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**13. ACCOUNTANTS' REPORT**

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**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**

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**Cuckoo International (MAL) Berhad**

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

**and its subsidiaries****Consolidated statements of financial position**

	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<b>Assets</b>				
Property, plant and equipment	3	100,557	86,094	135,778
Right-of-use assets	4	12,112	10,173	12,462
Intangible assets	5	7,228	8,225	9,222
Trade and other receivables	8	600,545	505,707	486,727
Deferred tax assets	9	31,598	23,443	12,472
<b>Total non-current assets</b>		<u>752,040</u>	<u>633,642</u>	<u>656,661</u>
Inventories	10	122,068	133,205	110,680
Trade and other receivables	8	308,743	330,859	295,216
Current tax assets		202	202	162
Prepayments		7,856	10,803	8,710
Cash and cash equivalents	11	84,099	133,483	85,240
<b>Total current assets</b>		<u>522,968</u>	<u>608,552</u>	<u>500,008</u>
<b>Total assets</b>		<u>1,275,008</u>	<u>1,242,194</u>	<u>1,156,669</u>
<b>Equity</b>				
Share capital	12	186,428	44,031	44,031
Reserves		612,638	663,593	524,146
<b>Equity attributable to owners of the Company</b>		<u>799,066</u>	<u>707,624</u>	<u>568,177</u>
<b>Non-controlling interests</b>		<u>(1,710)</u>	<u>(1,319)</u>	<u>(934)</u>
<b>Total equity</b>		<u>797,356</u>	<u>706,305</u>	<u>567,243</u>
<b>Liabilities</b>				
Loans and borrowings	13	-	53,655	106,239
Lease liabilities		4,170	7,834	11,342
Trade and other payables	14	10,263	37,360	123,165
<b>Total non-current liabilities</b>		<u>14,433</u>	<u>98,849</u>	<u>240,746</u>
Loans and borrowings	13	59,952	58,533	55,533
Lease liabilities		9,603	10,054	9,617
Trade and other payables	14	306,759	266,992	175,548
Provision	15	13,642	14,705	12,292
Current tax liabilities		8,247	14,749	29,655
Deferred income	16	3,659	10,140	17,021
Contract liabilities	17	61,357	61,867	49,014
<b>Total current liabilities</b>		<u>463,219</u>	<u>437,040</u>	<u>348,680</u>
<b>Total liabilities</b>		<u>477,652</u>	<u>535,889</u>	<u>589,426</u>
<b>Total equity and liabilities</b>		<u>1,275,008</u>	<u>1,242,194</u>	<u>1,156,669</u>

The notes on pages 9 to 69 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 statements of profit or loss and other comprehensive income**

		<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Revenue	18	1,116,649	1,046,446	1,139,076
Cost of sales		(746,534)	(661,439)	(738,736)
<b>Gross profit</b>		<b>370,115</b>	<b>385,007</b>	<b>400,340</b>
Other income		3,825	12,458	17,653
Distribution expenses		(84,870)	(77,889)	(58,009)
Administrative expenses		(62,740)	(201,059)	(51,303)
Net losses on impairment of financial instruments	21	(52,258)	(27,772)	(20,661)
<b>Results from operating activities</b>		<b>174,072</b>	<b>90,745</b>	<b>288,020</b>
Finance income	19	2,739	2,473	1,637
Finance costs	20	(38,180)	(41,246)	(40,230)
<b>Net finance costs</b>		<b>(35,441)</b>	<b>(38,773)</b>	<b>(38,593)</b>
<b>Profit before tax</b>	21	<b>138,631</b>	<b>51,972</b>	<b>249,427</b>
Tax expense	22	(51,762)	(49,917)	(62,991)
<b>Profit for the year</b>		<b>86,869</b>	<b>2,055</b>	<b>186,436</b>
<b>Other comprehensive loss, net of tax</b>				
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Foreign currency translation differences for foreign operations		(706)	(502)	(70)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(706)</b>	<b>(502)</b>	<b>(70)</b>
<b>Total comprehensive income for the year</b>		<b>86,163</b>	<b>1,553</b>	<b>186,366</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company		87,260	2,440	186,694
Non-controlling interests		(391)	(385)	(258)
<b>Profit for the year</b>		<b>86,869</b>	<b>2,055</b>	<b>186,436</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company		86,554	1,938	186,624
Non-controlling interests		(391)	(385)	(258)
<b>Total comprehensive income for the year</b>		<b>86,163</b>	<b>1,553</b>	<b>186,366</b>
<b>Basic earnings per ordinary share (sen)</b>	23	<b>6.94</b>	<b>0.21</b>	<b>16.08</b>
<b>Diluted earnings per ordinary share (sen)</b>	23	<b>6.94</b>	<b>0.20</b>	<b>16.08</b>

