,061	187	351,031
Depreciation for the year	-	3,435	547	456	645	187	1,584	150	39,326	-	2,218	28	48,576
Written off	-	-	-	-	-	-	-	-	(1,445)	-	(7)	(2)	(1,454)
Effect of movements in exchange rates	-	-	13	2	2	-	45	-	3	-	-	-	65
At 31 December 2023/1 January 2024	-	3,435	4,257	2,929	3,235	393	7,696	662	351,811	315	23,272	213	398,218
Depreciation for the period	-	4,778	473	235	422	131	1,177	100	17,942	-	1,257	-	26,515
Written off	-	-	(169)	(786)	(216)	(112)	(148)	(2)	-	-	-	-	(1,433)
Effect of movements in exchange rates	-	-	(17)	(3)	(3)	-	(58)	-	(4)	-	-	-	(85)
At 30 September 2024	-	8,213	4,544	2,375	3,438	412	8,667	760	369,749	315	24,529	213	423,215

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3. Property, plant and equipment (continued)

	Capital work-in- progress RM'000	Buildings RM'000	Furniture and fittings RM'000	Equipment RM'000	Computers and software RM'000	Motor vehicles RM'000	Renovation RM'000	Signboards and signages RM'000	/-----Subject to operating lease-----/				Total RM'000
									Water purifiers - rental RM'000	Rice cookers - rental RM'000	Air purifiers - rental RM'000	Inductions - rental RM'000	
Impairment loss													
At 1 January 2021	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss for the year	-	-	-	-	-	-	-	-	5,502	-	555	14	6,071
At 31 December 2021/1 January 2022	-	-	-	-	-	-	-	-	5,502	-	555	14	6,071
Impairment loss for the year	-	-	-	5	28	-	470	-	21	-	-	-	524
Impairment reversed for the year	-	-	-	-	-	-	-	-	(640)	-	(64)	(3)	(707)
Written off	-	-	-	-	-	-	-	-	(758)	-	(117)	(2)	(877)
Effect of movements in exchange rates	-	-	-	-	1	-	12	-	-	-	-	-	13
At 31 December 2022/1 January 2023	-	-	-	5	29	-	482	-	4,125	-	374	9	5,024
Impairment loss for the year	-	-	3	1	9	-	353	-	1	-	-	-	367
Impairment reversed for the year	-	-	-	-	-	-	-	-	(939)	-	(58)	(2)	(999)
Written off	-	-	-	-	-	-	-	-	(319)	-	-	-	(319)
Effect of movements in exchange rates	-	-	-	-	2	-	38	-	-	-	-	-	40
At 31 December 2023	-	-	3	6	40	-	873	-	2,868	-	316	7	4,113

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3. Property, plant and equipment (continued)

	Capital work-in- progress RM'000	Buildings RM'000	Furniture and fittings RM'000	Equipment RM'000	Computers and software RM'000	Motor vehicles RM'000	Renovation RM'000	Signboards and signages RM'000	/-----Subject to operating lease-----/				Total RM'000
									Water purifiers - rental RM'000	Rice cookers - rental RM'000	Air purifiers - rental RM'000	Inductions - rental RM'000	
Impairment loss													
At 1 January 2024	-	-	3	6	40	-	873	-	2,868	-	316	7	4,113
Impairment reversed for the period	-	-	-	-	-	-	-	-	(1,225)	-	(114)	-	(1,339)
Written off	-	-	-	-	-	-	-	-	(29)	-	-	-	(29)
Effect of movements in exchange rates	-	-	-	-	(3)	-	(65)	-	(2)	-	-	-	(70)
At 30 September 2024	-	-	3	6	37	-	808	-	1,612	-	202	7	2,675
Carrying amounts													
At 1 January 2021	-	-	1,499	1,168	839	196	2,898	309	200,094	1	11,789	191	218,984
At 31 December 2021/1 January 2022	-	-	1,080	913	1,423	207	3,627	344	121,471	-	6,647	66	135,778
At 31 December 2022/1 January 2023	6,000	-	780	589	1,408	326	2,352	288	70,107	-	4,217	27	86,094
At 31 December 2023/1 January 2024	-	60,269	1,423	774	1,101	594	3,015	231	31,096	-	2,054	-	100,557
At 30 September 2024	-	55,491	1,310	238	788	343	3,179	219	14,408	-	911	-	76,887

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3. Property, plant and equipment (continued)**3.1 Impairment loss**

In 2021, the Group impaired certain leased CUCKOO-Branded products amounting to RM6,071,000 as there were long overdue operating lease payments from the lessees of these products, which cast doubt on the ability of such assets to generate future economic benefits to the Group. During the financial period/year, the Group reversed certain of these impairment losses from equipment subject to operating lease amounting to RM1,339,000 (1.1.2023 to 31.12.2023: RM999,000; 1.1.2022 to 31.12.2022: RM707,000; 1.1.2021 to 31.12.2021: Nil) due to subsequent lease repayments from the associated customers. The impairment loss and subsequent reversal were recognised in cost of sales.

In the previous financial year, a subsidiary impaired its entire property, plant and equipment amounting to RM367,000 (1.1.2022 to 31.12.2022: RM524,000; 1.1.2021 to 31.12.2021: Nil) as the subsidiary has been continuously making losses, which cast doubt on the ability of such assets to generate future economic benefits to the Group. The impairment loss was recognised in administrative expenses.

3.2 Equipment subject to operating lease

The Group leases some of its CUCKOO-Branded products to third parties. Each lease contains an initial non-cancellable period ranging from 1 to 5 years. Subsequent renewals are negotiated with the lessee.

The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group requires one month of advanced rental payments from the lessee. These leases do not include residual value guarantees.

The following are recognised in profit or loss:

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Rental income	79,302	131,494	167,438	211,732	260,949

The operating lease payments to be received are as follows:

	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Less than one year	43,386	99,516	167,158	211,003
One to two years	14,715	32,512	104,538	172,205
Two to three years	2,643	9,057	33,948	107,410
Three to four years	139	553	9,482	35,070
Four to five years	-	-	574	9,896
More than five years	-	-	-	625
Total undiscounted lease payments	60,883	141,638	315,700	536,209

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3. Property, plant and equipment (continued)**3.3 Property subject to operating lease**

The Group also leases a minor portion of its own-use building to a third party. The lease contains an initial non-cancellable period of 2 years. Subsequent renewals are negotiated with the lessee.

The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group requires one month of advanced rental payments from the lessee. These leases do not include residual value guarantees.

The following are recognised in profit or loss:

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Lease income	426	417	577	-	-

The operating lease payments to be received are as follows:

	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Less than one year	215	646	-	-
One to two years	-	54	-	-
Total undiscounted lease payments	215	700	-	-

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3. Property, plant and equipment (continued)**3.4 Material accounting policy information****(a) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The Group leases some of its CUCKOO-Branded products to third parties. Each lease contains an initial non-cancellable period ranging from 1 to 5 years. Subsequent renewals are negotiated with the lessee. Such leases do not transfer ownership of the products to the lessees at the end of the lease period. The Group classified such leases as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership to the lessees.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 years
Furniture and fittings	4 years
Equipment	4 years
Computers and software	4 years
Motor vehicles	4 years
Renovation	4 years
Signboards and signages	4 years
Water purifiers - rental	1.5 - 7 years
Rice cookers - rental	3 years
Air purifiers - rental	1.5 - 7 years
Inductions - rental	1.5 - 5 years

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4. Right-of-use assets

	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 January 2021	21,216	1,110	22,326
Additions	10,135	-	10,135
Derecognition*	(7,923)	-	(7,923)
Effect of movements in exchange rates	35	3	38
At 31 December 2021/1 January 2022	23,463	1,113	24,576
Additions	10,252	-	10,252
Derecognition**	(5,636)	-	(5,636)
Effect of movements in exchange rates	184	11	195
At 31 December 2022/1 January 2023	28,263	1,124	29,387
Additions	13,734	-	13,734
Derecognition***	(463)	-	(463)
Effect of movements in exchange rates	233	12	245
At 31 December 2023/1 January 2024	41,767	1,136	42,903
Additions	7,388	-	7,388
Derecognition****	(886)	-	(886)
Effect of movements in exchange rates	(424)	(15)	(439)
At 30 September 2024	<u>47,845</u>	<u>1,121</u>	<u>48,966</u>
Depreciation			
At 1 January 2021	6,403	669	7,072
Depreciation for the year	4,826	217	5,043
Derecognition*	(19)	-	(19)
Effect of movements in exchange rates	16	2	18
At 31 December 2021/1 January 2022	11,226	888	12,114
Depreciation for the year	6,276	202	6,478
Effect of movements in exchange rates	141	10	151
At 31 December 2022/1 January 2023	17,643	1,100	18,743
Depreciation for the year	10,643	24	10,667
Effect of movements in exchange rates	188	12	200
At 31 December 2023/1 January 2024	28,474	1,136	29,610
Depreciation for the period	8,886	-	8,886
Effect of movements in exchange rates	(265)	(15)	(280)
At 30 September 2024	<u>37,095</u>	<u>1,121</u>	<u>38,216</u>

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4. Right-of-use assets (continued)

	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Impairment loss			
At 1 January 2021/31 December 2021/ 1 January 2022	-	-	-
Impairment loss for the year	459	-	459
Effect of movements in exchange rates	12	-	12
At 31 December 2022/1 January 2023	471	-	471
Impairment loss for the year	665	-	665
Effect of movements in exchange rates	45	-	45
At 31 December 2023/1 January 2024	1,181	-	1,181
Impairment loss for the period	542	-	542
Effect of movements in exchange rates	(126)	-	(126)
At 30 September 2024	1,597	-	1,597
Carrying amounts			
At 1 January 2021	14,813	441	15,254
At 31 December 2021/1 January 2022	12,237	225	12,462
At 31 December 2022/1 January 2023	10,149	24	10,173
At 31 December 2023/1 January 2024	12,112	-	12,112
At 30 September 2024	9,153	-	9,153

* *Derecognition of the right-of-use assets during 2021 was as a result of entering into a finance sublease and early termination of an office.*

** *Derecognition of the right-of-use assets during 2022 was as a result of entering into a finance sublease.*

*** *Derecognition of the right-of-use assets during 2023 was as a result of entering into a finance sublease and early termination of brand stores.*

**** *Derecognition of the right-of-use assets as of 30 September 2024 was as a result of early termination of warehouses.*

The Group leases a number of warehouses, offices, service centres and brand stores that run between 1 year and 3 years and in some cases, with an option to renew the leases after that date.

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4. Right-of-use assets (continued)**4.1 Impairment loss**

During the financial period/year, a subsidiary impaired its entire right-of-use assets amounting to RM542,000 (1.1.2023 to 31.12.2023: RM665,000; 1.1.2022 to 31.12.2022: RM459,000; 1.1.2021 to 31.12.2021: Nil) as the subsidiary has been continuously making losses, which cast doubt on the ability of such assets to generate future economic benefits to the Group. The impairment loss was recognised in administrative expenses.

4.2 Extension options

Some leases of warehouses, offices, service centres and brand stores contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Most of the extension options are currently included in the lease term as the Group assessed that it is reasonably certain to exercise those extension options. As at 30 September 2024, 31 December 2023, 31 December 2022 and 31 December 2021, the potential future lease payments not included in lease liabilities are not material to the Group.

4.3 Judgements and assumptions in relation to leases entered into during the period/year

The Group assesses at lease commencement by applying judgements whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Group also applied judgements and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using judgements to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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4. Right-of-use assets (continued)**4.4 Material accounting policy information****(a) Recognition and measurement**

All right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(c) Recognition exemption

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

5. Intangible assets

	Note	Goodwill RM'000	Trademark RM'000	Total RM'000
Cost				
At 1 January 2021		347	-	347
Acquisition of business	29	-	9,970	9,970
At 31 December 2021/1 January 2022/ 31 December 2022/1 January 2023/ 31 December 2023/1 January 2024/ 30 September 2024		347	9,970	10,317

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5. Intangible assets (continued)

	Note	Goodwill RM'000	Trademark RM'000	Total RM'000
Amortisation				
At 1 January 2021		-	-	-
Amortisation for the year		-	748	748
At 31 December 2021/1 January 2022		-	748	748
Amortisation for the year		-	997	997
At 31 December 2022/1 January 2023		-	1,745	1,745
Amortisation for the year		-	997	997
At 31 December 2023/1 January 2024		-	2,742	2,742
Amortisation for the period		-	747	747
At 30 September 2024		-	3,489	3,489
Impairment loss				
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022/ 1 January 2023/31 December 2023/ 1 January 2024/30 September 2024	5.1	347	-	347
Carrying amounts				
At 1 January 2021		-	-	-
At 31 December 2021/1 January 2022		-	9,222	9,222
At 31 December 2022/1 January 2023		-	8,225	8,225
At 31 December 2023/1 January 2024		-	7,228	7,228
At 30 September 2024		-	6,481	6,481

5.1 Impairment loss

Goodwill relates to both subsidiaries disclosed in Note 6 to the financial statements. In previous financial years, the entire goodwill has been impaired as these subsidiaries were in loss making position with no expected turnaround in the near future.

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5. Intangible assets (continued)**5.2 Material accounting policy information****(a) Recognition and measurement**

Trademark that is acquired by the Group, which has finite useful lives, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(b) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of trademark.

The estimated useful life of the trademark for the current and comparative periods is 10 years.

6. List of subsidiaries

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest			
			30.9.2024 %	31.12.2023 %	31.12.2022 %	31.12.2021 %
Cuckoo International (S) Pte. Ltd.*	Singapore	Trading and rental of home appliances	86.3	86.3	86.3	86.3
Cuckoo Global Technology Sdn. Bhd.	Malaysia	Software development, maintenance of computer software and consultancy services	100	100	100	100

* Audited by member firm of KPMG International.

The non-controlling interests are not material to the Group, hence no further information is disclosed.

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7. Investment in an associate

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Investment in shares	-	-	-	-
Share of post-acquisition reserves	-	-	-	-
Less: Impairment loss	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In September 2022, the Group has disposed of its entire equity interest of 28.44% in PT Cuckoo International Indonesia to a third party for a total cash consideration of RM152,000. The disposal resulted in a gain on disposal amounting to RM152,000.

Unrecognised share of losses

The Group has not recognised accumulated losses related to PT Cuckoo International Indonesia, amounting to RM452,000, since the Group has no obligation in respect of these losses.

The investment in a former associate has been fully impaired in 2019 and the associate is not material to the Group, hence no further information is disclosed.

Details of the associate are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest			
			30.9.2024	31.12.2023	31.12.2022	31.12.2021
			%	%	%	%
PT. Cuckoo International Indonesia	Indonesia	Trading of home appliances of the Group	-	-	-	28.44

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8. Trade and other receivables

	Note	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Non-current					
Trade					
Net investment in lease	8.1	770,996	600,513	503,906	483,967
Non-trade					
Net investment in sublease	8.2	10	32	1,801	2,760
		<u>771,006</u>	<u>600,545</u>	<u>505,707</u>	<u>486,727</u>
Current					
Trade					
Trade receivables		18,572	21,079	16,539	14,275
Net investment in lease	8.1	290,975	257,586	233,700	188,856
Amount due from immediate holding company	8.3	271	302	289	270
Amounts due from related corporations	8.3	309	343	288	243
Amount due from a former associate	8.3	17	60	43	22
		<u>310,144</u>	<u>279,370</u>	<u>250,859</u>	<u>203,666</u>
Non-trade					
Net investment in sublease	8.2	70	101	4,404	4,967
Amounts due from related corporations	8.3	-	-	-	121
Other receivables		10,271	20,857	45,397	76,097
Goods and services tax recoverable		1,174	1,571	3,497	3,497
Deposits		6,680	6,844	26,702	6,868
		<u>18,195</u>	<u>29,373</u>	<u>80,000</u>	<u>91,550</u>
		<u>328,339</u>	<u>308,743</u>	<u>330,859</u>	<u>295,216</u>
		<u>1,099,345</u>	<u>909,288</u>	<u>836,566</u>	<u>781,943</u>

8.1 Net investment in lease

	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
At 1 January	858,099	737,606	672,823	475,234
Additions	452,322	400,521	287,187	345,883
Interest income	42,380	49,127	41,751	72,106
Lease payments received	(265,536)	(292,573)	(248,924)	(203,827)
Impairment loss	(25,294)	(36,582)	(15,231)	(16,573)
	<u>1,061,971</u>	<u>858,099</u>	<u>737,606</u>	<u>672,823</u>

The Group leases CUCKOO-Branded and CUCKOO Co-Created products to third parties. Each lease contains an initial non-cancellable period of 1 to 7 years.

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8. Trade and other receivables (continued)**8.1 Net investment in lease (continued)**

At the end of the lease period, the ownership of the products is transferred to the lessees. The Group classified such leases as finance leases as substantially all the risks and rewards incidental to ownership are transferred to the lessees.

The Group expects the residual value of these products at the end of the lease term to be minimal. These leases do not include buy-back agreements or residual value guarantees.

The lease payments to be received are as follows:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Less than one year	332,156	293,117	262,223	216,251
One to two years	279,875	233,412	218,470	198,628
Two to three years	232,534	170,473	154,716	158,252
Three to four years	181,182	129,319	90,558	100,489
Four to five years	95,201	75,588	48,623	39,778
More than five years	43,711	34,466	23,026	16,884
Total undiscounted lease payments	1,164,659	936,375	797,616	730,282
Unearned interest income	<u>(102,688)</u>	<u>(78,276)</u>	<u>(60,010)</u>	<u>(57,459)</u>
Net investment in lease	<u>1,061,971</u>	<u>858,099</u>	<u>737,606</u>	<u>672,823</u>

8.2 Net investment in sublease

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	133	6,205	7,727	6,586
Additions	42	347	5,636	7,875
Interest income	6	27	412	470
Lease payments received	(101)	(381)	(5,940)	(6,158)
Derecognition*	<u>-</u>	<u>(6,065)</u>	<u>(1,630)</u>	<u>(1,046)</u>
At 30 September/ 31 December	<u>80</u>	<u>133</u>	<u>6,205</u>	<u>7,727</u>

* During 2021, 2022 and 2023, derecognition of the net investment in sublease was as a result of early termination of certain lease arrangements. During 2022 and 2023, there was also the transfer of certain brand stores and service centres to right-of-use assets.

The Group subleases brand stores and service centres to intermediaries. Each lease contains an initial non-cancellable period of 1 to 3 years.

These subleases are for a major part of the useful life of the right-of-use assets and hence classified by the Group as finance leases.

