

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



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DRAFT FOR PURPOSE OF INCLUSION
IN THE PROSPECTUS EXPOSURE

[] 2024

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 draft prospectus in connection with the proposed initial public offering of up to 365,364,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing") ("Draft Prospectus")

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 31 December 2023 ("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 Draft 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 31 December 2023, as if the events or transactions had taken place on 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited consolidated financial statements of the Company for the financial year ended 31 December 2023, on which an audit report dated 20 June 2024 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.

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Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
*Report on the compilation of pro forma consolidated statement of
 financial position for inclusion in the Draft Prospectus
 in connection with the Proposed Listing*
 [] 2024

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 behavior.

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 Draft 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.

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Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")
*Report on the compilation of pro forma consolidated statement of
financial position for inclusion in the Draft Prospectus
in connection with the Proposed Listing
[] 2024*

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 Draft Prospectus in connection with the Proposed 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

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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 31 December 2023 ("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 31 December 2023, and should be read in conjunction with the said notes to the Pro Forma Consolidated Statement of Financial Position.

		Pro Forma I	Pro Forma II	Pro Forma III	
	Notes	As at 31 December 2023* RM'000	After adjustment for subsequent events RM'000	After Pro Forma I and the Proposed IPO RM'000	After Pro Forma II and the use of proceeds RM'000
Assets					
Property, plant and equipment		100,557	100,557	100,557	100,557
Right-of-use assets		12,112	12,112	12,112	12,112
Intangible assets		7,228	7,228	7,228	7,228
Trade and other receivables		600,545	600,545	600,545	600,545
Deferred tax assets		31,598	31,598	31,598	31,598
Total non-current assets		752,040	752,040	752,040	752,040
Inventories		122,068	122,068	122,068	122,068
Trade and other receivables		308,743	308,743	308,743	308,743
Current tax assets		202	202	202	202
Prepayments		7,856	7,856	7,856	7,856
Cash and bank balances	3(a)	84,099	320,721	[•]	[•]
Total current assets		522,968	759,590	[•]	[•]
Total assets		1,275,008	1,511,630	[•]	[•]

* Extracted from the audited consolidated financial statements of the Company for the financial year ended 31 December 2023.



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Pro Forma Consolidated Statement of Financial Position and the notes thereon

			Pro Forma I	Pro Forma II	Pro Forma III
	Notes	As at 31 December 2023* RM'000	After adjustment for subsequent events RM'000	After Pro Forma I and the Proposed IPO RM'000	After Pro Forma II and the use of proceeds RM'000
Equity					
Share capital	3(b)	186,428	186,428	[•]	[•]
Reserves	3(c)	612,638	539,260	[•]	[•]
Equity attributable to owners of the Company		799,066	725,688	[•]	[•]
Non-controlling interests		(1,710)	(1,710)	(1,710)	(1,710)
Total equity		797,356	723,978	[•]	[•]
Liabilities					
Loans and borrowings	3(d)	-	267,292	267,292	267,292
Lease liabilities		4,170	4,170	4,170	4,170
Trade and other payables		10,263	10,263	10,263	10,263
Total non-current liabilities		14,433	281,725	281,725	281,725
Loans and borrowings	3(d)	59,952	102,660	102,660	[•]
Lease liabilities		9,603	9,603	9,603	9,603
Trade and other payables	3(e)	306,759	306,759	[•]	[•]
Provision		13,642	13,642	13,642	13,642
Current tax liabilities		8,247	8,247	8,247	8,247
Deferred income		3,659	3,659	3,659	3,659
Contract liabilities		61,357	61,357	61,357	61,357
Total current liabilities		463,219	505,927	[•]	[•]
Total liabilities		477,652	787,652	[•]	[•]
Total equity and liabilities		1,275,008	1,511,630	[•]	[•]

* Extracted from the audited consolidated financial statements of the Company for the financial year ended 31 December 2023.



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Pro Forma Consolidated Statement of Financial Position and the notes thereon

Supplementary information

		Pro Forma I	Pro Forma II	Pro Forma III
	As at 31 December 2023*	After adjustment for subsequent events	After Pro Forma I and the Proposed IPO	After Pro Forma II and the use of proceeds
Number of ordinary shares ('000)	48,918	1,289,520	1,432,800	1,432,800
Net assets per share attributable to owners of the Company^ (RM)	16.33	0.56	[•]	[•]
Net assets per share# (RM)	16.30	0.56	[•]	[•]
Gearing ratio>	0.09	0.53	[•]	[•]

* Extracted from the audited consolidated financial statements of the Company for the financial year ended 31 December 2023.

^ 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 shares.

> Computed based on total bank borrowings and total lease liabilities divided by total equity.

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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 draft prospectus of the Company in connection with the proposed initial public offering of up to 365,364,000 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued Shares on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing") ("Draft Prospectus") 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 consolidated financial statements of the Company for the financial year ended 31 December 2023, 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 Financial Position.

The audit report dated 20 June 2024 on the audited consolidated financial statements of the Company for the financial year ended 31 December 2023 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 Proposed 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

(i) Dividend declaration

In respect of the financial year ended 31 December 2023, an interim ordinary dividend of RM1.50 per ordinary share totalling RM73.38 million was declared on 23 April 2024 and paid on 25 April 2024.

(ii) Bonus issue

On 11 July 2024, shareholders of the Company approved a bonus issue which entails the issuance of 1,240,601,593 shares ("Bonus Shares") 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.

Subsequent to the completion of the bonus issue, the Company has 1,289,520,000 Shares in issue.