The notes on pages 9 to 69 are an integral part of these consolidated financial statements.

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**Cuckoo International (MAL) Berhad**

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

**and its subsidiaries****Consolidated statements of changes in equity**

	/-----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 2021	44,031	-	(23)	337,545	381,553	(676)	380,877
Foreign currency translation differences for foreign operations	-	-	(70)	-	(70)	-	(70)
Total other comprehensive loss for the year	-	-	(70)	-	(70)	-	(70)
Profit for the year	-	-	-	186,694	186,694	(258)	186,436
<b>Total comprehensive (loss)/income for the year</b>	-	-	(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 loss for the year	-	-	(502)	-	(502)	-	(502)
Profit for the year	-	-	-	2,440	2,440	(385)	2,055
<b>Total comprehensive (loss)/income for the year</b>	-	-	(502)	2,440	1,938	(385)	1,553
Contribution by owners of the Company:							
- Share-based payment transaction	-	137,509	-	-	137,509	-	137,509
At 31 December 2022/1 January 2023	44,031	137,509	(595)	526,679	707,624	(1,319)	706,305
	Note 12	Note 12					

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## Consolidated statements of changes in equity (continued)

	/-----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
<b>At 31 December 2022/1 January 2023</b>	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 loss for the year	-	-	(706)	-	(706)	-	(706)
Profit for the year	-	-	-	87,260	87,260	(391)	86,869
<b>Total comprehensive (loss)/income for the year</b>	-	-	(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
<b>At 31 December 2023</b>	186,428	-	(1,301)	613,939	799,066	(1,710)	797,356
	Note 12	Note 12					

The notes on pages 9 to 69 are an integral part of these consolidated financial statements.

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**Cuckoo International (MAL) Berhad**

(Registration No. 201401026804 (1102894-H))

(Incorporated in Malaysia)

**and its subsidiaries****Consolidated statements of cash flows**

	<b>1.1.2023 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.1.2021 RM'000</b>
<b>Cash flows from operating activities</b>			
Profit before tax	138,631	51,972	249,427
<i>Adjustments for:</i>			
Amortisation of trademark	997	997	748
Bad debts written off	-	109	-
Depreciation of property, plant and equipment	48,576	57,844	72,361
Depreciation of right-of-use assets	10,667	6,478	5,043
Finance costs	23,536	19,596	24,078
Finance income	(2,739)	(2,473)	(1,637)
Bargain purchase gain on acquisition of business	-	-	(5,391)
Gain on derecognition of right-of-use assets	-	-	(9)
Gain on disposal of an associate	-	(152)	-
Net (reversal of)/impairment loss on property, plant and equipment	(632)	(183)	6,071
Impairment loss on right-of-use assets	665	459	-
Net loss on impairment of financial instruments	52,258	27,772	20,661
Net unrealised loss on foreign exchange	7,090	14,207	19,657
Property, plant and equipment written off	640	1,339	8,966
Share-based payments	-	137,509	-
<b>Operating profit before working capital changes</b>	<b>279,689</b>	<b>315,474</b>	<b>399,975</b>
Change in inventories	11,125	(23,396)	(23,549)
Change in provision	(1,063)	2,413	(513)
Change in trade and other receivables and prepayments	(147,279)	(60,278)	(168,644)
Change in deferred income	(6,481)	(6,881)	(5,337)
Change in contract liabilities	(510)	12,853	7,500
Change in trade and other payables	42,046	(6,839)	(86,117)
<b>Cash generated from operations</b>	<b>177,527</b>	<b>233,346</b>	<b>123,315</b>
Interest received	27	412	470
Interest paid	(7,746)	(8,428)	(23,881)
Tax paid	(66,419)	(75,834)	(39,291)
<b>Net cash from operating activities</b>	<b>103,389</b>	<b>149,496</b>	<b>60,613</b>