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8. Trade and other receivables (continued)**8.2 Net investment in sublease (continued)**

The lease payments to be received are as follows:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Less than one year	74	106	4,420	5,596
One to two years	10	34	1,845	2,225
Two to three years	-	-	157	229
Total undiscounted lease payments	84	140	6,422	8,050
Unearned interest income	(4)	(7)	(217)	(323)
Net investment in sublease	<u>80</u>	<u>133</u>	<u>6,205</u>	<u>7,727</u>

8.3 Related party balances

The trade balances due from immediate holding company, related corporations and a former associate are subject to negotiated trade terms.

The non-trade balances due from related corporations were unsecured, interest-free and repayable on demand.

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9. Deferred tax assets

9.1 Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets				Liabilities				Net			
	30.9.2024	31.12.2023	31.12.2022	31.12.2021	30.9.2024	31.12.2023	31.12.2022	31.12.2021	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	-	(4,085)	(9,977)	(10,725)	(11,589)	(4,085)	(9,977)	(10,725)	(11,589)
Right-of-use assets	-	-	-	-	(2,081)	(2,889)	(2,168)	(2,720)	(2,081)	(2,889)	(2,168)	(2,720)
Intangible assets - trademark	-	-	-	-	(1,556)	(1,735)	(1,974)	(2,213)	(1,556)	(1,735)	(1,974)	(2,213)
Lease liabilities	2,204	3,098	2,433	2,930	-	-	-	-	2,204	3,098	2,433	2,930
Provisions	11,089	10,289	8,528	10,301	-	-	-	-	11,089	10,289	8,528	10,301
Deferred income	260	875	2,430	4,085	-	-	-	-	260	875	2,430	4,085
Contract liabilities	11,903	14,014	14,362	11,310	-	-	-	-	11,903	14,014	14,362	11,310
Other items	23,203	17,923	10,557	368	-	-	-	-	23,203	17,923	10,557	368
Tax assets/(liabilities)	48,659	46,199	38,310	28,994	(7,722)	(14,601)	(14,867)	(16,522)	40,937	31,598	23,443	12,472
Set off of tax	(7,722)	(14,601)	(14,867)	(16,522)	7,722	14,601	14,867	16,522	-	-	-	-
Net tax assets	40,937	31,598	23,443	12,472	-	-	-	-	40,937	31,598	23,443	12,472

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9. Deferred tax assets (continued)**9.2 Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Tax loss carry-forwards	13,625	15,726	11,116	8,938
Capital allowance carry-forwards	611	660	621	586
Other deductible temporary differences	306	306	1,654	781
	<u>14,542</u>	<u>16,692</u>	<u>13,391</u>	<u>10,305</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The tax loss carry-forwards is arising from foreign subsidiary which do not expire under its current tax legislation.

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9. Deferred tax assets (continued)

9.3 Movement in temporary differences during the year/period

	At 1.1.2021 RM'000	Acquisition of business (Note 29) RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2022/ 1.1.2023 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2023/ 1.1.2024 RM'000	Recognised in profit or loss (Note 22) RM'000	At 30.9.2024 RM'000
Property, plant and equipment	(13,760)	-	2,171	(11,589)	864	(10,725)	748	(9,977)	5,892	(4,085)
Right-of-use assets	(3,355)	-	635	(2,720)	552	(2,168)	(721)	(2,889)	808	(2,081)
Intangible assets - trademark	-	(2,393)	180	(2,213)	239	(1,974)	239	(1,735)	179	(1,556)
Lease liabilities	3,413	-	(483)	2,930	(497)	2,433	665	3,098	(894)	2,204
Provisions	7,250	-	3,051	10,301	(1,773)	8,528	1,761	10,289	800	11,089
Deferred income	5,365	-	(1,280)	4,085	(1,655)	2,430	(1,555)	875	(615)	260
Contract liabilities	9,575	-	1,735	11,310	3,052	14,362	(348)	14,014	(2,111)	11,903
Other items	(3,077)	-	3,445	368	10,189	10,557	7,366	17,923	5,280	23,203
	<u>5,411</u>	<u>(2,393)</u>	<u>9,454</u>	<u>12,472</u>	<u>10,971</u>	<u>23,443</u>	<u>8,155</u>	<u>31,598</u>	<u>9,339</u>	<u>40,937</u>

9.4 Temporary mandatory relief from deferred tax accounting

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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10. Inventories

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Finished goods	121,310	98,057	118,754	76,441
Goods in transit	21,120	24,011	14,451	34,239
	<u>142,430</u>	<u>122,068</u>	<u>133,205</u>	<u>110,680</u>
	1.1.2024 to	1.1.2023 to	1.1.2022 to	1.1.2021 to
	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss:				
Inventories recognised as cost of sales	278,756	300,657	272,699	323,023
Net write-down/(reversal) to net realisable value	<u>274</u>	<u>46</u>	<u>(2,053)</u>	<u>(451)</u>

The net write-down/(reversal) is included in cost of sales.

The Group wrote down certain discontinued products to their net realisable values and reversed the previous wrote down discontinued products when there are subsequent sales.

10.1 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

11. Cash and cash equivalents

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	102,035	83,842	133,230	84,991
Deposits placed with licensed banks	252	257	253	249
	<u>102,287</u>	<u>84,099</u>	<u>133,483</u>	<u>85,240</u>

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12. Capital and reserves

Share capital

	Number of shares 30.9.2024 '000	Amount 30.9.2024 RM'000	Number of shares 31.12.2023 '000	Amount 31.12.2023 RM'000	Number of shares 31.12.2022 '000	Amount 31.12.2022 RM'000	Number of shares 31.12.2021 '000	Amount 31.12.2021 RM'000
Issued and fully paid shares with no par value classified as equity instruments:								
Ordinary shares								
At 1 January	48,919	186,428	44,031	44,031	44,031	44,031	44,031	44,031
Issuance of shares under Employees Share Option Scheme ("ESOS")	-	-	4,888	142,397	-	-	-	-
Bonus issue	1,240,601	-	-	-	-	-	-	-
At 30 September/31 December	<u>1,289,520</u>	<u>186,428</u>	<u>48,919</u>	<u>186,428</u>	<u>44,031</u>	<u>44,031</u>	<u>44,031</u>	<u>44,031</u>

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Bonus issue

On 11 July 2024, shareholders of the Company approved the proposed bonus issue of up to 1,240,601,593 new ordinary shares in the Company on the basis of approximately twenty-five (25) bonus shares for every one (1) existing share held by entitled shareholders of the Company. The bonus issue was completed on 12 July 2024.

Consequently, the share capital of the Company has increased from 48,918,407 ordinary shares to 1,289,520,000 ordinary shares.

13. ACCOUNTANTS' REPORT

12. Capital and reserves (continued)

Share option reserve and ESOS

Share option reserve comprises the cumulative value of employee services received for the issue of share options. When the share option is exercised, the amount from the share option reserve is transferred to share capital.

On 15 October 2022, the Company's shareholders approved the establishment of an ESOS of 4,887,437 new ordinary shares, to eligible to Directors and certain key management personnel of the Group. The salient features of the ESOS are, *inter alia* as follows:

- (a) The ESOS shall be in force for a period of 1 year from the first grant date; and
- (b) The exercise price of a new ordinary share under the ESOS is RM1.00.

In the previous financial year, the issued and fully paid capital of the Group had increased from RM44,030,970 to RM186,427,633, by way of issuance of 4,887,437 new ordinary shares through the exercise of ESOS.

The movements in the Group's ESOS options were as follows:

	Exercise price per ordinary share	Number of options over ordinary shares						
		Balance as at 1.1.2021/ 31.12.2021/ 1.1.2022	Granted	Exercised	Balance as at 31.12.2022/ 1.1.2023	Granted	Exercised	Balance as at 31.12.2023
Grant date								
15 October 2022	RM1.00	-	4,887,437	-	4,887,437	-	(4,887,437)	-

In 2022, the fair value of the share options granted under the ESOS was estimated at the grant date using market approach. Measurement inputs included earnings before interest, tax, depreciation, amortisation and other non-operational items ("Adjusted EBITDA"), EV/EBITDA multiple and discount for lack of marketability.

The fair value per ordinary share at grant date was RM29.14. The total expense of RM137,509,000 was recognised in administrative expenses. All of the ESOS holders had exercised their options on 6 April 2023.

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12. Capital and reserves (continued)**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13. Loans and borrowings

	Note	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Non-current					
Secured and unguaranteed					
Term loan 1	13.1	-	-	53,655	106,239
Term loan 2	13.2	100,700	-	-	-
		<u>100,700</u>	<u>-</u>	<u>53,655</u>	<u>106,239</u>
Unsecured and unguaranteed					
Term loan 3		22,931	-	-	-
Term loan 4		31,667	-	-	-
		<u>54,598</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>155,298</u>	<u>-</u>	<u>53,655</u>	<u>106,239</u>
Current					
Secured and unguaranteed					
Term loan 1	13.1	10,900	59,952	58,533	55,533
Term loan 2	13.2	114,035	-	-	-
		<u>124,935</u>	<u>59,952</u>	<u>58,533</u>	<u>55,533</u>
Unsecured and unguaranteed					
Term loan 3		11,162	-	-	-
Term loan 4		18,334	-	-	-
		<u>29,496</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>154,431</u>	<u>59,952</u>	<u>58,533</u>	<u>55,533</u>
		<u>309,729</u>	<u>59,952</u>	<u>112,188</u>	<u>161,772</u>

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13. Loans and borrowings (continued)**13.1 Term loan 1**

The bank loan was drawn down in November 2021 and repayable from year 2022 to 2024. The bank loan is secured over future collections from rental contracts for the next fifteen (15) months from the date of first drawdown of the facility until the bank loan is fully settled.

13.2 Term loan 2

The bank loan was drawn down in July 2024 and repayable from year 2024 to 2027. The bank loan is secured over future collections from rental contracts for the next thirty-six (36) months from the date of first drawdown of the facility until the bank loan is fully settled.

13.3 Significant covenants**(a) Term loans 1 and 2**

The Group's bank loans with a carrying amount of RM225,635,000 at 30 September 2024 (31.12.2023: RM59,952,000; 31.12.2022: RM112,188,000; 31.12.2021: RM116,772,000) contain covenants that require the Group to maintain a minimum Annual Debt Service Coverage Ratio of 2.0 times and a maximum Gearing Ratio of 1.0 times. The covenants are tested semi-annually on 30 June and 31 December.

As at 30 September 2024, the Group has complied with the threshold and has no indication that it will have difficulty complying with these covenants.

(b) Term loan 4

The Group's bank loan with a carrying amount of RM50,001,000 at 30 September 2024 contains covenants that require the Group to maintain a minimum Annual Debt Service Coverage Ratio of 1.25 times and a maximum Gearing Ratio of 1.0 times. The covenants are tested annually on 31 December.

As at 30 September 2024, the Group has complied with the threshold and has no indication that it will have difficulty complying with these covenants.

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14. Trade and other payables

	Note	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Non-current					
Non-trade					
Amount due to immediate holding company	14.1	-	10,263	37,360	46,711
Loan from immediate holding company	14.2	-	-	-	76,454
		-	10,263	37,360	123,165
Current					
Trade					
Amount due to immediate holding company	14.1	46,942	140,339	98,966	66,759
Amount due to a related corporation	14.3	263	153	2,035	268
Trade payables		83,746	34,431	8,675	4,703
Trade accruals		38,199	37,419	38,897	54,256
		169,150	212,342	148,573	125,986
Non-trade					
Loan from immediate holding company	14.2	-	36,642	81,037	-
Amount due to a related corporation	14.3	-	26	-	417
Amount due to a director	14.4	-	437	437	437
Other payables		17,088	17,256	10,320	17,253
Accrued expenses		75,205	40,056	26,625	31,455
		92,293	94,417	118,419	49,562
		261,443	306,759	266,992	175,548
		261,443	317,022	304,352	298,713

14.1 Amounts due to immediate holding company

The amounts due to immediate holding company are subject to interest rate at 4.75% (31.12.2023: 4.00%; 31.12.2022: 6.22%; 31.12.2021: 2.02%) per annum.

The non-trade balances were unsecured and previously not expected to be repaid within the next financial year.

The trade balances are unsecured and expected to be repaid as follows:

	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Within 1 year	46,942	84,570	26,868	-
More than 1 year	-	55,769	72,098	66,759
	46,942	140,339	98,966	66,759

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14. Trade and other payables (continued)**14.2 Loan from immediate holding company**

Loan from immediate holding company was unsecured, subjected to interest rate at 31.12.2023: 4.00%; 31.12.2022: 6.22%; 31.12.2021: 2.02% per annum and repayable from year 2022 to 2023.

14.3 Amounts due to a related corporation

The amounts due to a related corporation are unsecured, subject to interest rate at 4.75% (31.12.2023: 4.00%; 31.12.2022: 6.22%; 31.12.2021: 2.02%) per annum and repayable on demand.

14.4 Amount due to a director

The amount due to a director was unsecured, interest-free and repayable on demand.

15. Provision

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	13,642	14,705	12,292	12,805
Provision made during the period/year	-	-	4,116	414
Provision reversed during the period/year	(883)	(780)	-	-
Provision used during the period/year	(553)	(283)	(1,703)	(927)
At 30 September/31 December	<u>12,206</u>	<u>13,642</u>	<u>14,705</u>	<u>12,292</u>

The provision for warranty relates to CUCKOO-Branded products sold or leased. The provision is based on estimates made from historical warranty data associated with similar products and services.

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16. Deferred income

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Deferred income	1,088	3,659	10,140	17,021

The deferred income relates to the revenue from leasing a product with different rental rates over the lease term, which is recognised in profit or loss on a straight-line basis over the period of the respective lease terms. The changes in deferred income during the current and previous financial period/years were mainly due to revenue recognised during the period/year.

17. Contract liabilities

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Contract liabilities	52,621	61,357	61,867	49,014

The contract liabilities primarily relate to the advance consideration received from customers for maintenance services, which revenue is recognised over time upon the performance of maintenance services. The contract liabilities are expected to be recognised as revenue over the period of the respective maintenance terms.

Significant changes in the contract liabilities balances during the period/year are as follows:

	1.1.2024 to	1.1.2023 to	1.1.2022 to	1.1.2021 to
	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Contract liabilities at the beginning of the period recognised as revenue	42,243	48,876	39,598	29,812

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18. Revenue

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Outright sales	36,414	43,657	59,058	78,212	70,245
Maintenance services	316,180	319,131	427,284	422,195	392,740
IT support and maintenance	146	135	181	170	178
Revenue from contracts with customers	352,740	362,923	486,523	500,577	463,163
Finance lease sales	455,943	296,800	413,561	292,386	342,858
Rental income	79,302	131,494	167,438	211,732	260,949
Finance lease interest income	42,380	31,786	49,127	41,751	72,106
Total revenue	930,365	823,003	1,116,649	1,046,446	1,139,076

18.1 Disaggregation of revenue

- CUCKOO-Branded products Includes trading and rental of water purifiers, air purifiers, rice cookers, kitchen appliances, washers and treadmills.
- CUCKOO Co-Created products Includes trading and rental of mattresses, bed frames, air-conditioners and massage chairs.

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18. Revenue (continued)**18.1 Disaggregation of revenue (continued)**

Audited	Outright sales RM'000	Maintenance services RM'000	IT support and maintenance RM'000	Revenue from contracts with customers RM'000	Finance lease sales RM'000	Rental income RM'000	Finance lease interest income RM'000	Total RM'000
1.1.2024 to 30.9.2024								
Primary geographical markets								
Malaysia	28,863	313,975	58	342,896	455,943	79,266	42,380	920,485
Singapore	3,041	2,205	-	5,246	-	36	-	5,282
Brunei	4,510	-	88	4,598	-	-	-	4,598
	36,414	316,180	146	352,740	455,943	79,302	42,380	930,365
Major products and service lines								
CUCKOO-Branded products	32,908	289,041	-	321,949	301,061	79,302	32,388	734,700
CUCKOO Co-Created products	2,723	24,124	-	26,847	154,882	-	9,992	191,721
Others	783	3,015	146	3,944	-	-	-	3,944
	36,414	316,180	146	352,740	455,943	79,302	42,380	930,365
Timing of recognition								
At a point in time	36,414	-	-	36,414				
Over time	-	316,180	146	316,326				
	36,414	316,180	146	352,740				

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18. Revenue (continued)**18.1 Disaggregation of revenue (continued)**

Unaudited	Outright sales RM'000	Maintenance services RM'000	IT support and maintenance RM'000	Revenue from contracts with customers RM'000	Finance lease sales RM'000	Rental income RM'000	Finance lease interest income RM'000	Total RM'000
1.1.2023 to 30.9.2023								
Primary geographical markets								
Malaysia	34,297	317,015	58	351,370	296,800	131,428	31,786	811,384
Singapore	3,327	2,116	-	5,443	-	66	-	5,509
Brunei	6,033	-	77	6,110	-	-	-	6,110
	43,657	319,131	135	362,923	296,800	131,494	31,786	823,003
Major products and service lines								
CUCKOO-Branded products	35,995	303,053	-	339,048	213,564	131,494	26,633	710,739
CUCKOO Co-Created products	4,838	12,301	-	17,139	83,236	-	5,153	105,528
Others	2,824	3,777	135	6,736	-	-	-	6,736
	43,657	319,131	135	362,923	296,800	131,494	31,786	823,003
Timing of recognition								
At a point in time	43,657	-	-	43,657				
Over time	-	319,131	135	319,266				
	43,657	319,131	135	362,923				

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18. Revenue (continued)**18.1 Disaggregation of revenue (continued)**

Audited	Outright sales RM'000	Maintenance services RM'000	IT support and maintenance RM'000	Revenue from contracts with customers RM'000	Finance lease sales RM'000	Rental income RM'000	Finance lease interest income RM'000	Total RM'000
1.1.2023 to 31.12.2023								
Primary geographical markets								
Malaysia	46,347	424,625	78	471,050	413,561	167,350	49,127	1,101,088
Singapore	4,544	2,659	-	7,203	-	88	-	7,291
Brunei	8,167	-	103	8,270	-	-	-	8,270
	59,058	427,284	181	486,523	413,561	167,438	49,127	1,116,649
Major products and service lines								
CUCKOO-Branded products	48,378	404,045	-	452,423	293,918	167,438	40,289	954,068
CUCKOO Co-Created products	7,199	18,179	-	25,378	119,643	-	8,838	153,859
Others	3,481	5,060	181	8,722	-	-	-	8,722
	59,058	427,284	181	486,523	413,561	167,438	49,127	1,116,649
Timing of recognition								
At a point in time	59,058	-	-	59,058				
Over time	-	427,284	181	427,465				
	59,058	427,284	181	486,523				