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Pro Forma Financial Position and the notes thereon

2.1 Pro Forma I – Adjustment for subsequent events (continued)

(iii) Drawdown of term loans

(a) Bank of China (Malaysia) Berhad ("BoC")

On 31 July 2024, the Company had drawn down a term loan from the BoC amounting to RM220.00 million for the purpose of settling trade amounts owing to its immediate holding company, Cuckoo Homesys Co., Ltd. ("CKH"). Part of the proceeds from the Proposed IPO has been earmarked by the Company for the partial repayment of this term loan from BoC.

(b) Affin Islamic Bank Berhad

On 31 July 2024, the Company had drawn down a term loan from Affin Islamic Bank Berhad ("Affin") amounting to RM35.00 million for working capital purposes.

(c) AmBank (M) Berhad

On 19 August 2024, the Company had drawn down a term loan from AmBank (M) Berhad amounting to RM55.00 million for the purpose of partial settlement of advances from CKH prior to the Proposed IPO.

2.2 Pro Forma II – Proposed IPO

The Proposed IPO entails the proposed initial public offering of up to 365,364,000 Shares in the Company which comprises the following:

(i) Proposed Public Issue

The proposed public issue of up to 143,280,000 new Shares ("Issue Shares") at an indicative price of RM[•] per Issue Share raising total gross proceeds of approximately RM[•].

(ii) Proposed Offer for Sale

The proposed 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 Wak Hoong (collectively, the "Selling Shareholders") of up to 222,084,000 existing Shares ("Offer Shares") at an indicative price of RM[•] per Offer Share:

The Company will not receive any proceeds from the Proposed Offer for Sale. The gross proceeds of RM[•] from the Proposed Offer for Sale will be accrued entirely to the Selling Shareholders.

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2.3 Pro Forma III – Use of Proceeds

The total gross proceeds from the Proposed Public Issue of RM[•] are intended to be used as follows:

	RM'mil
Working capital	[•]
Repayment of borrowings ⁽¹⁾	[•]
Capital expenditure ⁽²⁾	[•]
Working capital for expansion of Singapore business ⁽³⁾	[•]
Estimated listing expenses ⁽⁴⁾	[•]
	[•]

Notes:

- (1) The Group has earmarked RM[•] of the total gross proceeds for the repayment of borrowings. This is in relation to the partial repayment of the term loan amounting to RM[•] obtained from BoC for the purpose of settling trade amounts owing to CKH.
- (2) The Group has earmarked RM[•] of the total gross proceeds for its capital expenditure in relation to the following:

	RM'mil
Opening of "Brandshops"	[•]
Upgrading of information technology systems	[•]
	[•]

As at the latest practicable date of 15 August 2024, 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 RM[•] for working capital for the expansion of its Singapore business. As at the latest practicable date of 15 August 2024, 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	[•]
Regulatory fees	[•]
Commission fees	[•]
Others comprising fees and expenses for printing, translating, roadshow and advertisement, out-of-pocket expenses and contingencies	[•]
	[•]

The total estimated listing expenses to be borne by the Company is estimated to be approximately RM[•]. As of 31 December 2023, the Group has not paid any estimated listing expenses. Out of the total estimated listing expenses, approximately RM[•] directly attributable to the Proposed Public Issue will be debited against the share capital of the Company, and the remaining estimated listing expenses of approximately RM[•] will be charged to the profit or loss of the Group.



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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 31 December 2023	84,099
Effects of Pro Forma I:	
- Dividends paid	(73,378)
- Drawdown of term loans	310,000
Pro Forma I	320,721
Effects of Pro Forma II:	
- Proceeds from the Proposed Public Issue	[•]
Pro Forma II	[•]
Effects of Pro Forma III:	
- Repayment of existing borrowings using proceeds from the Proposed Public Issue	[•]
- Estimated listing expenses	[•]
Pro Forma III	[•]

(b) Movements in share capital

	RM'000
Balance as at 31 December 2023 / Pro Forma I	186,428
Effects of Pro Forma II:	
- Proposed Public Issue	[•]
- Estimated listing expenses directly attributable to the Proposed Public Issue	[•]
Pro Forma II and III	[•]

(c) Movements in reserves (retained earnings)

	RM'000
Balance as at 31 December 2023	612,638
Effects of Pro Forma I:	
- Dividend paid	(73,378)
Pro Forma I	539,260
Effects of Pro Forma II:	
- Estimated listing expenses charged to profit or loss of the Group	[•]
Pro Forma II and III	[•]



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3. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

(d) Movement in loans and borrowings – non-current

	RM'000
Balance as at 31 December 2023	-
Effects of Pro Forma I:	
- Drawdown of term loans	267,292
Pro Forma I, II and III	267,292

Movements in loans and borrowings – current

	RM'000
Balance as at 31 December 2023	59,952
Effects of Pro Forma I:	
- Drawdown of term loans	42,708
Pro Forma I and II	102,660
Effects of Pro Forma III:	
- Repayment of borrowings using proceeds from the Proposed Public Issue	[•]
Pro Forma III	[•]

(e) Movements in trade and other payables – current

	RM'000
Balance as at 31 December 2023 / Pro Forma I	306,759
Effects of Pro Forma II:	
- Estimated listing expenses accrued	[•]
Pro Forma II	[•]
Effects of Pro Forma III:	
- Reversal of accrued estimated listing expenses upon payment using proceeds from the Proposed Public Issue	[•]
Pro Forma III	[•]

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