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**Consolidated statements of cash flows (continued)**

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(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	2,712	2,061	1,167
Proceeds from disposal of an associate	-	152	-
<b>Net cash used in investing activities</b>	<b>(40,630)</b>	<b>(25,825)</b>	<b>(4,166)</b>
<b>Cash flows from financing activities</b>			
Drawdown of loans and borrowings	-	-	167,208
Interest paid on loans and borrowings	(5,556)	(4,802)	(197)
Proceeds from issuance of shares	4,888	-	-
Payment of lease liabilities	(11,488)	(11,744)	(10,657)
Repayment of loans and borrowings	(57,114)	(58,384)	(4,654)
Repayment of loan from immediate holding company	(42,205)	-	(201,629)
<b>Net cash used in financing activities</b>	<b>(111,475)</b>	<b>(74,930)</b>	<b>(49,929)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(48,716)</b>	<b>48,741</b>	<b>6,518</b>
Effect of exchange rate fluctuations on cash held	(668)	(498)	5
Cash and cash equivalents at 1 January	133,483	85,240	78,717
<b>Cash and cash equivalents at 31 December</b>	<b>84,099</b>	<b>133,483</b>	<b>85,240</b>

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**Consolidated statements of cash flows (continued)****Cash and cash equivalents**

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statements of financial position amounts:

	<b>Note</b>	<b>31.12.2023 RM'000</b>	<b>31.12.2022 RM'000</b>	<b>31.12.2021 RM'000</b>
Cash and bank balances	11	83,842	133,230	84,991
Deposits placed with licensed banks	11	257	253	249
		<u>84,099</u>	<u>133,483</u>	<u>85,240</u>

**Acquisition of property, plant and equipment**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM63,044,000 (31.12.2022: RM9,300,000; 31.12.2021: RM3,800,000) via the following:

	<b>31.12.2023 RM'000</b>	<b>31.12.2022 RM'000</b>	<b>31.12.2021 RM'000</b>
Transferred from inventories	12	870	239
Transferred from deposits	19,690	82	-
Satisfied by cash	43,342	8,348	3,561
	<u>63,044</u>	<u>9,300</u>	<u>3,800</u>

**Cash outflows for leases as a lessee**

	<b>Note</b>	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>Included in net cash from operating activities:</b>				
Interest paid in relation to lease liabilities	20	981	1,135	1,359
Payment relating to short-term leases	21	11,990	11,688	10,205
<b>Included in net cash used in financing activities:</b>				
Payment of lease liabilities		<u>11,488</u>	<u>11,744</u>	<u>10,657</u>
<b>Total cash outflows for leases</b>		<u>24,459</u>	<u>24,567</u>	<u>22,221</u>



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**Consolidated statements of cash flows (continued)****Reconciliation of movements of liabilities to cash flows arising from financing activities**

	<b>Bank loan RM'000</b>	<b>Lease liabilities RM'000</b>	<b>Loan from immediate holding company RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2021</b>	-	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
<b>At 31 December 2021/ 1 January 2022</b>	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
<b>At 31 December 2022/ 1 January 2023</b>	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
<b>At 31 December 2023</b>	59,952	13,773	36,642	110,367

The notes on pages 9 to 69 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**

16<sup>th</sup> 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 year 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 proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing") and for no other purposes.

The consolidated financial statements of the Company for the financial years ended 31 December 2023, 2022, and 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").

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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 2024***

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

***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*

***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 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024;
- 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.

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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 the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 15 – provision
- Note 25 – measurement of expected credit loss ("ECL")

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**2. Changes in material accounting policies****2.1 Global minimum top-up tax**

The Group has adopted the amendments to MFRS 112, *Income Taxes – International Tax Reform – Pillar Two Model Rules* upon their release on 2 June 2023. The amendments provide a temporary mandatory relief from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The temporary mandatory relief applies retrospectively. However, there was no new legislation enacted or substantively enacted to implement the top-up tax at 31 December 2022 in the jurisdictions in which the Group operates. The retrospective application has no impact on the Company's consolidated financial statements.