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18. Revenue (continued)**18.1 Disaggregation of revenue (continued)**

Audited	Outright sales RM'000	Maintenance services RM'000	IT support and maintenance RM'000	Revenue from contracts with customers RM'000	Finance lease sales RM'000	Rental income RM'000	Finance lease interest income RM'000	Total RM'000
1.1.2022 to 31.12.2022								
Primary geographical markets								
Malaysia	67,160	419,772	78	487,010	292,386	211,632	41,751	1,032,779
Singapore	4,652	2,423	-	7,075	-	100	-	7,175
Brunei	6,398	-	92	6,490	-	-	-	6,490
Korea	2	-	-	2	-	-	-	2
	78,212	422,195	170	500,577	292,386	211,732	41,751	1,046,446
Major products and service lines								
CUCKOO-Branded products	66,776	406,255	-	473,031	217,073	211,732	37,144	938,980
CUCKOO Co-Created products	6,965	8,468	-	15,433	75,313	-	4,607	95,353
Others	4,471	7,472	170	12,113	-	-	-	12,113
	78,212	422,195	170	500,577	292,386	211,732	41,751	1,046,446
Timing of recognition								
At a point in time	78,212	-	-	78,212				
Over time	-	422,195	170	422,365				
	78,212	422,195	170	500,577				

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18. Revenue (continued)
18.1 Disaggregation of revenue (continued)

Audited	Outright sales RM'000	Maintenance services RM'000	IT support and maintenance RM'000	Revenue from contracts with customers RM'000	Finance lease sales RM'000	Rental income RM'000	Finance lease interest income RM'000	Total RM'000
1.1.2021 to 31.12.2021								
Primary geographical markets								
Malaysia	60,210	390,809	36	451,055	342,858	260,832	72,106	1,126,851
Singapore	3,897	1,931	-	5,828	-	117	-	5,945
Indonesia	-	-	60	60	-	-	-	60
Brunei	5,975	-	82	6,057	-	-	-	6,057
Korea	163	-	-	163	-	-	-	163
	70,245	392,740	178	463,163	342,858	260,949	72,106	1,139,076
Major products and service lines								
CUCKOO-Branded products	55,055	385,899	-	440,954	318,584	260,949	70,703	1,091,190
CUCKOO Co-Created products	5,694	1,557	-	7,251	24,274	-	1,403	32,928
Others	9,496	5,284	178	14,958	-	-	-	14,958
	70,245	392,740	178	463,163	342,858	260,949	72,106	1,139,076
Timing of recognition								
At a point in time	70,245	-	-	70,245				
Over time	-	392,740	178	392,918				
	70,245	392,740	178	463,163				

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18. Revenue (continued)**18.2 Nature of goods and services**

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Outright sales	Revenue is recognised at a point in time when the goods are delivered, installed (where applicable), and accepted by the customers at their premises.	Payments are to be made upon delivery of goods.	Not applicable	Not applicable	Warranty of 1 to 5 years is given to customers.
Maintenance services	Revenue is recognised over time as and when maintenance services are performed using the input method.	Payments are to be made upon purchase of maintenance services.	Not applicable	Not applicable	Not applicable
IT support and maintenance	Revenue is recognised over time as and when IT support and maintenance services are performed using the input method.	Credit period of 30 days from invoice date.	Not applicable	Not applicable	Not applicable

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18. Revenue (continued)**18.3 Recognition of lease income**

The following information reflects lease recognition of the Group:

Nature	Timing or method of recognition
Finance lease sales	Finance lease sales are recognised at a point in time when the goods are delivered, installed (where applicable), and accepted by the customers at their premises.
Rental income	Lease payments received under operating leases are recognised on a straight-line basis over the lease term.
Finance lease interest income	Finance lease interest income is recognised over the lease term, based on a pattern reflecting constant periodic rate of return on the Group's net investment in the lease.

18.4 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	30.9.2024	30.9.2023	31.12.2023	31.12.2022	31.12.2021
	2024 - 2031	2024 - 2030	2024 - 2030	2023 - 2029	2022 - 2028
	RM'000	RM'000	RM'000	RM'000	RM'000
Maintenance services	<u>952,146</u>	<u>849,976</u>	<u>868,957</u>	<u>860,878</u>	<u>957,305</u>

18.5 Practical expedients applied

The Group applied the practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- for exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised goods or service to a customer and when the customer pays for that good or service is one year or less.

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19. Finance income

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Interest income of financial assets calculated using the effective interest method that are at amortised cost:					
- Deposits placed with licensed banks	2,028	2,041	2,712	2,061	1,167
Interest income on net investment in sublease	6	24	27	412	470
Net foreign exchange gain on amounts due to inter-companies	8,867	-	-	-	-
	<u>10,901</u>	<u>2,065</u>	<u>2,739</u>	<u>2,473</u>	<u>1,637</u>

20. Finance costs

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Interest expense of financial liabilities that are not at fair value through profit or loss:					
- Interest charges on amounts due to inter-companies	5,867	9,325	10,234	6,366	15,602
- Bank and merchant charges	5,056	4,951	6,765	7,294	6,919
- Loans and borrowings	3,010	4,832	5,556	4,801	198
Interest expense on lease liabilities	664	734	981	1,135	1,359
Net foreign exchange loss on amounts due to inter-companies	-	17,618	14,644	21,650	16,152
	<u>14,597</u>	<u>37,460</u>	<u>38,180</u>	<u>41,246</u>	<u>40,230</u>

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21. Profit before tax

	1.1.2024 to Note 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit before tax is arrived at after charging/ (crediting):					
Auditors' remunerations					
Audit fees:					
- KPMG PLT	184	168	224	211	179
- Overseas affiliate of KPMG PLT	65	46	61	51	49
Non-audit fees:					
- KPMG PLT	785	57	57	65	51
Material expenses/ (income)					
Amortisation of trademark	747	747	997	997	748
Bad debts written off	-	-	-	109	-
Depreciation of property, plant and equipment	26,515	37,753	48,576	57,844	72,361
Depreciation of right-of-use assets	8,886	8,018	10,667	6,478	5,043
Bargain purchase gain on acquisition of business	-	-	-	-	(5,391)
Gain on disposal of an associate	-	-	-	(152)	-
Personnel expenses (including key management personnel):					
- Contributions to Employees' Provident Fund	3,004	3,136	4,130	3,783	2,778
- Wages, salaries and others	74,190	43,653	64,487	29,880	22,297
- Share-based payments	-	-	-	137,509	-

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21. Profit before tax (continued)

	Note	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit before tax is arrived at after charging/ (crediting) (continued):						
Material expenses/ (income) (continued)						
Net (reversal of)/						
impairment loss on property, plant and equipment		(1,339)	(527)	(632)	(183)	6,071
Impairment loss on right-of-use assets		542	-	665	459	-
Wages subsidy	a	(107)	(44)	(45)	(121)	(265)
Rental subsidy	b	-	-	-	-	(138)
Property, plant and equipment written off		<u>735</u>	<u>557</u>	<u>640</u>	<u>1,339</u>	<u>8,966</u>
Expenses/ (Income) arising from leases						
Expenses relating to short-term leases	c	9,275	8,980	11,990	11,688	10,205
Income relating to property and equipment subject to operating leases		(79,728)	(131,911)	(168,015)	(211,732)	(260,949)
Income from subleasing of short-term leases		<u>(77)</u>	<u>(290)</u>	<u>(298)</u>	<u>(9,372)</u>	<u>(7,940)</u>

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21. Profit before tax (continued)

	1.1.2024 to Note 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit before tax is arrived at after charging/ (crediting) (continued):					
Net loss/(reversal) on impairment of financial instruments					
Financial assets at amortised cost:					
Trade receivables	10,720	12,440	15,643	12,610	3,785
Net investment in lease	25,294	31,058	36,582	15,231	16,573
Other receivables	-	-	33	(73)	232
Inter-company balances	-	-	-	4	71
d	36,014	43,498	52,258	27,772	20,661

Note a

Certain Group entities were entitled to a wage subsidy programme introduced by the government of Malaysia and Singapore respectively in response to Covid-19 pandemic during the previous financial years. In the current financial period, the government of Singapore introduced wage subsidy programme specifically targeted lower-wages workers and senior citizens above aged 60.

Note b

Certain Group entities were entitled to a rental subsidy programme introduced by the government of Singapore in response to Covid-19 pandemic during the previous financial years.

Note c

The Group leases brand stores and service centres with contract terms of 1 year. These leases are short-term. The Group has elected not to recognise right-of-use-assets and lease liabilities for these leases.

Note d

The net loss on impairment of financial instruments primarily arises from trade receivables and net investment in lease and is regarded by the Directors as part of the operating expenses of the Group.

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22. Tax expense**Recognised in profit or loss**

	1.1.2024 to Note 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Current tax expense					
Current period/year	39,804	42,856	56,250	66,190	72,549
Prior year	2,130	3,667	3,667	(5,302)	(104)
Total current tax recognised in profit or loss	<u>41,934</u>	<u>46,523</u>	<u>59,917</u>	<u>60,888</u>	<u>72,445</u>
Deferred tax expense					
Origination and reversal of temporary differences	(3,772)	(1,806)	(5,724)	(12,899)	(12,193)
(Over)/Under provision in prior year	<u>(5,567)</u>	<u>(2,431)</u>	<u>(2,431)</u>	<u>1,928</u>	<u>2,739</u>
Total deferred tax recognised in profit or loss	9 (9,339)	(4,237)	(8,155)	(10,971)	(9,454)
Total income tax expense	<u>32,595</u>	<u>42,286</u>	<u>51,762</u>	<u>49,917</u>	<u>62,991</u>

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22. Tax expense (continued)**Reconciliation of tax expense**

Note	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit before tax	136,284	101,392	138,631	51,972	249,427
Income tax calculated using Malaysian tax rates at 24%	32,708	24,334	33,271	12,473	59,862
Effect of tax at different rate (i)	-	-	-	11,517	-
Non-deductible expenses	3,677	16,526	16,219	28,359	65
Non-taxable income	(26)	(11)	(11)	-	(76)
Effect of tax rate in foreign jurisdiction	189	82	255	201	134
Movement of unrecognised deferred tax assets	(516)	119	792	741	371
(Over)/Under provision in prior year	(3,437)	1,236	1,236	(3,374)	2,635
	<u>32,595</u>	<u>42,286</u>	<u>51,762</u>	<u>49,917</u>	<u>62,991</u>

- (i) The Finance Act 2021 gazetted on 31 December 2021 enacted the Prosperity Tax on companies with chargeable income up to first RM100 million to be taxed at 24%, and the remaining chargeable income to be taxed at a one-off rate of 33%. This was only applicable for the Year of Assessment 2022.

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23. Earnings per ordinary share**23.1 Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1.1.2024 to 30.9.2024	1.1.2023 to 30.9.2023	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
	Audited	Unaudited	Audited	Audited	Audited
Profit attributable to ordinary shareholders	<u>104,003</u>	<u>59,232</u>	<u>87,260</u>	<u>2,440</u>	<u>186,694</u>
	30.9.2024	30.9.2023	31.12.2023	31.12.2022	31.12.2021
	'000	'000	'000	'000	'000
	Audited	Unaudited	Audited	Audited	Audited
Issued ordinary shares at 1 January	48,919	44,031	44,031	44,031	44,031
Effect of share options issued	-	3,276	3,682	-	-
Effect of bonus issue	<u>1,240,601</u>	<u>1,199,739*</u>	<u>1,210,039*</u>	<u>1,116,653*</u>	<u>1,116,653*</u>
Weighted average number of ordinary shares as at 30 September/ 31 December	<u>1,289,520</u>	<u>1,247,046</u>	<u>1,257,752</u>	<u>1,160,684</u>	<u>1,160,684</u>
	1.1.2024 to 30.9.2024	1.1.2023 to 30.9.2023	1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021
	sen	sen	sen	sen	sen
	Audited	Unaudited	Audited	Audited	Audited
Basic earnings per share	<u>8.07</u>	<u>4.75</u>	<u>6.94</u>	<u>0.21</u>	<u>16.08</u>

* The earnings per ordinary share have been adjusted retrospectively to reflect the bonus issue on the basis of approximately twenty-five (25) bonus share for every one (1) existing share of the Company which was completed in July 2024.

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23. Earnings per ordinary share (continued)**23.2 Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
Profit attributable to ordinary shareholders	<u>104,003</u>	<u>59,232</u>	<u>87,260</u>	<u>2,440</u>	<u>186,694</u>
	30.9.2024 '000 Audited	30.9.2023 '000 Unaudited	31.12.2023 '000 Audited	31.12.2022 '000 Audited	31.12.2021 '000 Audited
Weighted average number of ordinary shares at 30 September/ 31 December (basic)	1,289,520	1,247,046	1,257,752	1,160,684	1,160,684
Effect of share options on issue, considering bonus issue	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,499</u>	<u>-</u>
Weighted average number of ordinary shares at 30 September/ 31 December (diluted)	<u>1,289,520</u>	<u>1,247,046</u>	<u>1,257,752</u>	<u>1,193,183</u>	<u>1,160,684</u>
	1.1.2024 to 30.9.2024 sen Audited	1.1.2023 to 30.9.2023 sen Unaudited	1.1.2023 to 31.12.2023 sen Audited	1.1.2022 to 31.12.2022 sen Audited	1.1.2021 to 31.12.2021 sen Audited
Diluted earnings per ordinary share	<u>8.07</u>	<u>4.75</u>	<u>6.94</u>	<u>0.20</u>	<u>16.08</u>

As at 30 September 2024, there are no dilutive instruments following the full exercise of share options in year 2022.

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24. Operating segments

The Group has two reportable segments, as described below, which are consistent with the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different sales and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- CUCKOO-Branded products Includes trading and rental of water purifiers, air purifiers, rice cookers, kitchen appliances, washers and treadmills.
- CUCKOO Co-Created products Includes trading and rental of mattresses, bed frames, air-conditioners and massage chairs.

The trading and rental of water purifiers, air purifiers, rice cookers, kitchen appliances, washers, treadmills, mattresses, bed frames, air-conditioners and massage chairs are being managed by different operating segments within the Group. These operating segments are aggregated to form two reportable segments as CUCKOO-Branded and CUCKOO Co-Created products respectively, due to the similar nature and economic characteristics of the products. The nature, trading process and methods of rental of the products for these divisions are similar. The type of customers for the products are similar, which consist of mainly consumers.

Other non-reportable segments comprise strategic business units related to beauty care products, and professional home care services, such as disinfection and cleaning of household appliances. None of these segments met the quantitative thresholds for reporting segments in the financial period ended 30 September 2024 and financial years ended 31 December 2023, 2022 and 2021.

There are varying levels of integration between CUCKOO-Branded products reportable segments and the CUCKOO Co-Created products reportable segments. This integration includes shared distribution services. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit after tax as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the industry.

Segment assets

The total of segment assets is measured based on all assets (including intangible assets) of a segment, as included in the internal management reports. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports. Segment total liabilities is used to measure the gearing of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period/year to acquire property, plant and equipment, and intangible assets other than goodwill.

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24. Operating segments (continued)

	1.1.2024 to 30.9.2024				1.1.2023 to 30.9.2023			
	Audited				Unaudited			
	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000
Revenue	734,700	191,721	3,944	930,365	710,739	105,528	6,736	823,003
Segment profit/(loss) after tax	84,919	22,707	(3,937)	103,689	55,159	5,246	(1,299)	59,106
<i>Included in the measure of segment profit are:</i>								
Finance income	10,492	400	9	10,901	1,785	264	16	2,065
Rental income	62	15	426	503	188	35	484	707
Rental expenses	(7,354)	(1,525)	(396)	(9,275)	(7,794)	(952)	(234)	(8,980)
Employee related expenses	(70,373)	(6,229)	(592)	(77,194)	(42,437)	(3,692)	(660)	(46,789)
Depreciation and amortisation	(32,398)	(2,672)	(1,078)	(36,148)	(43,919)	(1,374)	(1,225)	(46,518)
Finance costs	(13,494)	(1,062)	(41)	(14,597)	(36,696)	(704)	(60)	(37,460)

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24. Operating segments (continued)

	1.1.2023 to 31.12.2023 Audited				1.1.2022 to 31.12.2022 Audited				1.1.2021 to 31.12.2021 Audited			
	CUCKOO			Total	CUCKOO			Total	CUCKOO			Total
	CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000		CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000		CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000	
Revenue	954,068	153,859	8,722	1,116,649	938,980	95,353	12,113	1,046,446	1,091,190	32,928	14,958	1,139,076
Segment profit/ (loss) after tax	78,728	12,167	(4,026)	86,869	841	3,095	(1,881)	2,055	171,267	7,312	7,857	186,436
<i>Included in the measure of segment profit are:</i>												
Finance income	2,341	377	21	2,739	2,224	225	24	2,473	1,577	44	16	1,637
Rental income	182	38	655	875	8,436	854	82	9,372	7,541	202	197	7,940
Rental expenses	(10,273)	(1,363)	(354)	(11,990)	(10,120)	(863)	(705)	(11,688)	(9,633)	(269)	(303)	(10,205)
Employee related expenses	(62,139)	(5,046)	(1,432)	(68,617)	(152,359)	(15,332)	(3,481)	(171,172)	(22,564)	(632)	(1,879)	(25,075)
Depreciation and amortisation	(56,571)	(2,065)	(1,604)	(60,240)	(62,715)	(738)	(1,866)	(65,319)	(77,159)	(152)	(841)	(78,152)
Finance costs	(37,078)	(1,026)	(76)	(38,180)	(40,358)	(750)	(138)	(41,246)	(39,916)	(216)	(98)	(40,230)

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24. Operating segments (continued)

	30.9.2024 Audited				31.12.2023 Audited			
	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000
Segment assets	1,164,252	315,066	11,728	1,491,046	1,066,298	195,656	13,054	1,275,008
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets								
Property, plant and equipment	1,772	462	10	2,244	53,866	8,685	493	63,044
Right-of-use assets	5,834	1,522	32	7,388	11,734	1,891	109	13,734
	7,606	1,984	42	9,632	65,600	10,576	602	76,778
Segment liabilities	(611,632)	(49,396)	(1,168)	(662,196)	(453,987)	(20,979)	(2,686)	(477,652)
<i>Included in the measure of segment liabilities are:</i>								
Amount due to immediate holding company	(46,942)	-	-	(46,942)	(187,244)	-	-	(187,244)
Loans and borrowings	(309,729)	-	-	(309,729)	(59,952)	-	-	(59,952)
Contract liabilities	(52,252)	(223)	(146)	(52,621)	(59,600)	(279)	(1,478)	(61,357)
Deferred income	(1,088)	-	-	(1,088)	(3,659)	-	-	(3,659)
	(410,011)	(223)	(146)	(410,380)	(310,455)	(279)	(1,478)	(312,212)

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24. Operating segments (continued)

	31.12.2022 Audited				31.12.2021 Audited			
	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000	CUCKOO- Branded products RM'000	CUCKOO Co-Created products RM'000	Non- reportable segments RM'000	Total RM'000
Segment assets	1,108,978	110,214	23,002	1,242,194	1,109,468	25,839	21,362	1,156,669
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets								
Property, plant and equipment	8,476	732	92	9,300	3,653	101	46	3,800
Right-of-use assets	9,232	905	115	10,252	9,151	873	111	10,135
	17,708	1,637	207	19,552	12,804	974	157	13,935
Segment liabilities	(516,759)	(9,420)	(9,710)	(535,889)	(575,505)	(3,710)	(10,211)	(589,426)
<i>Included in the measure of segment liabilities are:</i>								
Amount due to immediate holding company	(136,326)	-	(81,037)	(217,363)	(189,924)	-	-	(189,924)
Loans and borrowings	(112,188)	-	-	(112,188)	(161,772)	-	-	(161,772)
Contract liabilities	(59,676)	(238)	(1,953)	(61,867)	(46,196)	(190)	(2,628)	(49,014)
Deferred income	(10,140)	-	-	(10,140)	(17,021)	-	-	(17,021)
	(318,330)	(238)	(82,990)	(401,558)	(414,913)	(190)	(2,628)	(417,731)

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24. Operating segments (continued)**Geographical segments**

The business activities of the Group are predominantly located in Malaysia. The other geographical segments did not meet the quantitative thresholds for reporting segments for the financial periods ended 30 September 2024 and 30 September 2023 and financial years ended 31 December 2023, 2022 and 2021, and as such segment reporting by geographical location is not presented.

