

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 RM[●] 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	14,328,000	1.0	-	-	14,328,000	1.0
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) [●]

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

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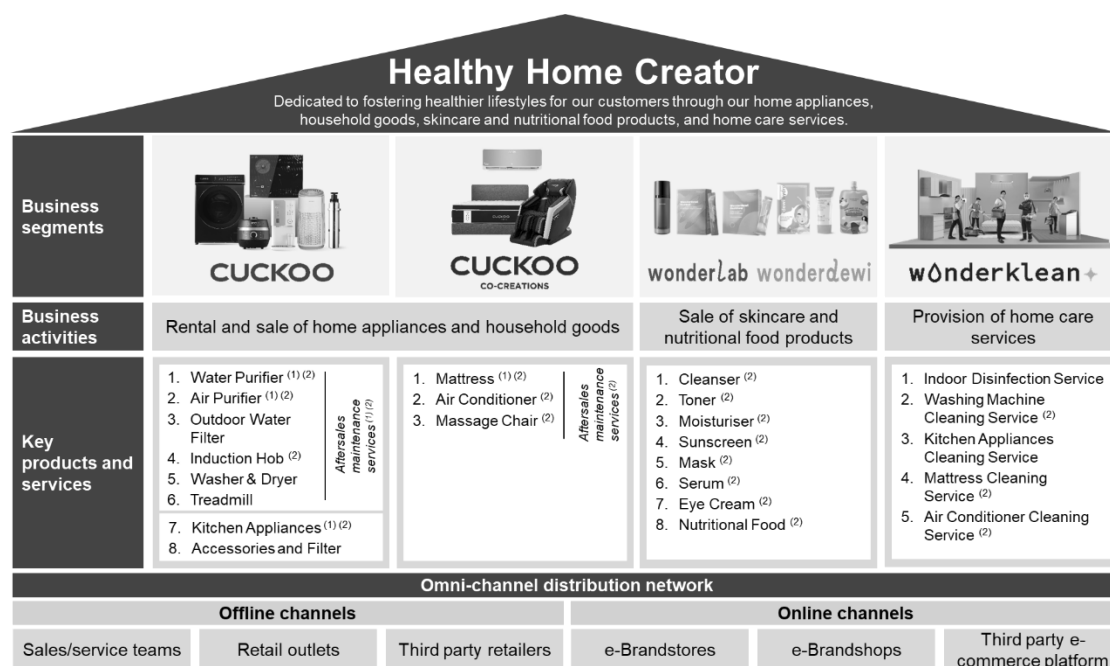
- (ii) letters of undertaking dated 18 July 2024 issued to our Company, CKH and Koo Bon Hak by each of Toh Seng Lee, Goh Hui Teng, Mak Wai Hoong, Tan Yu Liang and Lye Siew Lay, where each of them have agreed and undertaken not to sell, transfer or assign their respective Shares held by them after our IPO for a period of two years from the date of our Listing.

3.2 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:

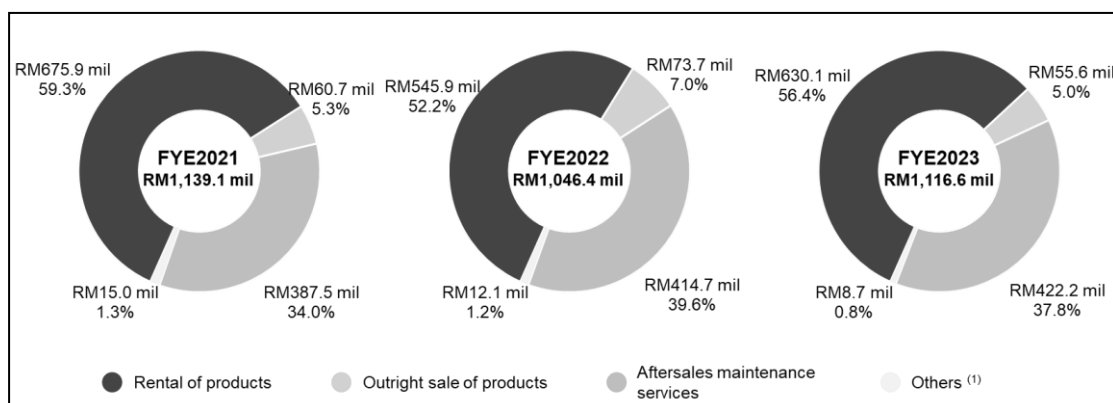
(1) Also available in Singapore.

(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.

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Our revenue contribution by business activities for the Financial Years 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	Best Companies to Work for in Asia Award	HR Asia
2020, 2023	Most Caring Company Award	HR Asia
2020, 2021, 2022, 2023	Best Customer Experience Award	CXP
2022, 2023	Malaysia Home Water Purifier Company of the Year Award	Frost & Sullivan
2022, 2023	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.