The Group does not expect the top-up tax to have any material effects.

**2.2 Material accounting policy information**

The Group also adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

**13. ACCOUNTANTS' REPORT**

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**3. Property, plant and equipment**

									/-----Subject to operating lease-----/				
	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	Total RM'000
<b>Cost</b>													
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

### 13. ACCOUNTANTS' REPORT

#### 3. Property, plant and equipment (continued)

/-----Subject to operating lease-----/

	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	Total RM'000
<b>Depreciation</b>													
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 2022/1 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	-	3,435	4,257	2,929	3,235	393	7,696	662	351,811	315	23,272	213	398,218

## 13. ACCOUNTANTS' REPORT

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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-----/ Water purifiers - rental RM'000    Rice cookers - rental RM'000    Air purifiers - rental RM'000    Inductions - rental RM'000				Total RM'000
<b>Impairment loss</b>													
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	
<b>Carrying amounts</b>													
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	-	60,269	1,423	774	1,101	594	3,015	231	31,096	-	2,054	-	100,557

**13. ACCOUNTANTS' REPORT**

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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 year, the Group reversed certain of these impairment losses amounting to 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.

During the financial year, a subsidiary also 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:

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Rental income	<u>167,438</u>	<u>211,732</u>	<u>260,949</u>

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**3. Property, plant and equipment (continued)****3.2 Equipment subject to operating lease (continued)**

The operating lease payments to be received are as follows:

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	99,516	167,158	211,003
One to two years	32,512	104,538	172,205
Two to three years	9,057	33,948	107,410
Three to four years	553	9,482	35,070
Four to five years	-	574	9,896
More than five years	-	-	625
Total undiscounted lease payments	<u>141,638</u>	<u>315,700</u>	<u>536,209</u>

**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:

	<b>1.1.2023 to</b>	<b>1.1.2022 to</b>	<b>1.1.2021 to</b>
	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Lease income	<u>577</u>	<u>-</u>	<u>-</u>

The operating lease payments to be received are as follows:

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	646	-	-
One to two years	<u>54</u>	<u>-</u>	<u>-</u>
Total undiscounted lease payments	<u>700</u>	<u>-</u>	<u>-</u>

**13. ACCOUNTANTS' REPORT**

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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 they do 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**

	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
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	<u>41,767</u>	<u>1,136</u>	<u>42,903</u>
<b>Depreciation</b>			
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	<u>28,474</u>	<u>1,136</u>	<u>29,610</u>
<b>Impairment loss</b>			
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	<u>1,181</u>	<u>-</u>	<u>1,181</u>

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**4. Right-of-use assets (continued)**

	<b>Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Carrying amounts</b>			
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	12,112	-	12,112

\* *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.*

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 lease after that date.

**4.1 Impairment loss**

During the financial year, a subsidiary impaired its entire right-of-use assets amounting to RM665,000 (1.1.2022 to 31.12.2022: RM459,000; 1.1.2021 to 31.12.2021: Nil) as the subsidiary had been continuously making losses, which casted 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 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.

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**4. Right-of-use assets (continued)****4.3 Significant judgements and assumptions in relation to leases entered into during the year**

The Group assesses at lease commencement by applying significant 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 significant judgements to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

**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.

**13. ACCOUNTANTS' REPORT**

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**5. Intangible assets**

	<b>Note</b>	<b>Goodwill RM'000</b>	<b>Trademark RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
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		347	9,970	10,317
<b>Amortisation</b>				
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		-	2,742	2,742
<b>Impairment loss</b>				
At 1 January 2021/31 December 2021/ 1 January 2022/31 December 2022/ 1 January 2023/31 December 2023	5.1	347	-	347
<b>Carrying amounts</b>				
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		-	7,228	7,228

**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.



**13. ACCOUNTANTS' REPORT**

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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		
			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
Cuckoo Global Technology Sdn. Bhd.	Malaysia	Software development, maintenance of computer software and consultancy services	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.