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the financial periods ended 30 September 2024 and 30 September 2023 and financial years ended 31 December 2023, 2022 and 2021.

25. Financial instruments**25.1 Categories of financial instruments**

The table below provides an analysis of financial instruments which are categorised as amortised cost ("AC"):

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Trade and other receivables*	1,098,171	907,717	833,069	778,446
Cash and cash equivalents	102,287	84,099	133,483	85,240
	<u>1,200,458</u>	<u>991,816</u>	<u>966,552</u>	<u>863,686</u>
Financial liabilities				
Loans and borrowings	(309,729)	(59,952)	(112,188)	(161,772)
Trade and other payables	(261,443)	(317,022)	(304,352)	(298,713)
	<u>(571,172)</u>	<u>(376,974)</u>	<u>(416,540)</u>	<u>(460,485)</u>

* excludes Goods and Services Tax recoverable.

25.2 Net gains and losses arising from financial instruments

	1.1.2024 to	1.1.2023 to	1.1.2023 to	1.1.2022 to	1.1.2021 to
	30.9.2024	30.9.2023	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
	Audited	Unaudited	Audited	Audited	Audited
Net gains/ (losses) on:					
Financial assets at amortised cost	7,213	(8,891)	(9)	16,770	53,055
Financial liabilities at amortised cost	<u>(3,879)</u>	<u>(37,482)</u>	<u>(37,582)</u>	<u>(40,538)</u>	<u>(38,844)</u>
	<u>3,334</u>	<u>(46,373)</u>	<u>(37,591)</u>	<u>(23,768)</u>	<u>14,211</u>

25. Financial instruments (continued)

25.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristic of each customer. There are no significant changes as compared to prior periods.

Trade receivables and net investment in lease

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on new customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and net investment in lease are credit impaired.

The gross carrying amounts of credit impaired trade receivables and net investment in lease are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and net investment in lease that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and net investment in lease is represented by the carrying amounts in the statements of financial position.

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25. Financial instruments (continued)**25.4 Credit risk (continued)****Trade receivables and net investment in lease (continued)*****Concentration of credit risk***

The exposure of credit risk for trade receivables and net investment in lease as at the end of the reporting period by geographic region was:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Domestic	1,079,708	875,493	751,274	684,561
Brunei	753	2,863	2,269	2,400
Singapore	82	822	602	137
	<u>1,080,543</u>	<u>879,178</u>	<u>754,145</u>	<u>687,098</u>

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and net investment in lease, the Group manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables and net investment in lease will pay within 1 month. The Group's debt recovery process is as follows:

- a) Above 1 month past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales collection team; and
- b) Above 5 months past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 5 months will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 5 months past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the period/year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and net investment in lease.

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25. Financial instruments (continued)**25.4 Credit risk (continued)****Trade receivables and net investment in lease (continued)****Recognition and measurement of impairment loss (continued)****Trade receivables**

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
30.9.2024			
Not past due	349	-	349
Past due 1 month	11,610	(1,918)	9,692
Past due 2 months	4,102	(884)	3,218
Past due 3 months	2,977	(1,014)	1,963
Past due 4 months	2,824	(1,266)	1,558
Past due 5 months	2,019	(1,352)	667
	<u>23,881</u>	<u>(6,434)</u>	<u>17,447</u>
Credit impaired			
Past due more than 5 months	46,573	(45,448)	1,125
	<u>70,454</u>	<u>(51,882)</u>	<u>18,572</u>
31.12.2023			
Not past due	13	-	13
Past due 1 month	11,981	(1,879)	10,102
Past due 2 months	5,139	(808)	4,331
Past due 3 months	3,243	(831)	2,412
Past due 4 months	2,797	(1,193)	1,604
Past due 5 months	2,874	(1,472)	1,402
	<u>26,047</u>	<u>(6,183)</u>	<u>19,864</u>
Credit impaired			
Past due more than 5 months	36,222	(35,007)	1,215
	<u>62,269</u>	<u>(41,190)</u>	<u>21,079</u>
31.12.2022			
Not past due	8	-	8
Past due 1 month	12,595	(611)	11,984
Past due 2 months	4,304	(1,222)	3,082
Past due 3 months	2,349	(1,961)	388
Past due 4 months	3,329	(2,621)	708
Past due 5 months	2,007	(1,836)	171
	<u>24,592</u>	<u>(8,251)</u>	<u>16,341</u>
Credit impaired			
Past due more than 5 months	21,105	(20,907)	198
	<u>45,697</u>	<u>(29,158)</u>	<u>16,539</u>

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables and net investment in lease (continued)

*Recognition and measurement of impairment loss (continued)**Trade receivables (continued)*

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
31.12.2021			
Not past due	18	-	18
Past due 1 month	408	-	408
Past due 2 months	8,799	-	8,799
Past due 3 months	4,253	(1,549)	2,704
Past due 4 months	3,057	(2,005)	1,052
Past due 5 months	3,386	(2,557)	829
	<u>19,921</u>	<u>(6,111)</u>	<u>13,810</u>
Credit impaired			
Past due more than 5 months	19,580	(19,115)	465
Individually impaired	104	(104)	-
	<u>39,605</u>	<u>(25,330)</u>	<u>14,275</u>

Net investment in lease

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
30.9.2024			
Not past due	1,072,676	(10,705)	1,061,971
Credit impaired	120,102	(120,102)	-
	<u>1,192,778</u>	<u>(130,807)</u>	<u>1,061,971</u>
31.12.2023			
Not past due	867,913	(9,814)	858,099
Credit impaired	95,699	(95,699)	-
	<u>963,612</u>	<u>(105,513)</u>	<u>858,099</u>
31.12.2022			
Not past due	737,606	-	737,606
Credit impaired	68,931	(68,931)	-
	<u>806,537</u>	<u>(68,931)</u>	<u>737,606</u>
31.12.2021			
Not past due	672,823	-	672,823
Credit impaired	56,846	(56,846)	-
	<u>729,669</u>	<u>(56,846)</u>	<u>672,823</u>

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25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables and net investment in lease (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of trade receivables and net investment in lease during the period/year are shown below:

	Trade receivables		Net investment in lease		Total RM'000
	Lifetime ECL RM'000	Credit impaired RM'000	Lifetime ECL RM'000	Credit impaired RM'000	
Balance at 1 January 2021	11,388	35,655	-	55,069	102,112
Amounts written off	-	(25,498)	-	(14,796)	(40,294)
Net remeasurement of loss allowance	(5,277)	9,062	-	16,573	20,358
Balance at 31 December 2021/ 1 January 2022	6,111	19,219	-	56,846	82,176
Amounts written off	-	(8,788)	-	(3,146)	(11,934)
Net remeasurement of loss allowance	2,140	10,470	-	15,231	27,841
Effect of movements in exchange rates	-	6	-	-	6
Balance at 31 December 2022/ 1 January 2023	8,251	20,907	-	68,931	98,089
Amounts written off	-	(3,632)	-	-	(3,632)
Net remeasurement of loss allowance	(2,078)	17,721	9,814	26,768	52,225
Effect of movements in exchange rates	10	11	-	-	21
Balance at 31 December 2023/ 1 January 2024	6,183	35,007	9,814	95,699	146,703
Net remeasurement of loss allowance	263	10,457	891	24,403	36,014
Effect of movements in exchange rates	(12)	(16)	-	-	(28)
Balance at 30 September 2024	6,434	45,448	10,705	120,102	182,689

As at 30 September 2024, all of the trade receivables written off are still subject to enforcement activity.

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25. Financial instruments (continued)**25.4 Credit risk (continued)****Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for warehouses, office buildings and fixtures rented. These deposits will be received at the end of each lease term. The Group manages the credit risk together with the leasing arrangements.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The movements in allowance for impairment in respect of other receivables during the period/year are shown below:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	32	305	378	146
Amount written off	-	(320)	-	-
Net remeasurement of loss allowance	-	33	(73)	232
Effect of movements in exchange rates	(2)	14	-	-
Balance at 30 September/ 31 December	30	32	305	378

25. Financial instruments (continued)

25.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Group trades with its immediate holding company, related corporations and a former associate. The Group also provides advances to its related corporations. The Group monitors the ability of the immediate holding company, related corporations and a former associate to repay the balances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Group considers balances from immediate holding company, related corporations and a former associate to have low credit risk. The Group assumes that there is a significant increase in credit risk when the immediate holding company's, related corporations' and a former associate's financial position deteriorates significantly. As the Group is able to determine the timing of payments of the balances when they are payable, the Group considers the balances to be in default when immediate holding company, a related corporation or a former associate or and are not able to pay when demanded.

The Group considers immediate holding company's, related corporations' or a former associate's or balance to be credit impaired when:

- The immediate holding company, a related corporation or a former associate is unlikely to repay its balance to the Group in full, or
- The immediate holding company, a related corporation or an associate is continuously loss making and is having a deficit shareholders' fund.

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25. Financial instruments (continued)**25.4 Credit risk (continued)****Inter-company balances (continued)*****Recognition and measurement of impairment loss (continued)***

The Group determines the probability of default for the balances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for inter-companies balances.

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balances RM'000
30.9.2024			
Low credit risk	580	-	580
Credit impaired	20	(3)	17
	<u>600</u>	<u>(3)</u>	<u>597</u>
31.12.2023			
Low credit risk	645	-	645
Credit impaired	63	(3)	60
	<u>708</u>	<u>(3)</u>	<u>705</u>
31.12.2022			
Low credit risk	577	-	577
Credit impaired	46	(3)	43
	<u>623</u>	<u>(3)</u>	<u>620</u>
31.12.2021			
Low credit risk	634	-	634
Credit impaired	1,259	(1,237)	22
	<u>1,893</u>	<u>(1,237)</u>	<u>656</u>

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25. Financial instruments (continued)**25.4 Credit risk (continued)****Inter-company balances (continued)*****Recognition and measurement of impairment loss (continued)***

The movements in the allowance for impairment in respect of inter-company balances during the period/year are shown below:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	3	3	1,237	1,166
Amount written off	-	-	(1,238)	
Net remeasurement of loss allowance	-	-	4	71
Balance at 30 September/ 31 December	<u>3</u>	<u>3</u>	<u>3</u>	<u>1,237</u>

25.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significant different amounts.

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25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
30.9.2024						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	309,729	4.00% - 4.85%*	327,763	165,247	89,637	72,879
Lease liabilities	10,330	2.99% - 6.00%	11,903	7,791	2,833	1,279
Trade and other payables:						
- Interest bearing	47,205	4.75%	49,447	49,447	-	-
- Non-interest bearing	214,238	-	214,238	214,238	-	-
	<u>581,502</u>		<u>603,351</u>	<u>436,723</u>	<u>92,470</u>	<u>74,158</u>
31.12.2023						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	59,952	4.00%	61,152	61,152	-	-
Lease liabilities	13,773	2.99% - 6.00%	15,466	10,844	2,994	1,628
Trade and other payables:						
- Interest bearing	187,423	4.00%	194,919	126,246	68,673	-
- Non-interest bearing	129,599	-	129,599	129,599	-	-
	<u>390,747</u>		<u>401,136</u>	<u>327,841</u>	<u>71,667</u>	<u>1,628</u>

* Represents lender's cost of funds ranging from a margin of +2.69% to +3.85% per annum.

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25. Financial instruments (continued)
25.5 Liquidity risk (continued)
Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
31.12.2022						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	112,188	5.97%*	118,877	63,622	55,255	-
Lease liabilities	17,888	2.99% - 6.00%	18,899	10,664	6,849	1,386
Trade and other payables:						
- Interest bearing	219,398	6.22%	233,044	116,778	116,266	-
- Non-interest bearing	84,954	-	84,954	84,954	-	-
	<u>434,428</u>		<u>455,774</u>	<u>276,018</u>	<u>178,370</u>	<u>1,386</u>
31.12.2021						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	161,772	1.77%*	166,073	57,950	56,967	51,156
Lease liabilities	20,959	2.99% - 6.00%	21,872	11,203	6,352	4,317
Trade and other payables:						
- Interest bearing	190,609	2.02%	194,464	704	193,760	-
- Non-interest bearing	108,104	-	108,104	108,104	-	-
	<u>481,444</u>		<u>490,513</u>	<u>177,961</u>	<u>257,079</u>	<u>55,473</u>

* Represents lender's cost of funds plus a 4.47% per annum in 2022 and 0.27% per annum in 2021.

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25. Financial instruments (continued)

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases, loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure is kept to an acceptable level by monitoring the fluctuation of the foreign currencies.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in USD			
	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Balances recognised in the consolidated statement of financial position				
Trade and other receivables	1,333	3,535	2,874	2,914
Bank loan	-	-	(112,188)	(161,772)
Trade and other payables	(47,205)	(187,423)	(219,398)	(190,609)
	<u>(45,872)</u>	<u>(183,888)</u>	<u>(328,712)</u>	<u>(349,467)</u>

Currency risk sensitivity analysis

A 10% (31.12.2023: 10%; 31.12.2022: 10%; 31.12.2021: 10%) strengthening of RM against USD at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss			
	1.1.2024 to 30.9.2024 RM'000	1.1.2023 to 31.12.2023 RM'000	1.1.2022 to 31.12.2022 RM'000	1.1.2021 to 31.12.2021 RM'000
USD	<u>3,486</u>	<u>13,975</u>	<u>24,982</u>	<u>26,559</u>

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25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (31.12.2023: 10%; 31.12.2022: 10%; 31.12.2021: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

25.6.2 Interest rate risk

The Group's investment in fixed deposits and fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not use derivative financial instruments to hedge its exposure to interest rate risk. The fluctuation of interest rates is however monitored closely by the Group.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period is as follows:

	30.9.2024	31.12.2023	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	252	257	253	249
Financial liabilities	<u>(21,230)</u>	<u>(261,148)</u>	<u>(17,888)</u>	<u>(20,959)</u>
	<u>(20,978)</u>	<u>(260,891)</u>	<u>(17,635)</u>	<u>(20,710)</u>
Floating rate instruments				
Financial liabilities	<u>(346,034)</u>	<u>-</u>	<u>(331,586)</u>	<u>(352,381)</u>

Interest rate risk sensitivity analysis***Fair value sensitivity analysis for fixed rate instruments***

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

13. ACCOUNTANTS' REPORT

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss							
	1.1.2024 to 30.9.2024		1.1.2023 to 31.12.2023		1.1.2022 to 31.12.2022		1.1.2021 to 31.12.2021	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Floating rate instruments	(1,315)	1,315	-	-	(1,260)	1,260	(1,339)	1,339

13. ACCOUNTANTS' REPORT

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25. Financial instruments (continued)**25.7 Fair value information**

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of net investment in lease, net investment in sublease, non-current amount due to immediate holding company, loan from immediate holding company and bank loans also approximate fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets and liabilities.

26. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 30 September 2024, 31 December 2023, 31 December 2022 and 31 December 2021 were as follows:

	Note	30.9.2024 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Total loans and borrowings	13	309,729	59,952	112,188	161,772
Lease liabilities		10,330	13,773	17,888	20,959
Less: Cash and cash equivalents	11	<u>(102,287)</u>	<u>(84,099)</u>	<u>(133,483)</u>	<u>(85,240)</u>
Net debt/(cash)		<u>217,772</u>	<u>(10,374)</u>	<u>(3,407)</u>	<u>97,491</u>
Total equity		<u>828,850</u>	<u>797,356</u>	<u>706,305</u>	<u>567,243</u>
Debt-to-equity ratio		<u>0.26</u>	<u>N/A</u>	<u>N/A</u>	<u>0.17</u>

There was no change in the Group's approach to capital management during the financial period/year.

13. ACCOUNTANTS' REPORT

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27. Dividend

Dividend recognised by the Company:

	RM per share	Total amount RM'000	Date of payment
30.9.2024			
Interim 2023 ordinary	1.50	<u>73,378</u>	25 April 2024

The Directors do not recommend any final dividend to be paid for the financial period under review.