Our competitive strengths are as follows:

- 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;
- 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;
- 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;

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- (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 commission-related expenses paid upfront and 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 17 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 18 to 24 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.

We aim to further grow the CUCKOO Sales Team by about 20% from over 6,000 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.

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3.3 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM[•] 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	[•]	[•]	Within 12 months
Repayment of bank borrowings	[•]	[•]	Within 9 months
Capital expenditure:			
(a) Opening of 'Brandshops'	[•]	[•]	Within 24 months
(b) Upgrading of IT systems	[•]	[•]	Within 24 months
Expansion of Singapore business	[•]	[•]	Within 24 months
Estimated listing expenses	[•]	[•]	Immediate
Total	[•]	[•]	

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;

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- (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 may 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.

3.5 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

<u>Name</u>	<u>Designation</u>
<u>Directors</u>	
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
<u>Key Senior Management</u>	
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.

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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	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	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.

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3.7 FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

	Audited		
	FYE2021	FYE2022	FYE2023
	RM'000	RM'000	RM'000
Revenue	1,139,076	1,046,446	1,116,649
Cost of sales	(738,736)	(661,439)	(746,534)
GP	400,340	385,007	370,115
Other income	17,653	12,458	3,825
Distribution expenses	(58,009)	(77,889)	(84,870)
Administrative expenses ⁽¹⁾	(51,303)	(201,059)	(62,740)
Net losses on impairment of financial instruments	(20,661)	(27,772)	(52,258)
Results from operating activities	288,020	90,745	174,072
Finance income	1,637	2,473	2,739
Finance costs	(40,230)	(41,246)	(38,180)
PBT	249,427	51,972	138,631
Tax expense	(62,991)	(49,917)	(51,762)
PAT	186,436	2,055	86,869
PAT attributable to:			
Owners of our Company	186,694	2,440	87,260
Non-controlling interests	(258)	(385)	(391)
PAT	186,436	2,055	86,869
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)
Total comprehensive income	186,366	1,553	86,163
Total comprehensive income attributable to:			
Owners of our Company	186,624	1,938	86,554
Non-controlling interests	(258)	(385)	(391)
Total comprehensive income	186,366	1,553	86,163
EBITDA (RM'000)	366,172	156,064	234,312
Adjusted PAT (RM'000) ⁽²⁾	186,436	151,081	100,585
EBITDA margin (%)	32.1	14.9	21.0
GP margin (%)	35.1	36.8	33.1
PBT margin (%)	21.9	5.0	12.4
Effective tax rate ⁽³⁾	25.3%	96.0%	37.3%
PAT margin (%)	16.4	0.2	7.8
Adjusted PAT margin (%)	16.4	14.4	9.0
Basic and diluted EPS (sen) ⁽⁴⁾	13.0	0.2	6.1
Gearing ratio (times) ⁽⁵⁾	0.3	0.2	0.1

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Notes:

- (1) Our administrative expenses increased 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 (“**Share-Based Expenses**”). 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:

	FYE2021	FYE2022	FYE2023
	RM'000	RM'000	RM'000
PAT	186,436	2,055	86,869
Add/(Less):			
Share-Based Expenses	-	137,509	-
Prosperity tax	-	11,517	-
Additional tax expense arising from SVD2.0 ^(a)	-	-	13,716
Adjusted PAT	186,436	151,081	100,585

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 taxation divided by PBT.
- (4) 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.
- (5) Computed based on total loans and bank borrowings and total lease liabilities, divided by total equity.

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

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	Audited		
	FYE2021	FYE2022	FYE2023
	RM'000	RM'000	RM'000
Net cash from operating activities	60,613	149,496	103,389
Net cash used in investing activities	(4,166)	(25,825)	(40,630)
Net cash used in financing activities	(49,929)	(74,930)	(111,475)
Net increase/(decrease) in cash and cash equivalents	6,518	48,741	(48,716)
Cash and cash equivalents at the beginning of the financial year	78,717	85,240	133,483
Effect of exchange rate fluctuations on cash held	5	(498)	(668)
Cash and cash equivalents at the end of the financial year	85,240	133,483	84,099

3.8 DIVIDEND POLICY

We target a payout ratio of at least 20% of our PAT attributable to the owners of our Company for each financial year on a consolidated basis after taking into account our working 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 plans approved by our Board.

As at the LPD, our Group has banking facilities with Bank of China (Malaysia) Berhad, Affin Islamic Bank Berhad and AmBank (M) 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 and FYE2022. 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 would not affect the execution and implementation of our Group's future plans 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 12.5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.