**13. ACCOUNTANTS' REPORT**

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**7. Investment in an associate**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Investment in shares	-	-	-
Share of post-acquisition reserves	-	-	-
Less: Impairment loss	-	-	-
	<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 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:

<b>Name of entity</b>	<b>Principal place of business</b>	<b>Nature of the relationship</b>	<b>Effective ownership interest and voting interest</b>		
			<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
			<b>%</b>	<b>%</b>	<b>%</b>
PT. Cuckoo International Indonesia	Indonesia	Trading of home appliances of the Group	-	-	28.44

**13. ACCOUNTANTS' REPORT**

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**8. Trade and other receivables**

	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<b>Non-current</b>				
<b>Trade</b>				
Net investment in lease	8.1	600,513	503,906	483,967
<b>Non-trade</b>				
Net investment in sublease	8.2	32	1,801	2,760
		<u>600,545</u>	<u>505,707</u>	<u>486,727</u>
<b>Current</b>				
<b>Trade</b>				
Trade receivables		21,079	16,539	14,275
Net investment in lease	8.1	257,586	233,700	188,856
Amount due from immediate holding company	8.3	302	289	270
Amounts due from related corporations	8.3	343	288	243
Amount due from a former associate	8.3	60	43	22
		<u>279,370</u>	<u>250,859</u>	<u>203,666</u>
<b>Non-trade</b>				
Net investment in sublease	8.2	101	4,404	4,967
Amounts due from related corporations	8.3	-	-	121
Other receivables		20,857	45,397	76,097
Goods and services tax recoverable		1,571	3,497	3,497
Deposits		6,844	26,702	6,868
		<u>29,373</u>	<u>80,000</u>	<u>91,550</u>
		<u>308,743</u>	<u>330,859</u>	<u>295,216</u>
		<u>909,288</u>	<u>836,566</u>	<u>781,943</u>

**8.1 Net investment in lease**

	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
At 1 January	737,606	672,823	475,234
Additions	400,521	287,187	345,883
Interest income	49,127	41,751	72,106
Lease payments received	(292,573)	(248,924)	(203,827)
Impairment loss	(36,582)	(15,231)	(16,573)
At 31 December	<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.

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.

**13. ACCOUNTANTS' REPORT**

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**8. Trade and other receivables (continued)****8.1 Net investment in lease (continued)**

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:

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	293,117	262,223	216,251
One to two years	233,412	218,470	198,628
Two to three years	170,473	154,716	158,252
Three to four years	129,319	90,558	100,489
Four to five years	75,588	48,623	39,778
More than five years	34,466	23,026	16,884
Total undiscounted lease payments	936,375	797,616	730,282
Unearned interest income	(78,276)	(60,010)	(57,459)
Net investment in lease	<u>858,099</u>	<u>737,606</u>	<u>672,823</u>

**8.2 Net investment in sublease**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,205	7,727	6,586
Additions	347	5,636	7,875
Interest income	27	412	470
Lease payments received	(381)	(5,940)	(6,158)
Derecognition*	(6,065)	(1,630)	(1,046)
At 31 December	<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.

**13. ACCOUNTANTS' REPORT**

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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:

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	106	4,420	5,596
One to two years	34	1,845	2,225
Two to three years	-	157	229
Total undiscounted lease payments	140	6,422	8,050
Unearned interest income	(7)	(217)	(323)
Net investment in sublease	<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 are 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:

	<b>Assets</b>			<b>Liabilities</b>			<b>Net</b>		
	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	-	-	-	(9,977)	(10,725)	(11,589)	(9,977)	(10,725)	(11,589)
Right-of-use assets	-	-	-	(2,889)	(2,168)	(2,720)	(2,889)	(2,168)	(2,720)
Intangible assets									
- trademark	-	-	-	(1,735)	(1,974)	(2,213)	(1,735)	(1,974)	(2,213)
Lease liabilities	3,098	2,433	2,930	-	-	-	3,098	2,433	2,930
Provisions	10,289	8,528	10,301	-	-	-	10,289	8,528	10,301
Deferred income	875	2,430	4,085	-	-	-	875	2,430	4,085
Contract liabilities	14,014	14,362	11,310	-	-	-	14,014	14,362	11,310
Other items	17,923	10,557	368	-	-	-	17,923	10,557	368
Tax assets/(liabilities)	46,199	38,310	28,994	(14,601)	(14,867)	(16,522)	31,598	23,443	12,472
Set off of tax	(14,601)	(14,867)	(16,522)	14,601	14,867	16,522	-	-	-
Net tax assets	31,598	23,443	12,472	-	-	-	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):