28. Related parties**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Notes 8 and 14.

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
A. Immediate holding company					
Purchase of goods	217,445	151,242	213,657	204,448	287,659
Interest expense	5,856	9,272	10,208	6,326	15,495
Royalty fees	<u>24,877</u>	<u>22,596</u>	<u>30,633</u>	<u>30,787</u>	<u>30,921</u>
B. Related corporations					
Purchase of goods	831	510	510	1,178	603
Lease of premises	1,079	1,079	1,438	1,438	1,438
Royalty fees	<u>79</u>	<u>117</u>	<u>152</u>	<u>542</u>	<u>333</u>
C. Related party					
Acquisition of business	-	-	-	-	1,772
Purchase of goods	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,019</u>
D. Company in which a Director has substantial financial interest in					
Lease of premises	<u>1,497</u>	<u>1,641</u>	<u>2,189</u>	<u>2,189</u>	<u>2,189</u>

13. ACCOUNTANTS' REPORT

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28. Related parties (continued)**Significant related party transactions (continued)**

	1.1.2024 to 30.9.2024 RM'000 Audited	1.1.2023 to 30.9.2023 RM'000 Unaudited	1.1.2023 to 31.12.2023 RM'000 Audited	1.1.2022 to 31.12.2022 RM'000 Audited	1.1.2021 to 31.12.2021 RM'000 Audited
E. Key management personnel					
Directors					
Remuneration	861	691	924	1,031	954
Other short-term employee benefits	576	486	554	820	1,014
	<u>1,437</u>	<u>1,177</u>	<u>1,478</u>	<u>1,851</u>	<u>1,968</u>
Other key management personnel					
Short-term employee benefits	1,925	2,199	2,935	3,201	2,556
	<u>3,362</u>	<u>3,376</u>	<u>4,413</u>	<u>5,052</u>	<u>4,524</u>

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

29. Acquisition of business**Wonderlab Resources (M) Berhad ("Wonderlab")**

On 1 April 2021, the Group acquired the beauty care business from Wonderlab Resources (M) Berhad, a related party, for a total consideration of RM1,772,000. The acquisition of Wonderlab's beauty care business had further expanded the Group's operations and diversification of products.

The following summarised the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred

	1.4.2021 RM'000
Cash and cash equivalents	<u>1,772</u>

13. ACCOUNTANTS' REPORT

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29. Acquisition of business (continued)**Identifiable assets acquired and liabilities assumed**

	Note	1.4.2021 RM'000
Property, plant and equipment	3	386
Intangible assets – Trademark	5	9,970
Inventories		2,743
Trade and other receivables		382
Trade and other payables		(3,925)
Deferred tax liabilities	9	<u>(2,393)</u>
Total identifiable net assets		<u><u>7,163</u></u>

Gain on acquisition of business

Gain on acquisition of business was recognised as a result of the acquisition as follows:

	1.1.2021 to 31.12.2021 RM'000
Total consideration transferred	1,772
Fair value of identifiable net assets	<u>(7,163)</u>
Gain on acquisition of business recognised in profit or loss	<u><u>(5,391)</u></u>

Acquisition-related costs

The Group incurred acquisition-related costs of RM23,000 which mainly comprised valuation fee. The valuation fee had been included within administrative expenses in the Company's consolidated statements of profit or loss and other comprehensive income for the financial year ended 31 December 2021.

30. Subsequent event**Listing**

On 21 January 2025, the Company has obtained approval from the Securities Commission Malaysia to list on the Main Market of Bursa Securities.

Pursuant to the listing, the Company's initial public offering ("IPO") of up to 365,364,000 ordinary shares in the Company will comprise a public issue of 143,280,000 and an offer for sale of up to 222,084,000 existing shares. Of these 365,364,000 shares, up to 143,280,000 will be made available to Malaysians and foreign institutions, 179,100,000 will be allocated to Bumiputera investors approved by Ministry of Investment, Trade and Industry, 28,656,000 shares will be made available for application by the Malaysian public by way of balloting while the remaining 14,328,000 shares will be earmarked for eligible persons who contributed to the success of the Group.

13. ACCOUNTANTS' REPORT



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The Board of Directors
Cuckoo International (MAL) Berhad
16th Floor, Menara Bangkok Bank
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50450 Kuala Lumpur

11 March 2025

Dear Sirs,

Reporting Accountants' opinion on the consolidated financial statements contained in the Accountants' Report of Cuckoo International (MAL) Berhad

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2024, 31 December 2023, 31 December 2022 and 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period and years then ended, and notes to the consolidated financial statements, including material accounting policy information, as set out on pages 1 to 82. The consolidated financial statements of the Company have been prepared for inclusion in the Company's prospectus in connection with the listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial positions of the Group as at 30 September 2024, 31 December 2023, 31 December 2022 and 31 December 2021 and of its consolidated financial performance and cash flows for the period and years then ended in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

13. ACCOUNTANTS' REPORT

*Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
Accountants' Report on the
Consolidated Financial Statements*

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Consolidated Financial Statements

The Board of Directors of the Company (the "Directors") are responsible for the preparation of consolidated financial statements of the Company that give a true and fair view in accordance with MFRS Accounting Standards and IFRS Accounting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Company, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

13. ACCOUNTANTS' REPORT

Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
Accountants' Report on the
Consolidated Financial Statements

Reporting Accountant's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Company, including the disclosures, and whether the consolidated financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements of the Company. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. ACCOUNTANTS' REPORT



*Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
Accountants' Report on the
Consolidated Financial Statements*


Other Matter

The comparative information for the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows, and notes to the consolidated financial statements of the Company for the financial period ended 30 September 2023 has not been audited.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the Company's prospectus in connection with the listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Eric Kuo Sze-Wei
Approval Number: 03473/11/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



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Date: 11 March 2025

Dear Sirs,

Cuckoo International (MAL) Berhad (“Cuckoo” or the “Company”) and its subsidiaries (the “Group”)

Report on the compilation of pro forma consolidated statement of financial position for inclusion in the Company’s prospectus in connection with the initial public offering of up to 365,364,000 ordinary shares in the Company (“Shares”) (“IPO”) (“Prospectus”) in conjunction with the listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad (“Listing”)

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of the Company as at 30 September 2024 (“Pro Forma Consolidated Statement of Financial Position”). The Pro Forma Consolidated Statement of Financial Position and the related notes as set out in Attachment A, have been stamped by us for identification purposes. The applicable criteria on the basis on which the Board of Directors of the Company (the “Directors”) have compiled the Pro Forma Consolidated Statement of Financial Position are described in the notes to the Pro Forma Consolidated Statement of Financial Position. The Pro Forma Consolidated Statement of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors for inclusion in the Prospectus solely to illustrate the impact of events or transactions as set out in the notes of Attachment A on the Company’s consolidated statement of financial position as at 30 September 2024, as if the events or transactions had taken place on 30 September 2024. As part of this process, information about the Group’s financial position has been extracted by the Directors from the audited interim consolidated financial statements of the Company for the period ended 30 September 2024, on which an audit report dated 20 February 2025 has been issued.

Directors’ Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis described in the notes of Attachment A as required by the Prospectus Guidelines.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
Report on the compilation of Pro forma Consolidated Statement of
Financial Position for inclusion in the Prospectus
in conjunction with the Listing
11 March 2025

Reporting Accountants' Quality Management and Independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with Malaysian Approved Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis described in the notes of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



*Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
Report on the compilation of Pro forma Consolidated Statement of
Financial Position for inclusion in the Prospectus
in conjunction with the Listing
11 March 2025*


Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis described in the notes of Attachment A.

Other Matter

Our report on the Pro Forma Consolidated Statement of Financial Position has been prepared for inclusion in the Prospectus in conjunction with the Listing and should not be relied upon for any other purposes.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Eric Kuo Sze-Wei
Approval Number: 03473/11/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Consolidated Statement of Financial Position and the notes thereon

Pro Forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of the Company as at 30 September 2024 ("Pro Forma Consolidated Statement of Financial Position") as set out below has been prepared for illustrative purposes only to show the effects of the transactions referred to in Note 2 had these transactions been effected on 30 September 2024, and should be read in conjunction with the said notes to the Pro Forma Consolidated Statement of Financial Position.

		As at 30 September 2024*	Pro Forma I After adjustment for subsequent events RM'000	Pro Forma II After Pro Forma I and the IPO RM'000	Pro Forma III After Pro Forma II and the use of proceeds RM'000
Assets	Notes	RM'000			
Property, plant and equipment		76,887	76,887	76,887	76,887
Right-of-use assets		9,153	9,153	9,153	9,153
Intangible assets		6,481	6,481	6,481	6,481
Trade and other receivables		771,006	771,006	771,006	771,006
Deferred tax assets		40,937	40,937	40,937	40,937
Total non-current assets		904,464	904,464	904,464	904,464
Inventories		142,430	142,430	142,430	142,430
Trade and other receivables		328,339	328,339	328,339	328,339
Current tax assets		212	212	212	212
Prepayments		13,314	13,314	13,314	13,314
Cash and bank balances	3(a)	102,287	117,982	302,813	246,356
Total current assets		586,582	602,277	787,108	730,651
Total assets		1,491,046	1,506,741	1,691,572	1,635,115

* Extracted from the audited interim consolidated financial statements of the Company for the period ended 30 September 2024.



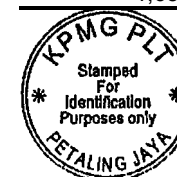
14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Consolidated Statement of Financial Position and the notes thereon

		Pro Forma I	Pro Forma II	Pro Forma III
	Notes	As at 30 September 2024* RM'000	After adjustment for subsequent events RM'000	After Pro Forma II and the use of proceeds RM'000
Equity				
Share capital	3(b)	186,428	186,428	364,373
Reserves	3(c)	644,446	644,446	634,875
Equity attributable to owners of the Company		830,874	830,874	999,248
Non-controlling interests		(2,024)	(2,024)	(2,024)
Total equity		828,850	828,850	997,224
Liabilities				
Loans and borrowings	3(d)	155,298	160,298	160,298
Lease liabilities		2,857	2,857	2,857
Total non-current liabilities		158,155	163,155	163,155
Loans and borrowings	3(d)	154,431	165,126	165,126
Lease liabilities		7,473	7,473	7,473
Trade and other payables	3(e)	261,443	261,443	277,900
Provision		12,206	12,206	12,206
Current tax liabilities		14,779	14,779	14,779
Deferred income		1,088	1,088	1,088
Contract liabilities		52,621	52,621	52,621
Total current liabilities		504,041	514,736	531,193
Total liabilities		662,196	677,891	694,348
Total equity and liabilities		1,491,046	1,506,741	1,691,572

* Extracted from the audited interim consolidated financial statements of the Company for the period ended 30 September 2024.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Consolidated Statement of Financial Position and the notes thereon

Supplementary information

	As at 30 September 2024	Pro Forma I After adjustment for subsequent events	Pro Forma II After Pro Forma I and the IPO	Pro Forma III After Pro Forma II and the use of proceeds
Number of ordinary shares ('000)	1,289,520	1,289,520	1,432,800	1,432,800
Net assets per share attributable to owners of the Company ^ (RM)	0.64	0.64	0.70	0.70
Net assets per share # (RM)	0.64	0.64	0.70	0.70
Gearing ratio >	0.39	0.41	0.34	0.30

[^] Based on equity attributable to owners of the Company over the number of ordinary shares in the Company.

[#] Based on total equity over the number of ordinary shares in the Company.

[>] Computed based on total bank borrowings and total lease liabilities divided by total equity.

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statement of Financial Position

The Pro Forma Consolidated Statement of Financial Position has been prepared for inclusion in the prospectus of the Company in connection with the initial public offering of up to 365,364,000 ordinary shares in the Company ("Shares") ("IPO") ("Prospectus") in conjunction with the listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad ("Listing") and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria on the basis of which the Board of Directors of the Company ("Directors") have compiled the Pro Forma Consolidated Statement of Financial Position are as described below. The Pro Forma Consolidated Statement of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statement of Financial Position has been prepared based on the audited interim consolidated financial statements of the Company for the period ended 30 September 2024, which were prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board and IFRS Accounting Standards as issued by the International Accounting Standards Board, and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 2.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma Consolidated Statement of Financial Position.

The audit report dated 20 February 2025 on the audited interim consolidated financial statements of the Company for the period ended 30 September 2024 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Consolidated Statement of Financial Position is not necessarily indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. The Pro Forma Consolidated Statement of Financial Position has been prepared for illustrative purposes only.

2. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position

The Pro Forma Consolidated Statement of Financial Position illustrates the effects of the following events or transactions:

2.1 Pro Forma I – Adjustment for subsequent events

Drawdown of term loan and multi trade line

(a) AmBank (M) Berhad

Subsequent to the RM50.00 million term loan drawn down from AmBank (M) Berhad on 19 August 2024 for the partial settlement of advances from its immediate holding company, Cuckoo Homesys Co., Ltd. ("CKH"), the Company had on 21 October 2024 further drawn down a term loan of RM5.00 million from AmBank (M) Berhad to finance/fund the minimum required amount to be maintained in the Debt Service Reserve Account.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")

Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (continued)

2.1 Pro Forma I – Adjustment for subsequent events (continued)

(b) RHB Islamic Bank Berhad

On 31 December 2024, the Company had drawn down RM10.70 million from an Islamic Multi Trade Lines facility granted by RHB Islamic Bank Berhad for working capital purposes.

2.2 Pro Forma II – IPO

The IPO entails the initial public offering of up to 365,364,000 Shares in the Company which comprises the following:

(i) Public Issue

The public issue of up to 143,280,000 new Shares ("Issue Shares") at an indicative price of RM1.29 per Issue Share raising total gross proceeds of approximately RM184.83 million.

(ii) Offer for Sale

The offer for sale by CKH, Koo Bon Hak, Hoe Kian Choon, Mak Foong Ling, Toh Seng Lee, Goh Hui Teng, Lye Siew Lay, Tan Yu Liang and Mak Wai Hoong (collectively, the "Selling Shareholders") of up to 222,084,000 existing Shares ("Offer Shares") at an indicative price of RM1.29 per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The gross proceeds of RM286.49 million from the Offer for Sale will be accrued entirely to the Selling Shareholders.

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")

Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Consolidated Statement of Financial Position (continued)

2.3 Pro Forma III – Use of Proceeds

The total gross proceeds from the Public Issue of RM184.83 million are intended to be used as follows:

	RM'mil
Working capital	104.72
Repayment of borrowings ⁽¹⁾	40.00
Capital expenditure ⁽²⁾	10.60
Working capital for expansion of Singapore business ⁽³⁾	10.00
Estimated listing expenses ⁽⁴⁾	19.51
	184.83

Notes:

- (1) The Group has earmarked RM40.00 million of the total gross proceeds for the repayment of borrowings. This is in relation to the partial repayment of the term loan amounting to RM220.00 million obtained from Bank of China (Malaysia) Berhad for the purpose of settling trade amounts owing to CKH.
- (2) The Group has earmarked RM10.60 million of the total gross proceeds for its capital expenditure in relation to the following:

	RM'mil
Opening of "Brandshops"	5.00
Upgrading of information technology systems	5.60
	10.60

As at the latest practicable date of 28 February 2025, the Company has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the above capital expenditure. Accordingly, such use of proceeds earmarked for capital expenditure is not reflected in the Pro Forma Consolidated Statement of Financial Position.

- (3) The Group has earmarked RM10.00 million for working capital for the expansion of its Singapore business. As at the latest practicable date of 28 February 2025, the Company has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the expansion of its Singapore business. Accordingly, the use of proceeds earmarked for the expansion of the Singapore business is not reflected in the Pro Forma Consolidated Statement of Financial Position.
- (4) The estimated listing expenses comprise the following:

	RM'mil
Professional fees	11.90
Regulatory fees	1.10
Commission fees	4.45
Others comprising fees and expenses for printing, translating, roadshow and advertisement, out-of-pocket expenses and contingencies	2.06
	19.51

The total estimated listing expenses to be borne by the Company is estimated to be approximately RM19.51 million. As of 30 September 2024, RM3.06 million has been recognised in profit or loss of the Group. The balance of the estimated listing expenses of RM16.45 million has been accrued in trade and other payables of which RM6.88 million directly attributable to the Public Issue will be debited against the share capital of the Company, and the remaining estimated listing expenses of RM9.57 million will be charged out to the profit or loss of the Group.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

3. Effects on the Pro Forma Consolidated Statement of Financial Position

(a) Movements in cash and bank balances

	RM'000
Balance as at 30 September 2024	102,287
Effects of Pro Forma I:	
- Drawdown of term loan and multi trade line	<u>15,695</u>
Pro Forma I	117,982
Effects of Pro Forma II:	
- Proceeds from the Public Issue	<u>184,831</u>
Pro Forma II	302,813
Effects of Pro Forma III:	
- Repayment of existing borrowings using proceeds from the Public Issue	(40,000)
- Estimated listing expenses	<u>(16,457)</u>
Pro Forma III	<u>246,356</u>

(b) Movements in share capital

	RM'000
Balance as at 30 September 2024/Pro Forma I	186,428
Effects of Pro Forma II:	
- Public Issue	184,831
- Estimated listing expenses directly attributable to the Public Issue	<u>(6,886)</u>
Pro Forma II and III	<u>364,373</u>

(c) Movements in reserves (retained earnings)

	RM'000
Balance as at 30 September 2024/Pro Forma I	644,446
Effects of Pro Forma II:	
- Estimated listing expenses charged to profit or loss of the Group	<u>(9,571)</u>
Pro Forma II and III	<u>634,875</u>

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Attachment A

Cuckoo International (MAL) Berhad (the "Company") and its subsidiaries (collectively, the "Group")

Pro Forma Financial Position and the notes thereon

3. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

(d) Movements in loans and borrowings – non-current

	RM'000
Balance as at 30 September 2024	155,298
Effects of Pro Forma I:	
- Drawdown of term loan	<u>5,000</u>
Pro Forma I, II and III	<u>160,298</u>

Movements in loans and borrowings – current

	RM'000
Balance as at 30 September 2024	154,431
Effects of Pro Forma I:	
- Drawdown of multi trade line	<u>10,695</u>
Pro Forma I and II	165,126
Effects of Pro Forma III:	
- Repayment of borrowings using proceeds from the Public Issue	<u>(40,000)</u>
Pro Forma III	<u>125,126</u>

(e) Movements in trade and other payables

	RM'000
Balance as at 30 September 2024/Pro Forma I	261,443
Effects of Pro Forma II:	
- Estimated listing expenses accrued	<u>16,457</u>
Pro Forma II	277,900
Effects of Pro Forma III:	
- Reversal of accrued estimated listing expenses upon payment using proceeds from the Public Issue	<u>(16,457)</u>
Pro Forma III	<u>261,443</u>

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15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) No securities will be allotted or issued on the basis of this Prospectus later than six months after the date of issue of this Prospectus.
- (ii) As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save for the new Shares issued pursuant to the employee share option scheme and the Bonus Issue as disclosed in Section 6 of this Prospectus, and Shares to be issued pursuant to the Public Issue as disclosed in Section 4 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, during the Financial Years Under Review, and up to the date of this Prospectus.
- (iv) Save for the Issue Shares reserved for subscription by Eligible Persons as disclosed in Section 4 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company or any of our subsidiaries.
- (v) As at the date of this Prospectus, none of the share capital of our Company or any of our subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (vi) Save as disclosed in this Prospectus and save as provided under our Constitution as reproduced in Section 15.2 below and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

15.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by reference to our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions will bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
Act	Means the Companies Act 2016 and any statutory modification, amendment or re-enactment thereof, including any and every other sub-legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.
Board	Means the Board of Directors for the time being of the Company and where the context permits or requires, shall mean the Directors whose number is not less than the required quorum acting as a board of Directors.
Central Depositories Act	Means the Securities Industry (Central Depositories) Act 1991 and any statutory modification, amendment or re-enactment thereof for the time being in force.
Clause	Means a clause in this Constitution as originally framed or as altered from time to time by special resolution.

15. ADDITIONAL INFORMATION

Words	Meaning
CMSA	Means the Capital Markets and Services Act 2007 and any statutory modification, amendment or re-enactment thereof for the time being in force.
Company	CUCKOO International (MAL) Berhad [Registration No. 201401026804 (1102894-H)].
Constitution	Means this Constitution as originally framed or as may be altered from time to time by way of passing a special resolution.
Depository	Means Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-M)] and includes its successors-in-title and permitted assigns.
Director	Means a director of the Company for the time being as defined in Section 2(1) of the CMSA, and includes his/her duly appointed alternate or nominee director.
Exchange or Bursa Securities	Means Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)] and includes its successors-in-title and permitted assigns.
Listed	Means admitted to the Official List of Bursa Securities and "listing" shall be construed accordingly.
Listing Requirements	Means the Main Market Listing Requirements of Bursa Securities including any amendments to the same that may be made from time to time.
Member	Means any person whose name is entered in the Register of Members including Depositors whose names appear on the Record of Depositors except the Depository and/or its nominee company in its capacity as a bare trustee.
Promoter	In relation to a prospectus issued by or in connection with a corporation, means a promoter of the corporation who was a party to the preparation of the prospectus or of any relevant portion of the prospectus; but does not include any person by reason only of his acting in a professional capacity.
Rules	Means the Rules of the Depository and any appendices thereto as they may be amended or modified from time to time.
Secretary	Means any person or persons appointed to perform the duties as the secretary of the Company under Section 236 of the Act and shall include a joint, temporary, assistant or deputy secretary and any person appointed by the Directors to perform any of the duties of the secretary.
Security or Securities	Means securities as defined in Section 2 of the CMSA.
Shares	Means shares in the Company which include ordinary shares, preference shares or other type of shares that may be issued and allotted by the Company from time to time.

15. ADDITIONAL INFORMATION

15.2.1 Remuneration, Voting and Borrowing Powers of Directors

The provisions in our Constitution in respect of the remuneration, voting and borrowing powers of directors are as follows:

Remuneration**Clause 112 – Remuneration of Directors**

“The fees and any benefits payable to the Directors from time to time, shall be subject to annual shareholder approval at general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors shall not include a commission on or percentage of turnover;
- (c) fees and any benefits payable to Directors shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of that Director.”

Clause 113 – Reimbursement and Special Remuneration

- “(1) The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise, howsoever, in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular, without limiting to the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director’s fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged/determined by the Board.”

Clause 146 – Directors May Appoint Managing Director and Term of Appointment

“The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors. Subject to Clause 104(1) and so far as the Act and the Listing Requirements allow, any such appointment shall be subject to reappointment and on such terms as they think fit. The Directors may confer upon such Managing Director or Managing Directors, such of the powers hereby vested in the Directors generally as they may think fit. The Managing Director or Managing Directors, or a person or persons performing the functions of a Managing Director, by whatever name called shall be subject to the control of the Board.”

15. ADDITIONAL INFORMATION

Clause 147 – Remuneration of Managing Director

“The remuneration of the Managing Director or Managing Directors shall subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, pension, gratuity or participation in profits, or partly in one way and partly in another and other benefits upon their retirement) as the Board may determine. Otherwise, or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover.”

Voting powers

Clause 128 – Quorum

“The quorum necessary for the transaction of the business of the Directors shall be two (2) of the Directors. A director is counted in the quorum in relation to a resolution although the director is not entitled to vote.”

Clause 129 – Proceedings of Meeting

“A meeting of the Directors, for the time being at which a quorum is present, shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution, vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.”

Clause 130 – Chairman Has Casting Votes

“Subject to Clause 88, the Chairman shall have a second or casting vote, EXCEPT where only two (2) Directors form a quorum, or where only two (2) Directors are competent to vote on the question at issue.”

Clause 133 – Chairman and Deputy Chairman

“The Directors may from time to time elect and remove a Chairman and Deputy Chairman of the Board and determine the period for which they are respectively to hold office. The Chairman so elected, or in his absence, the Deputy Chairman shall preside at all meetings of the Directors, but if no such Chairman or Deputy Chairman be elected, or if at any meeting the Chairman or Deputy Chairman be not present within fifteen (15) minutes after the time appointed for holding the same, the Directors present shall choose one of their number to act as Chairman of such meeting.”

Clause 135 - Directors Refrained from Voting in Interested Transactions

“A Director shall not vote or participate in any discussion regarding any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested, either as an officer of that other company or as a holder of shares or other Securities in that other company.”

Clause 137 - Director May Vote on The Giving of Security or Indemnity Where He is Interested

“Subject to Clause 138, a Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

15. ADDITIONAL INFORMATION

- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

By an ordinary resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and, either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause, may be ratified.”

Clause 109(1) – Alternate Directors

“A Director may appoint a person to act as his alternate, PROVIDED THAT such person is not an existing Director, such person does not act as an alternate for more than one Director, the appointment is approved by a majority of the other Members of the Board, and any fee paid by the Company to the alternate Director shall be deducted from that Director’s remuneration. The alternate Director shall be entitled to receive notices of all meetings and to attend, speak and vote at any such meeting at which his appointor is not present. Any appointment so made may be revoked at any time by the appointor, and any appointment or revocation under this Clause shall be effected by notice in writing to be delivered to the Secretary of the Company. An alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.”

Borrowing powers**Clause 117 – Directors’ Borrowing Powers**

- “(1) To the extent that the Act, the Listing Requirements and the Constitution allow, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any related third party, PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company’s or its Subsidiary’s undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party. Provided also that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of Members.
- (2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- (3) Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.”

15. ADDITIONAL INFORMATION

15.2.2 Changes to share capital

The provisions in our Constitution in respect of changes in share capital are as follows:

Clause 10 – Authority of Directors to Allot Shares

- “(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of the Act, the Central Depositories Act, Listing Requirements, this Constitution and the provision of any resolution of the Company, the Directors are authorised, to:
- (a) allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders’ shareholdings;
 - (b) allot shares or grant any rights to subscribe for shares, on a bonus issue to shareholders in proportion to the shareholders’ shareholdings;
 - (c) allot shares to a Promoter of the Company which the Promoter has agreed to take;
 - (d) allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least fourteen (14) days before the issuance of the shares.”

Clause 12 – Power to Issue Preference Shares

“The Company shall have power to issue preference shares which are liable, or at the option of the Company are to be liable (which are ranking equally with or in priority to preference shares already issued), to be redeemed by the Directors, subject to the provisions of the Act and this Constitution.”

Clause 15 – Purchase of Own Shares

“Subject to the provisions of the Act and the rules, regulations, orders, guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time, the Company may by ordinary resolution purchase its own shares. Any shares in the Company, so purchased by the Company, shall be dealt with in accordance with the Act, the guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time.”

Clause 60 – Increase of Share Capital

“The Company may, from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issuance of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.”

15. ADDITIONAL INFORMATION

Clause 61- Issue of New Shares to Existing Members

“Subject to the Listing Requirements, and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause. For the avoidance of doubt, where approval of the Members is obtained in a general meeting for any issuance of shares or convertible Securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible Securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of the pre-emptive rights to the new Shares shall not apply.”

Clause 62 – Alteration of Share Capital

“Subject to the applicable laws or requirements, the Company may from time to time alter its share capital by passing an ordinary resolution to:

- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived;
- (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;
- (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (d) cancel any shares, which at the date of the passing of the resolution, which have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (e) subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into any other class of shares.”

Clause 63 – Capital Reduction

“The Company may by special resolution, reduce its share capital in accordance with Section 115 to reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.”

15. ADDITIONAL INFORMATION

15.2.3 Transfer of securities

The provisions in our Constitution in respect of the transfer of securities are as follows:

Clause 49 – Transfer of Securities

“The transfer of any Listed Securities or class of Listed Securities in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Listed Security.”

Clause 50 – Instrument of Transfer

- “(1) Every instrument of transfer (for any share not being a Deposited Security) must be delivered to the office of the Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the instrument of transfer which is executed and stamped, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.
- (2) A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.”

Clause 51 – Person under Disability

“No share shall in any circumstances be transferred to any minor, bankrupt or person of unsound mind.”

Clause 52 – Refusal to Transfer and Notice of Refusal

- “(1) Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a Deposited Security, to a person of whom they shall not approve. The Depository may refuse to register any transfer of Deposited Securities if it does not comply with the Central Depositories Act or the Rules.
- (2) If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the refusal and the precise reasons thereof.”

15. ADDITIONAL INFORMATION

Clause 53 – Non-Liability of the Company, its Directors and Officers in Respect of Transfer

“Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.”

15.2.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of the rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 13 – Rights of Preference Shareholders

- “(1) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference shares and subject to the Act, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements, and attending general meetings of the Company.
- (2) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall only have the right to vote at any meeting convened for the following circumstances:
- (a) on a proposal to reduce the share capital of the Company; or
 - (b) on a proposal for the disposal of the whole of the Company’s property, business and undertaking; or
 - (c) on a proposal that affects their rights and privileges attached to the preference shares; or
 - (d) when the dividend or part of the dividend on the preference share is in arrears for more than six months; or
 - (e) on a proposal to wind-up the Company; or
 - (f) during the winding up of the Company; or
 - (g) any other circumstances as may be provided by the Act from time to time.
- (3) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.”

15. ADDITIONAL INFORMATION

Clause 25 – Modification of Rights

“If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes of shares, the repayment of such preferred share capital or all or any of the rights and privileges attached to each class of shares may subject to the provisions of Section 91 of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by special resolution. The special resolution shall be passed by at least three-fourth (3/4) of the holders of issued shares of that class at a separate meeting of the holders of that class.

All the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum shall be at least two (2) persons present holding or representing one third (1/3) of the issued shares of the class (excluding shares held as treasury shares) and for an adjourned meeting one person holding shares of such class.

Provided always that in the event of the necessary majority for such a special resolution not having been obtained in the manner aforesaid at the separate meeting, consent in writing may be secured from Members holding at least three-fourth (3/4) of the issued shares of the class within two (2) months from the date of the meeting, consent in writing if obtained shall have the force and validity of a special resolution duly carried at the meeting. To every such resolution the provisions of Section 91 of the Act, shall with such adaptations as are necessary apply.”

Clause 26 – Special Right to Any Class of Share

“The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue of such shares, as regards participation in profits or assets of the Company in some or all respects be deemed to be varied by the creation or issuance of further shares ranking *pari passu* with that class of shares.”

Clause 89 – Vote of members

“Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Clauses, on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who presents as a Member or a Member’s representative or proxy or attorney and entitled to vote, shall be entitled to one (1) vote on any question at any general meeting, and in the case of a poll, every Member present in person or by proxy or by attorney or other duly authorised representative, shall have one (1) vote for every share held by him. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way.”

Clause 163 – Dividends in Proportion to Amounts Paid Up

“Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of call shall be treated for the purposes of this Clause as paid up on the share. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, except that if any share is issued on terms providing that it shall rank for dividend as if paid up (in whole or in part) as from a particular date, such share shall rank for dividend accordingly.”

15. ADDITIONAL INFORMATION

Clause 164 – Dividend

“The Directors may if they think fit from time to time pay to the Members such dividends as appear to the Directors to be justified by the profits of the Company bearing in mind the solvency of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and, provided that the Directors act bona fide, they shall not incur any responsibility to the holder of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of a dividend on any shares having deferred or non-preferential rights. The Directors may also pay half-yearly, or at other suitable intervals to be determined by them, any dividend which may be payable at a fixed rate, if they are of the opinion that the profits justify the payment.”

Clause 191 – Distribution of assets in Specie

“If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may, with the sanction of a special resolution of the Company and subject to the Act, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets, in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no Member shall be compelled to accept any shares or other Securities whereon there is any liability.”

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository (“**Depositor**”) by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be a shareholder of our Company and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND / OR EXERCISE OF VOTING RIGHTS

Subject to Section 15.3 above and **Clauses 91 and 93** which have been reproduced below from our Constitution, there is no limitation on the right to own our Shares, including any limitation on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by our Constitution.

15. ADDITIONAL INFORMATION

Clause 91 – Votes of Members of Unsound Mind

“Any Member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney, provided such evidence, as the Directors may require of the authority of the person claiming to vote, shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.”

Clause 93 – Members in Default

“No Member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a Member nor be counted as one of the quorums unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid.”

15.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION**15.5.1 Malaysia**

As at the LPD, there are no governmental laws, decrees, regulations or other requirements in Malaysia which may affect the repatriation of capital and the remittance of profit by our Company to our shareholders.

The Income Tax Act 1967 of Malaysia governs the taxation of income in Malaysia. All corporations in Malaysia are required to adopt the single-tier dividend system. Hence, all dividends distributed to our shareholders under a single tier dividend are not taxable. Further, the Malaysian government does not levy withholding tax on dividend payments. Therefore, the dividends to be paid to shareholders who are non-tax residents in Malaysia are not subject to withholding tax in Malaysia. There is no Malaysian capital gains tax arising from the disposal of listed shares.

Based on the Finance Act 2024, dividend tax at the rate of 2% will be imposed on annual chargeable dividend income exceeding RM100,000 received by individual shareholders (resident and non-residents) as well as individuals who hold shares through nominees with certain exemptions, effective from year of assessment 2025.

15.5.2 Singapore

As at the LPD, there are no governmental laws, decrees, regulations or other requirements in Singapore which may affect the repatriation of capital and the remittance of profit by CUCKOO Singapore to our Company.

The Income Tax Act 1947 of Singapore governs the taxation of income in Singapore. All corporations in Singapore adopt a one-tier corporate tax system where the tax paid by a Singapore Resident company on its chargeable income is a final tax and all dividends paid by such company is not taxable under the shareholders. Further, the Singapore government does not levy withholding tax on dividend payments.

15. ADDITIONAL INFORMATION

15.6 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the period covered by Financial Years Under Review, and thereafter up to the date of this Prospectus:

15.6.1 Sale of business agreement dated 31 March 2021, as supplemented by an agreement dated 21 July 2021, for the sale and transfer of the business of Wonderlab Resources (M) Sdn Bhd to our Company

On 31 March 2021, our Company entered into a sale of business agreement with Wonderlab Resources (M) Sdn Bhd ("**Wonderlab Resources**") and Mak Foong Ling (as the legal and beneficial owner of the entire issued share capital of Wonderlab Resources) for the sale and transfer of the business of Wonderlab Resources to our Company for a total cash consideration of RM1,772,760.00.

The supplemental agreement set the effective date for the transfer and amalgamation of the business as 1 April 2021.

15.6.2 Sale and purchase agreement dated 5 September 2022 in respect of the acquisition of the property under Geran Mukim 67, Lot 831, Mukim Damansara, Daerah Petaling, Negeri Selangor

On 5 September 2022, our Company entered into a sale and purchase agreement with Mega Logistic Holdings (M) Sdn Bhd to acquire a piece of industrial land with a four-storey office building and a one-storey warehouse erected thereon known as Geran Mukim 67, Lot 831, Mukim Damansara, Daerah Petaling, Negeri Selangor measuring approximately 1.2141 hectares, which is now being used as our distribution hub, for a total cash consideration of RM55.5 million.

The sale and purchase agreement was completed on 9 February 2023.

15.6.3 12 sale and purchase agreements in respect of the acquisition of 12 strata parcels comprising our office at Level 13B, Subplace Boulevard, Pusat Komersil Vestland, No. 6, Jalan Juruanalisis U1/35, Seksyen U1, 40150 Shah Alam, Selangor

On 28 January 2022, our Company entered into 12 sale and purchase agreements with Sg. Besi Construction Sdn Bhd for the purchase of 12 strata parcels comprising our office at Level 13B, Subplace Boulevard, Pusat Komersil Vestland, No. 6, Jalan Juruanalisis U1/35, Seksyen U1, 40150 Shah Alam, Selangor for a total cash consideration of RM6.0 million.

The sale and purchase agreements were each completed on 2 November 2022.

15.6.4 Retail Underwriting Agreement dated 10 March 2025

On 10 March 2025, our Company entered into the Retail Underwriting Agreement with the Managing Underwriter and the Joint Underwriters for the underwriting of 42,984,000 Issue Shares under the Retail Offering. Please refer to Section 4.7.1 of this Prospectus for the salient terms of the Retail Underwriting Agreement.

15.6.5 Master Cornerstone Placement Agreement dated 10 March 2025

On 10 March 2025, our Company entered into the Master Cornerstone Agreement with the Selling Shareholders, Joint Global Coordinators, the Joint Bookrunners and the Cornerstone Investors for the placement of 64,724,000 IPO Shares, pursuant to the Institutional Offering at the Institutional Price on the terms and subject to the conditions as set out in the Master Cornerstone Placement Agreement and the relevant individual cornerstone placement agreements.

15. ADDITIONAL INFORMATION

15.6.6 Lock-up letters in relation to our IPO and Listing dated 10 March 2025

On 10 March 2025, lock-up letters were issued by our Company and the Selling Shareholders, save for Mak Foong Ling who will not hold any Shares after our IPO, to the Joint Global Coordinators and the Joint Bookrunners in relation to the lock-up arrangements for our IPO and Listing. Please refer to Section 4.7.3 of this Prospectus for details on the lock-up arrangements.