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax loss carry-forwards	15,726	11,116	8,938
Capital allowance carry-forwards	660	621	586
Other deductible temporary differences	306	1,654	781
	<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

	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 RM'000
Property, plant and equipment	(13,760)	-	2,171	(11,589)	864	(10,725)	748	(9,977)
Right-of-use assets	(3,355)	-	635	(2,720)	552	(2,168)	(721)	(2,889)
Intangible assets - trademark	-	(2,393)	180	(2,213)	239	(1,974)	239	(1,735)
Lease liabilities	3,413	-	(483)	2,930	(497)	2,433	665	3,098
Provisions	7,250	-	3,051	10,301	(1,773)	8,528	1,761	10,289
Deferred income	5,365	-	(1,280)	4,085	(1,655)	2,430	(1,555)	875
Contract liabilities	9,575	-	1,735	11,310	3,052	14,362	(348)	14,014
Other items	(3,077)	-	3,445	368	10,189	10,557	7,366	17,923
	5,411	(2,393)	9,454	12,472	10,971	23,443	8,155	31,598

### 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**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Finished goods	98,057	118,754	76,441
Goods in transit	24,011	14,451	34,239
	<u>122,068</u>	<u>133,205</u>	<u>110,680</u>
Recognised in profit or loss:			
Inventories recognised as cost of sales	300,657	272,699	323,023
Net write-down/(reversal) to net realisable value	<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 were 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**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	83,842	133,230	84,991
Deposits placed with licensed banks	257	253	249
	<u>84,099</u>	<u>133,483</u>	<u>85,240</u>

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**12. Capital and reserves****Share capital**

	<b>Number of shares 2023 '000</b>	<b>Amount 2023 RM'000</b>	<b>Number of shares 2022 '000</b>	<b>Amount 2022 RM'000</b>	<b>Number of shares 2021 '000</b>	<b>Amount 2021 RM'000</b>
Issued and fully paid shares with no par value classified as equity instruments:						
Ordinary shares						
At 1 January	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	-	-	-	-
At 31 December	<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.

**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.

During the financial year, the issued and fully paid capital of the Group has 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.

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**12. Capital and reserves (continued)****Share option reserve and ESOS (continued)**

The movements in the Group's ESOS options are as follows:

Number of options over ordinary shares					
Grant date	Exercise price per ordinary share	Balance as at 1.1.2021/ 31.12.2021/ 1.1.2022	Granted	Exercised	Balance as at 31.12.2022/ 1.1.2023
15 October 2022	RM1.00	-	4,887,437	-	4,887,437

Number of options over ordinary shares					
Grant date	Exercise price per ordinary share	Balance as at 1.1.2023	Granted	Exercised	Balance as at 31.12.2023
15 October 2022	RM1.00	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 have exercised their options on 6 April 2023.

**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**

	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<b>Non-current</b>			
Bank loan	-	53,655	106,239
<b>Current</b>			
Bank loan	59,952	58,533	55,533
	<u>59,952</u>	<u>112,188</u>	<u>161,772</u>

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.

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**13. Loans and borrowings (continued)****Significant covenants**

- The Group shall maintain a minimum Annual Debt Service Coverage Ratio of 2.0 times; and
- The Group shall maintain a maximum Gearing Ratio of 1.0 times.

**14. Trade and other payables**

	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<b>Non-current</b>				
<b>Non-trade</b>				
Amount due to immediate holding company	14.1	10,263	37,360	46,711
Loan from immediate holding company	14.2	-	-	76,454
		<u>10,263</u>	<u>37,360</u>	<u>123,165</u>
<b>Current</b>				
<b>Trade</b>				
Amount due to immediate holding company	14.1	140,339	98,966	66,759
Amount due to a related corporation	14.3	153	2,035	268
Trade payables		34,431	8,675	4,703
Trade accruals		<u>37,419</u>	<u>38,897</u>	<u>54,256</u>
		<u>212,342</u>	<u>148,573</u>	<u>125,986</u>
<b>Non-trade</b>				
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		17,256	10,320	17,253
Accrued expenses		<u>40,056</u>	<u>26,625</u>	<u>31,455</u>
		<u>94,417</u>	<u>118,419</u>	<u>49,562</u>
		<u>306,759</u>	<u>266,992</u>	<u>175,548</u>
		<u>317,022</u>	<u>304,352</u>	<u>298,713</u>

**14.1 Amounts due to immediate holding company**

The amounts due to immediate holding company are subject to interest rate at 4.00% (2022: 6.22%; 2021: 2.02%) per annum.