15.7 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material adverse effect on the business or financial position of our Group, and our Directors confirm that there are no legal proceedings pending or threatened, or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

15.8 CONSENTS

The written consent of our Sole Principal Adviser, Managing Underwriter, Joint Underwriters, Joint Global Coordinators, Joint Bookrunners, legal advisers, Company Secretaries, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' letter on the pro forma consolidated statement of financial position of our Group as at 30 September 2024 and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Frost & Sullivan for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur Wilayah Persekutuan during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) our material contracts as referred to in Section 15.6 of this Prospectus;
- (iii) the audited consolidated financial statements of our Company for the FYE2021, FYE2022, FYE2023 and FPE2024;
- (iv) the audited consolidated financial statements of our subsidiaries for the FYE2021, FYE2022 and FYE2023;
- (v) the Reporting Accountants' letter on the pro forma consolidated statement of financial position of our Group as included in Section 14 of this Prospectus;
- (vi) the Accountants' Report as included in Section 13 of this Prospectus;

15. ADDITIONAL INFORMATION

- (vii) the IMR Report as included in Section 8 of this Prospectus; and
- (viii) the letters of consent referred to in Section 15.8 of this Prospectus.

16. PROCEDURES FOR APPLICATION

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD : 10:00 a.m., 26 March 2025

CLOSING OF THE APPLICATION PERIOD : 5:00 p.m., 10 April 2025

In the event there is any change to the dates and times stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia and make an announcement on the website of Bursa Securities.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

All Applications must be in accordance with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only
Applications by institutional and selected investors	Our Joint Global Coordinators and Joint Bookrunners will contact the selected investors directly. They should follow our Joint Global Coordinators' and Joint Bookrunners' instructions.
Applications by Bumiputera investors approved by the MITI	The MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16. PROCEDURES FOR APPLICATION

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO SUBMIT APPLICATIONS USING A JOINT BANK ACCOUNT MUST CONTACT THE FINANCIAL INSTITUTION HANDLING THE APPLICATIONS TO ENSURE THAT THE NAME ON THE JOINT BANK ACCOUNT MATCHES THE NAME ON THEIR CDS ACCOUNT. THIS STEP MINIMIZES THE RISK OF REJECTION OF IPO APPLICATIONS DUE TO NAME DISCREPANCIES. OUR COMPANY, SOLE PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUES ARISING THEREAFTER.

16.3.2 Applications by Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the Application; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House.
- (iii) you must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or

16. PROCEDURES FOR APPLICATION

(c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus. All duly completed Pink Application Forms should be submitted to our Group through the Human Resources or Finance Department.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysian Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

16.4 APPLICATIONS USING APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.29 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 665**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor

OR

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 10 April 2025 or such other date and time specified in any changes to the date and time of closing.

16. PROCEDURES FOR APPLICATION

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the Application Forms to the Issuing House.

The abovementioned methods are not applicable to the submission of Pink Application Forms. All duly completed Pink Application Forms should be submitted to our Group through the Human Resources or Finance Department.

16.5 APPLICATIONS USING ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad, and RHB Bank Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATIONS USING INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn Bhd (*formerly known as CGS-CIMB Securities Sdn Bhd*), Malacca Securities Sdn Bhd, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn Bhd and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

16. PROCEDURES FOR APPLICATION

- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our IPO shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website www.mih.com.my within one business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have at least 25.0% of our total number of Shares for which listing is sought to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our admission to the Official List and completion of our IPO. We expect to achieve this at the point of Listing. In the event this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all the Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

In the event of any undersubscription of the Retail Offering, subject to the clawback and reallocation provisions set out Section 4.1.4 of this Prospectus, any of the aforementioned IPO Shares not applied for will then be subscribed by our Joint Underwriters subject to the terms and conditions of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16. PROCEDURES FOR APPLICATION

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash, dividend/ distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Applications and Internet Share Applications

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the fifth Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

16. PROCEDURES FOR APPLICATION

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.
- (v) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to you without any interest thereon. The refund will be credited into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or despatched, in the form of cheques, by ordinary post to your address maintained with Bursa Directory if you have not provided such bank account information to Bursa Depository, or by crediting into your account with the Electronic Participating Financial Institutions for applications made via the Electronic Share Application or by crediting into your account with the Internet Participating Financial Institutions for applications made via the Internet Share Application, within 10 Market Days from the date of final ballot of application, at your own risk.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +603 7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application at the Issuing House's website at www.mih.com.my, by entering your CDS Account Number on the site on the allotment date, after 3:00 p.m. Alternatively, you may contact any of the ADAs during office hours at the telephone number as set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

APPENDIX I: GOVERNING LAWS AND REGULATIONS

The relevant laws and regulations governing our Group in Malaysia, our core market, and which are material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to and is only intended to provide general information to investors. It is not intended to be a substitute for independent professional advice. Non-compliance with the relevant laws and regulations below may result in monetary and / or custodial penalties and / or any other orders being made.

(a) Local Government Act 1976 (“LGA”), Trades Licensing Ordinance 1949 (“TLO”) of Sabah, and Local Authorities Ordinance 1996 (“LAO”), Businesses, Professions and Trades Licensing Ordinance 1958 (“BPTLO”) and Local Authorities (Advertisements) By-Laws 2012 (“LA(A)BL”) of Sarawak

Under the LGA, local government authorities in Peninsular Malaysia may make by-laws enforceable within its jurisdiction, including in respect of business, trade and advertisement licences. Most local councils have a (Licensing of) Trades, Business and Industries By-Laws which stipulate that no person shall carry on any trade, business or industry in any place or premise within the respective local council unless he is licensed. The local authorities may prescribe for breach of any by-law, rule or regulation a fine not exceeding RM2,000 or a term of imprisonment not exceeding one year or to both and in the case of a continuing offence a sum not exceeding RM200 for each day during which such offence is continued after conviction. The punishment for breaching any by-law, rule or regulation will differ based on the by-laws of each local municipal council.

In Sabah, the TLO imposes on any persons who carries on any business without a valid trading licence, a fine of four times the amount of the licence fee and an additional fine of RM10 for each day or part of a day for continuing offences after conviction.

In Sarawak, the BPTLO imposes an absolute fine of RM1,000 on persons who are found guilty of carrying out business without a valid trading licence; and the LA(A)BL imposes a fine of not more than RM5,000 and imprisonment of not more than six months for not having a signboard licence for such non-compliance if found guilty, and in the case of a continuing offence, a further fine not exceeding RM200 for each day during which the offence continues.

Further, pursuant to the LGA, any person who fails to exhibit or produce his licences on the premises shall be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding six months or both. A similar penalty provision is also found in the LAO of Sarawak where an absolute fine of RM2,000 will be imposed on those who are found guilty of such offence.

(b) Street, Drainage and Building Act 1974 (“SDBA”), Building By-Laws 1951 (“BBL”) Uniform Building By-Laws 2022 (“UBBL”) and Local Government Ordinance 1961 of Sabah (“Sabah Local Government Ordinance”), and the Building Bylaws contained in the Fourth Schedule of the Buildings Ordinance 1994 of Sarawak (“Sarawak Buildings Ordinance”)

The SDBA provides uniformity of law and policy with regard to local government matters relating to street, drainage and buildings in Peninsular Malaysia. Pursuant to the SDBA, no person shall occupy or permit to be occupied any building or any part thereof unless a CCC has been issued, and any failure to comply shall be liable on conviction to a fine of up to RM250,000 or to imprisonment for a term not exceeding ten years or to both.

APPENDIX I: GOVERNING LAWS AND REGULATIONS

In respect of the state of Sabah, as adopted, the UBBL, which was issued pursuant to the Sabah Local Government Ordinance, provides that no person shall occupy or permit to be occupied any building or any part thereof unless a CCC or partial CCC, as the case may be, has been issued under the UBBL in respect of such building. Any person who contravenes any provision of the UBBL commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding one year or to both and in the case of a continuing offence, to a further fine not exceeding RM5,000 for every day during which the offence continues after conviction. Where the UBBL has not been adopted by the relevant local authorities, the BBL remains applicable and pursuant to which, no person shall occupy or permit to be occupied any building or any part thereof unless a CCC has been issued. Any person who contravenes this provision shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000 and in the case of a continuing offence shall be liable to a fine not exceeding RM100 for every day during which such offence is continued.

In respect of the state of Sarawak, the Sarawak Buildings Ordinance provides that no person shall occupy or permit to be occupied any building or any part thereof unless an occupation permit, a partial occupation permit or a temporary occupation permit (the equivalent of a CCC in Sarawak) has been issued under the Sarawak Building Bylaws of the Building Ordinance for such building and any failure to comply with this shall render such person guilty of an offence, the penalty of which is a fine not exceeding RM10,000 and, in the case of a continuing offence to a further fine not exceeding RM300 per day during which the offence is continued after notice to cease occupying the building has been issued on such person.

(c) Consumer Protection Act 1999 (“CPA”)

The CPA provides for the protection of consumers and applies in respect of all goods and services that are offer or supplied to one or more consumers in trade including any trade transaction conducted through electronic means. The provisions of the CPA shall have effect notwithstanding anything to the contrary in any agreement and every supplier and every manufacturer who purports to contract out of any provision of the CPA commits an offence.

Amongst others, the CPA (i) prohibits misleading and deceptive conduct, false representation and unfair practice in relation to the provision of goods and services, (ii) provides for the regulation of the safety of goods and services, (iii) regulates unfair contract terms, (iv) regulates credit sale transactions, (v) provides for the implied and express guarantees in respect of the supply of goods and services, (vi) provides for the rights against suppliers and manufacturers in respect of guarantees, and (vii) provides for the liability of defective products.

In the case of a body corporate, contravention of the provisions of the CPA may, depending on the offence, result in liability of a fine not exceeding RM250,000 and for a second or subsequent offence not exceeding RM500,000. In the case of a continuing offence, the offender may additionally be liable to a fine not exceeding RM2,000 for each day or part of a day during which the offence continues after conviction.

In addition, the Consumer Protection (Electronic Trade Transaction) Regulations 2024 (“**Electronic Trade Regulations**”) made pursuant to the CPA provides for certain regulations in respect of online marketplaces. Among others, the Electronic Trade Regulations provides that any online marketplace supplier shall disclose certain specified information on the online marketplace, and such information shall not be disclosed by the online marketplace supplier if he knows or has reason to believe it is false or misleading. Further, the information disclosed by the online marketplace supplier on the online marketplace shall be in the national language, and any other languages may be used in addition to the national language. Besides that, the Electronic Trade Regulations also provides that any online marketplace supplier shall make available the appropriate means to enable the purchaser to rectify any error prior to or after the confirmation of the order made by the purchaser and acknowledge the receipt of the order to the buyer without undue delay.

APPENDIX I: GOVERNING LAWS AND REGULATIONS

A body corporate which fails to comply with the Electronic Trade Regulations commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000, and for a second or subsequent offence to a fine not exceeding RM200,000. In addition, the body corporate would be liable to a fine not exceeding RM1,000 for each day or part of a day during which the offence continues after conviction.

(d) Personal Data Protection Act 2010 (“PDPA”)

The PDPA regulates the processing of personal data in the course of commercial transactions in Malaysia and is enforced by the Personal Data Protection Commissioner. Broadly, the Personal Data Protection Act 2010 sets out seven key data protection requirements which must be adhered to by data users, being a person who either alone or jointly or in common with other persons processes any personal data or has control over or authorizes the processing of any personal data, but does not include a processor, in Malaysia which includes (i) the requirement to obtain consent prior to processing an individual’s personal data, (ii) the requirement to provide written notice to individuals in both English and the Malay language stating, among other things, the purposes for which the personal data will be processed, the classes of third parties to whom personal data will be disclosed, and the individual’s right; and (iii) the obligation to ensure that the personal data collected will be processed in a safe and secure manner. A data user who contravenes the data protection requirements commits an offence and shall, on conviction, be liable to a fine not exceeding RM300,000 or to imprisonment for a term not exceeding two years or to both.

(e) Employment Act 1955 (“EA”), Labour Ordinance 1950 of Sabah (“Sabah Labour Ordinance”) and Labour Ordinance 1958 of Sarawak (“Sarawak Labour Ordinance”), and the Industrial Relations Act 1967 (“IRA”)

The EA governs the law on employment in Peninsular Malaysia while the Sabah Labour Ordinance and the Sarawak Labour Ordinance governs the labour laws in Sabah and Sarawak respectively. These Acts contain provisions relating to, among others, leave, overtime pay and termination notice periods. The IRA, which applies to the whole of Malaysia, provides for among others the regulation of the relations between employers and workmen. Under the IRA, no workman can be dismissed without just cause or excuse by his employer.

An independent contractor is neither an employee under the EA, Sabah Labour Ordinance and Sarawak Labour Ordinance nor considered a “workman” (which includes an employee) under the IRA. Therefore, the rights of an independent contractor are *prima facie* not protected by the aforesaid legislations. Notwithstanding this, in the event an employer exercises excessive control over an independent contractor, the Court may find that the independent contractor is in fact an employee. Examples where the Court has found an employer to be exercising excessive control over an independent contractor include where the employer (a) provides statutory contributions such as EPF, EIS and SOCSO contribution to the independent contractor, (b) provides paid annual leave, paid sick leave, overtime payment, retrenchment benefits, and medical insurance to the independent contractor, (c) takes disciplinary action against the independent contractor, (d) determines the tasks to be carried out by the independent contractor and the independent contractor has very little to no discretion in respect of the manner in performing the work/services, or (e) provides the independent contractor the tools and equipment, as well as personnel when performing the works/services.

(f) Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA provides for, among others, provisions for securing the safety, health and welfare of persons at work, and for protecting others against risks to safety or health in connection with the activities of persons at work.

APPENDIX I: GOVERNING LAWS AND REGULATIONS

Under the OSHA, it is the duty of every employer to ensure, so far as is practicable, the safety, health and welfare to work of all his employees. Further, the OSHA also provides that it shall be the duty of every employer and every self-employed person to conduct his undertaking in such a manner as to ensure, so far as is practicable, that he and other persons, not being his employees, are not exposed to risks to their safety or health.

A person who contravenes the above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two years or to both.

(g) National Land Code 1965 (Revised 2020) (“NLC”), Land Ordinance of Sabah (“Sabah Land Ordinance”) and Land Code of Sarawak (“Sarawak Land Code”)

The NLC governs land matters within Peninsular Malaysia, and is an act which amends and consolidates the laws relating to land and land tenure, the registration of title to land and of dealings therewith and the collection of revenue therefrom Peninsular Malaysia while in the States of Sabah and Sarawak, the respective Sabah Land Ordinance and Sarawak Land Code apply.

(h) Fire Services Act 1988 (“FSA”)

Section 28 of the FSA provides that every designated premises requires a fire certificate confirming that the premises complies with the life safety, fire prevention, fire protection and firefighting requirements under the FSA.

Section 33 of the FSA provides that where there is no fire certificate in force in respect of any designated premises, the owner of the premises is guilty of an offence, and will, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding five years or to both.

(i) Electricity Supply Act 1990 (“ESA”) and the Electricity Regulations 1994 (“Electricity Regulations”)

Regulation 97(1) of the Electricity Regulations issued pursuant to the ESA provides that subject to the provisions of the Electricity Regulations, no person shall manufacture, import, display, sell or advertise (a) any domestic equipment, (b) any low voltage equipment which is usually sold directly to the general public, or (c) any low voltage equipment which does not require special skills in its operation, unless the equipment is approved by the Energy Commission (established under the Energy Commission Act 2011) (“EC”). This approval is given in the form of a **“Certificate of Approval”**. Further, regulation 97C(1) of the Electricity Regulations provides that any person who manufactures or imports any equipment under regulation 97 of the Electricity Regulations shall apply to be registered with the EC, in a manner that may be determined by the EC. Regulation 101A provides that for the purpose of efficient use of electricity, prior to an application for a Certificate of Approval under regulation 97, any person who manufactures, imports, sells or offers for sale or lease any equipment under that regulation, shall ensure that such equipment meets the energy performance testing standards, the minimum energy performance standards and the efficiency ratings as set out in the Electricity Regulations. In addition, the Guideline for Approval of Electrical Equipment issued by the EC (**“EC Approval Guidelines”**) provides for the types of equipment that are required to meet minimum energy performance standards and efficiency ratings, and this includes refrigerators, air-conditioners and washing machines. Upon complying with all the requirements, the equipment shall be affixed with an efficiency rating label. The EC Approval Guidelines further provides that electrical equipment that has been approved for import into Malaysia shall comply with the consignment test for each batch or participate in the product certification scheme by SIRIM, within the validity period of the Certificate of Approval.

APPENDIX I: GOVERNING LAWS AND REGULATIONS

Further, Regulation 98 of the Electricity Regulations provides that where an equipment has been approved for manufacture, import, display, sale or advertisement by the EC, the person to whom a Certificate of Approval has been issued under regulation 97 may be required by the EC to mark or label the equipment and he shall do so in the manner to be determined by the EC.

Regulation 122 of the Electricity Regulations provides that, unless otherwise made an offence under the ESA, a person who contravenes or fails to comply with any of the provisions of the Electricity Regulations shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or imprisonment not exceeding one year or both. The ESA provides that a person who fails to comply with codes, guidelines, or directions of the EC issued under the ESA commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000 or imprisonment for a term of not exceeding two years or to both. Further, any person who, among others, imports or sells any equipment so as to cause or to be likely to cause danger to human life or limb or injury to any equipment or other property commits an offence and for each offence shall, on conviction, be liable to a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding ten years or to both.

(j) **Trade Descriptions Act 2011 (“TDA”)**

The TDA aims to facilitate good trade practices and protect the interest of consumers by eliminating false trade descriptions and false or misleading statements, conducts and practices in relation to the supply of goods and services.

By providing false trade descriptions, a company commits an offence and shall, on conviction, be liable to a fine not exceeding RM250,000, and for a second or subsequent offence, to a fine not exceeding RM500,000.

By providing misleading statements, a company commits an offence and shall, on conviction, be liable to a fine not exceeding RM500,000, and for a second or subsequent offence, to a fine not exceeding RM1,000,000.

Under the Trade Descriptions (Certification and Marking of Halal) Order 2011, all food and goods shall not be described as halal or indicated that it can be consumed or used by a Muslim unless it is certified as halal by the Department of Islamic Development Malaysia or in the case of imported foods and goods a recognised foreign halal certification body, and marked with the prescribed halal logo or the name of the recognised foreign halal certification body. Any non-compliance by a body corporate with such requirement shall be liable to a fine not exceeding RM200,000, and for a second or subsequent offence, shall be liable to a fine not exceeding RM500,000.

APPENDIX II: MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

Details of the major approvals, licences, permits and registrations obtained by our Group for our business operations as at the LPD are as follows:

No.	Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Validity period	Authority	Major conditions imposed	Status of compliance
Business premises and advertising licence or equivalent (“BPAL”)							
1.	Company / Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur	BPAL	DBKL.JPPP/01761/09/2017/PR01	Up to 7 November 2025	Kuala Lumpur City Hall	The employees at the premise shall comprise at least 50% citizens of Malaysia.	In compliance
2.	Company / Level 13A & 15 EkoCheras, Jalan Cheras, Taman Midah, 56000 Kuala Lumpur	BPAL	DBKL.JPPP/00899/03/2019/PR01	Up to 1 November 2025	Kuala Lumpur City Hall	The employees at the premise shall comprise at least 50% citizens of Malaysia.	In compliance
3.	Company / 1000 Jalan IKS Juru, Taman Industri Ringan Juru, 14100 Simpang Ampat, Pulau Pinang	BPAL	PRI/01/20221224/9886	Up to 31 December 2025	Seberang Perai City Council	None	N/A
4.	Company / Lot 48A, Jalan Kilang, SEDCO Industrial Estate, Kolombong Off Mile 5 ½, 88450 Kota Kinabalu, Sabah	Trading licence	824784	Up to 31 December 2025	Mayor of the City of Kota Kinabalu	None	N/A
5.	Company / Lot 48A, Jalan Kilang, SEDCO Industrial Estate, Kolombong Off Mile 5 ½, 88450 Kota Kinabalu, Sabah	Advertisement licence	A02403762	Up to 31 December 2025	Mayor of the City of Kota Kinabalu	None	N/A
6.	Company / Lot 831, Jalan Subang 6, Taman Perindustrian, Sungai Penaga, 47620 Subang Jaya, Selangor Darul Ehsan	BPAL	MPSJ/LES/600/03/05232-24	Up to 16 January 2026	Subang Jaya City Council	None	N/A

APPENDIX II: MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

No.	Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Validity period	Authority	Major conditions imposed	Status of compliance
7.	Company / Unit 13B-1 until 13B-12, Level 13B, North Tower, Pusat Komersial Vestland, No. 6, Jalan Juruanalysis U1/35, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	BPAL	L0U1125420240040	Up to 31 August 2025	Shah Alam City Council	None	N/A

Halal certification

8.	Company / 16th Floor, Menara Bangkok Bank Laman Sentral Berjaya, No. 105, Jalan Ampang, Kuala Lumpur (Manufactured by: Cuckoo Homesys Co., Ltd / 349, Emtibeuibuk-Ro, Siheung-Si, Gyeonggi-Do, 15117 Gyeonggi-Do, Republic of Korea)	Halal certificate in respect of: 1. Carbon composite filter 2. Dual sediment carbon composite filter 3. Grande CP-AGN1010HW 4. ICON CP-IN504HW 5. Iris Top CP-IN503HM 6. King Top 2 CP-AEN501HW 7. Marvel CP-MN021W 8. Nano Positive 3.0C Filter 9. Nano Positive Filter 10. Nano Positive Filter (NSF)	A212818	Up to 15 December 2025	Department of Islamic Development Malaysia	1. Any subsequent changes to the particulars of the name or address of the company factory or premise, brands, ingredients, suppliers or anything related shall be informed in writing to the Department of Islamic Development Malaysia (JAKIM) and/or the State Islamic Religious Affairs Council (MAIN)/State Department of Islamic Religious Affairs (JAIN) for further action. 2. The certificate holder shall exhibit the logo on the product/premise/services as stated in the certificate. 3. The certificate shall be exhibited only at the address as stated in the certificate.	Noted In compliance In compliance
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APPENDIX II: MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

No.	Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Validity period	Authority	Major conditions imposed	Status of compliance
						4. The use of the logo on the approved product/premise/service shall be accompanied by the reference number and standard number as stated in the certificate for such product/premise/services.	In compliance
						5. A renewal application shall be submitted at the earliest six months or no later than three months before the expiry of the certificate.	Noted
10.	Company / 16th Floor, Menara Bangkok Bank Laman Sentral Berjaya, No. 105, Jalan Ampang, Kuala Lumpur (Manufactured by: Cuckoo Homesys Co., Ltd / 349, Emtibeuibuk-Ro, Siheung-Si, Gyeonggi-Do, 15117 Gyeonggi-Do, Republic of Korea)	Halal certificate in respect of: 1. Sediment Filter 2. Sediment Filter (NSF) 3. Titan CP-TN100S 4. Vivid CP-VN701HW 5. Warrior CP-WS601HW 6. Xcel CP-XN502HB, HM, HW	A212820	Up to 15 December 2025	Department of Islamic Development Malaysia	1. Any subsequent changes to the particulars of the name or address of the company factory or premise, brands, ingredients, suppliers or anything related shall be informed in writing to the Department of Islamic Development Malaysia (JAKIM) and/or the State Islamic Religious Affairs Council (MAIN)/State Department of Islamic Religious Affairs (JAIN) for further action. 2. The certificate holder shall exhibit the logo on the product/premise/services as stated in the certificate. 3. The certificate shall be exhibited only at the address as stated in the certificate.	Noted In compliance In compliance

APPENDIX II: MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

No.	Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Validity period	Authority	Major conditions imposed	Status of compliance
						4. The use of the logo on the approved product/premise/service shall be accompanied by the reference number and standard number as stated in the certificate for such product/premise/services.	In compliance
						5. A renewal application shall be submitted at the earliest six months or no later than three months before the expiry of the certificate.	Noted

Energy Commission Certificate of Registration

11.	Company / Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur	Certificate of Registration to manufacture / import electrical equipment	JKKE/K1/16/00315 JKKE/KK/16/00062	Up to 6 June 2025	Energy Commission	None	N/A
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APPENDIX II: MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS



No.	Company/ Address	Description of approval/ Licence/ Permit/ Registration	Licence/ Account/ Reference No.	Validity period	Authority	Major conditions imposed	Status of compliance
<u>Energy Commission Certificate of Approval</u>							
12.	Company	Various Certificate of Approvals in respect of imported electrical equipment products such as water purifiers, air purifiers, rice cookers and multi cookers	Various Certificate of Approvals	Various dates of issuance with validity of one year	Energy Commission	<ol style="list-style-type: none"> 1. This equipment shall undergo consignment testing by SIRIM. 2. The equipment which has passed the consignment test shall be affixed with a label issued by SIRIM. 3. Equipment which fails the consignment test shall be returned to the country of origin or destroyed. 4. Application for renewal of the Certificate of Approval together with the payment shall be made not less than 14 days prior to the expiry of the approval (Regulation 106, Electricity (Amendment) Regulations 2003). 	<p>In compliance</p> <p>In compliance</p> <p>Noted</p> <p>Noted</p>

APPENDIX III: INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

Save as disclosed below in this Appendix III and as at the LPD, there are no other intellectual property rights, patents, trademarks and registrations which our Group is materially dependent on.

(1) Trademarks pursuant to the CKH Distribution Agreement

As at the LPD, pursuant to the terms of the CKH Distribution Agreement, our Group has been granted with a licence to use the following trademarks in respect of which CUCKOO Holdings is the registered owner for the purpose of sales, promotion and distribution of CUCKOO-branded products within Malaysia:

No.	Registered owner	Trademark	Application no.	Issuing authority	Class / Description of trademark	Validity period	Status
1	CUCKOO Holdings		2010020981	MyIPO	Class 11: Electric cookers; autoclaves [electric pressure cookers]; electromagnetic induction cookers for household purposes; electric humidifiers for household use; air conditioners; electric fans; electric kettles; electric toasters; electric coffee machines; microwave ovens; dish disinfectant apparatus for household purposes; bidets; air purifiers for household purposes; electric bedclothes; electric refrigerators; electric heating apparatus; dehumidifiers for household purposes; non-electric water purifiers for household purposes; electric water purifiers for household purposes; water purifiers for household purposes; filters for drinking water; water ionizers for household purposes; all included in class 11.	2 November 2010 until 2 November 2030	Registered
2	CUCKOO Holdings		2017003473	MyIPO	Class 21: Non-electric slow cookers; frying pans [non-electric]; deep fryers, non-electric; pressure cookers, non-electric; rice cooking pots [non-electric]; hot pots, not electrically heated; casserole dishes; insulating flasks; non-electric cooking pans; grills [cooking utensils]; non-electric kettles; all included in class 21.	31 March 2017 to 31 March 2027	Registered
3	CUCKOO Holdings	CUCKOO HEALTHY HOME	TM2020025670	MyIPO	Class 3: Lip balm; Lip cream; Beauty masks; Mask packs for cosmetic purposes; Serums for cosmetic purposes; Skin conditioners; Cosmetic oils for the skin; Facial oils; Skin creams; Cosmetic nourishing creams; Face and body creams; Facial cleansers; Soaps; Skin cleansing foams; Skin cleansing lotions; Skin cleansing creams; Cleansing milk; Skin toners; Toners for cosmetic use; Exfoliant creams; Exfoliants; Perfume; Body oils; Cosmetics; Skin lotions; Hair rinses; Hair shampoo; Hair conditioners; Non-medicated hair shampoos; Body	2 November 2020 to 2 November 2030	Registered

APPENDIX III: INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS







No.	Registered owner	Trademark	Application no.	Issuing authority	Class / Description of trademark	Validity period	Status
					shampoos; Depilatory preparations and substances; Hand cream; Cotton wool and cotton tip sticks for cosmetic purposes.		
					Class 11: Electric humidifiers for household use; Filters for electric humidifiers for household; Air purifying humidifiers; Air purifiers; Filters for air purifiers; Household air cleaners; Multicookers; Electric rice cookers; Cooking utensils, electric; Electric pressure rice boilers; Electric cookers; Bidets; Filters for bidets; Toilet bowls with integrated bidet water jets; Faucets for toilet bowls; Water electrolyze apparatus; Water sterilising apparatus; Water ionizer for household purposes; Showers; Shower head sprayers; Water filters for showers; Shower hoses; Shower heads; Instantaneous water heaters; Water faucets; Electric fans; Air conditioners; Portable air conditioners; Electric cold air generators in the nature of air conditioners for household purposes; Range hoods for household purposes; Extractor hoods for kitchens; Ventilation devices and installations; Electric highlight cookers for household purposes; Electric hot plates for household purposes; Electromagnetic induction cookers for household purposes; Induction cookers; Electric ranges; Microwave ovens; Water purifiers for household purposes; Water purifier filters for household purposes; Electric cold and hot water dispensers; External water filters; Water filters for sinks; Dehumidifiers filters for household use; Dehumidifiers for household use; Electric coffee roasters; Coffee percolators, electric; Electric coffee machines for household purposes.		

CUCKOO Holdings is also the registered owner of the “CUCKOO” trademarks in Singapore and the geographical target markets as set out in Section 11.1.1 of this Prospectus. CUCKOO Holdings, CKH, and CUCKOO Electronics are the joint registered owners of the “CUCKOO” trademarks in South Korea.

APPENDIX III: INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

(2) Intellectual property owned by the Group

As at the LPD, our Group is the registered owner of the following intellectual property rights, patents, trademarks and registrations which our Group is materially dependent on:

No.	Registered owner	Trademark	Application no.	Issuing authority	Class / Description of trademark	Validity period	Status
1	Company	  	TM2021006428	MyIPO	Class 20: Mattresses; spring mattresses; straw mattresses; mattress toppers; mattress pads; fitted mattress pads; fitted mattress toppers; head-supporting pillows; neck-supporting pillows; beds incorporating divan bases; divan bed bases; divan beds; divan beds incorporating storage spaces; divans; feather beds [mattress toppers]; mattress foundations; mattress cushions; bolsters.	9 March 2021 to 9 March 2031	Registered
2	Company	  	TM2022001530	MyIPO	Class 11: Air cleaning apparatus; air cleaning units; air conditioners; air conditioners for vehicles; air cooling apparatus; air dehumidifiers; air deodorising apparatus; air driers; air filtering installations; air filters for air-conditioning units; air filters for household purposes; air filters for household use; air filters for industrial installations; air filters for industrial purposes; air filters for industrial use; air freshener dispensing systems; air handlers; air humidifiers; air purifiers; air purifiers for automobiles; air purifiers for household purposes; air purifiers for household use; air purifying apparatus; air purifiers, electric; air purifying apparatus and machines; air purifying machines; air purifying units; air purifying units for commercial use; air purifying units for household purposes; air purifying units for household use; air purifying units for industrial purposes; air purifying units for industrial use; air sterilisers; air sterilising apparatus; air sterilizers; air sterilizing apparatus; air washers; dispensing systems for air fresheners; electric air deodorizing apparatus; electric air purifiers;	19 January 2022 to 19 January 2032	Registered

APPENDIX III: INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

No.	Registered owner	Trademark	Application no.	Issuing authority	Class / Description of trademark	Validity period	Status
					axial-flow fans for air-conditioning; central air-conditioning installations for household purposes; central air-conditioning installations for industrial purposes; window air-conditioning apparatus; window-mounted air-conditioning units; air-conditioning apparatus; air-conditioning apparatus and installations; air-conditioning apparatus for commercial buildings; air-conditioning apparatus for household purposes; air-conditioning apparatus for industrial purposes; air-conditioning apparatus for industrial use; air-conditioning filters; air-conditioning installations; air-conditioning installations and apparatus; air-conditioning installations for cars; air-conditioning installations for commercial use; air-conditioning installations for household purposes; air-conditioning installations for industrial purposes; air-conditioning installations for vehicles; air-conditioning panels for use in walk-in coolers; air-conditioning units; electrical fans being parts of household air-conditioning installations; electric fans for air-conditioning; evaporators for air-conditioning apparatus; extractors [ventilation or air-conditioning]; fans [air-conditioning]; domestic air-conditioning installations; fans for air-conditioning apparatus; fans for air-conditioning installations; fans [parts of air-conditioning installations]; residential air-conditioning units; ventilation [air-conditioning] installations and apparatus; ventilation [air-conditioning] installations for buildings; ventilation [air-conditioning] installations for laboratories; ventilation [air-conditioning] installations for vehicles; axial fans for air-conditioning; central air-conditioning installations; combined heating and air-conditioning apparatus; domestic air-conditioning apparatus; hoods for air-conditioning apparatus; humidification apparatus for use with air-conditioning apparatus; impellers [parts of air-conditioning apparatus]; air deodorizing apparatus; air purification apparatus; apparatus for purifying air; electric dispensers for air fresheners; electric dispensers for room deodorants; evaporators for air conditioners; filters for air purifiers; filters for air conditioning; household air cleaners; industrial air purifiers; air-handling units.		

APPENDIX IV: MATERIAL PROPERTIES, PLANT AND EQUIPMENT

Details of our material properties, whether owned or leased/tenanted, as at the LPD, are set out as follows. As at the LPD, our Group does not own any material plant and equipment.

(1) Properties owned by our Group

No.	Registered owner / Title details / Postal address	Category of land use / Restriction-in-interest/ Express conditions / Tenure	Description / Existing use	Approximate land area / Built-up area (square feet)	Date of issuance of CCC	Encumbrances	Audited NBV as at 30 September 2024 (RM'000)
1.	Company / GM 67, Lot 831, Mukim Damansara, Daerah Petaling, Negeri Selangor / No. 3, Jalan Subang 6, Taman Perindustrian Subang USJ 1, 47600 Subang Jaya, Selangor	<u>Category of land use:</u> Industry <u>Restriction-in-interest:</u> Nil <u>Express condition:</u> Industrial building <u>Tenure:</u> Freehold	One unit of warehouse and four storey office / Warehouse and office	130,685 / 93,804	19 December 2007 and 20 February 2017	Nil	50,491
2.	Sg. Besi Construction Sdn Bhd ⁽¹⁾ / Master title: GRN 335450, Lot 74612, Bandar Glenmarie, Daerah Petaling, Negeri Selangor / Level 13B, Subplace Boulevard, Pusat Komersil Vestland, No. 6, Jalan Juruanalisis U1/35, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Master title: <u>Category of land use:</u> Building <u>Restriction-in-interest:</u> Nil <u>Express condition:</u> Commercial Building <u>Tenure:</u> Freehold	14th floor office unit / Office	10,803 (built-up area)	2 November 2022	Not applicable	5,000

Note:

- (1) Our Company is the beneficial owner pursuant to 12 sale and purchase agreements we had entered into on 28 January 2022 with Sg. Besi Construction Sdn Bhd for the purchase of 12 strata parcels comprising our office at Level 13B, Subplace Boulevard, Pusat Komersil Vestland, No. 6, Jalan Juruanalisis U1/35, Seksyen U1, 40150 Shah Alam, Selangor for a total cash consideration of RM6.0 million. The 12 sale and purchase agreements were completed on 2 November 2022. As at the LPD, the strata titles for the property have not been issued. Please see Section 15.6.3 of this Prospectus.

APPENDIX IV: MATERIAL PROPERTIES, PLANT AND EQUIPMENT

(2) Material properties rented by our Group

No.	Tenant	Landlord	Postal address	Description / Existing use	Date of issuance of CCC	Approximate rented area (square feet)	Period of tenancy/ Rental per month
1.	Company	CUCKOO Electronics Malaysia	Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur	16th floor office unit / Malaysia headquarters	12 May 2015	12,035	From 1 November 2024 to 30 June 2025 / RM79,431.00 per month
2.	Company	Great Hoe Holdings	Level 13A EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur	14th floor office unit / Office	17 February 2017	8,513	From 1 November 2024 to 30 June 2025 / RM38,308.50 per month
3.	Company	CUCKOO Electronics Malaysia	Level 15 EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur	15th floor office unit / Office	17 February 2017	8,987	From 1 November 2024 to 30 June 2025 / RM40,441.00 per month
4.	Company	Ooi Keat Moi Leng and Kooi Boon Leng	No. 1000, Jalan IKS Juru, Taman Industri Ringan Juru, 14100 Simpang Empat, Pulau Pinang	Single-storey warehouse and two-storey office / Warehouse with office	17 September 2008 ⁽¹⁾	17,976	From 1 May 2023 to 30 April 2025 / RM27,000.00 per month
5.	Company	Bismakaya Sdn Bhd	Lot 48A, Jalan Kilang, SEDCO Industrial Estate, Kolombong Off Mile 5 1/2, 88450 Kota Kinabalu, Sabah	Two units of light industrial warehouse / Warehouse with office	2 September 2002 ⁽¹⁾	4,520	From 1 May 2023 to 30 April 2026 / RM31,900.00 per month
6.	CUCKOO Singapore	Vico Construction Pte. Ltd.	11 Irving Place #11-01 Tai Seng Point Singapore 369551	11th floor office unit / Singapore headquarters	N/A	3,900	From 1 June 2023 to 31 May 2025 / SGD8,800 per month

Note:

(1) Please refer to Section 7.17.2 of this Prospectus for further information relating to these CCCs.