The non-trade balances are unsecured and not expected to be repaid within the next financial year.

The trade balances are unsecured and expected to be repaid as follows:

	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Within 1 year	84,570	26,868	-
More than 1 year	<u>55,769</u>	<u>72,098</u>	<u>66,759</u>
	<u>140,339</u>	<u>98,966</u>	<u>66,759</u>

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**14. Trade and other payables (continued)****14.2 Loan from immediate holding company**

Loan from immediate holding company is unsecured, subject to interest rate at 4.00% (2022: 6.22%; 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 4.00% (2022: 6.22%; 2021: 2.02%) per annum and repayable on demand.

**14.4 Amount due to a director**

The amount due to a director is unsecured, interest-free and repayable on demand.

**15. Provision**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	14,705	12,292	12,805
Provision made during the year	-	4,116	414
Provision reversed during the year	(780)	-	-
Provision used during the year	(283)	(1,703)	(927)
At 31 December	<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.

**16. Deferred income**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deferred income	<u>3,659</u>	<u>10,140</u>	<u>17,021</u>

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 years were mainly due to revenue recognised during the period.

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**17. Contract liabilities**

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Contract liabilities	<u>61,357</u>	<u>61,867</u>	<u>49,014</u>

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 year are as follows:**

	<b>1.1.2023 to 31.12.2023</b>	<b>1.1.2022 to 31.12.2022</b>	<b>1.1.2021 to 31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Contract liabilities at the beginning of the period recognised as revenue	<u>48,876</u>	<u>39,598</u>	<u>29,812</u>

**18. Revenue**

	<b>1.1.2023 to 31.12.2023</b>	<b>1.1.2022 to 31.12.2022</b>	<b>1.1.2021 to 31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Outright sales	59,058	78,212	70,245
Maintenance services	427,284	422,195	392,740
IT support and maintenance	181	170	178
<b>Revenue from contracts with customers</b>	<b>486,523</b>	<b>500,577</b>	<b>463,163</b>
Finance lease sales	413,561	292,386	342,858
Rental income	167,438	211,732	260,949
Finance lease interest income	49,127	41,751	72,106
<b>Total revenue</b>	<b><u>1,116,649</u></b>	<b><u>1,046,446</u></b>	<b><u>1,139,076</u></b>

**18.1 Disaggregation of revenue**

- CUCKOO-Branded products Includes trading and rental of water purifiers, air purifiers, rice cookers and kitchen appliances.
- 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)**

	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
<b>1.1.2023 to 31.12.2023</b>								
<b>Primary geographical markets</b>								
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
<b>Major products and service lines</b>								
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
<b>Timing of recognition</b>								
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)**

	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
<b>1.1.2022 to 31.12.2022</b>								
<b>Primary geographical markets</b>								
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
<b>Major products and service lines</b>								
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
<b>Timing of recognition</b>								
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)**

	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
<b>1.1.2021 to 31.12.2021</b>								
<b>Primary geographical markets</b>								
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
<b>Major products and service lines</b>								
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
<b>Timing of recognition</b>								
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:

<b>Nature of goods or services</b>	<b>Timing of recognition or method used to recognise revenue</b>	<b>Significant payment terms</b>	<b>Variable element in consideration</b>	<b>Obligation for returns or refunds</b>	<b>Warranty</b>
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:

<b>Nature</b>	<b>Timing or method of recognition</b>
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.

	<b>31.12.2023 2024 - 2030 RM'000</b>	<b>31.12.2022 2023 - 2029 RM'000</b>	<b>31.12.2021 2022 - 2028 RM'000</b>
Maintenance services	<u>868,957</u>	<u>860,878</u>	<u>957,305</u>

**18.5 Practical expedient applied for significant financing component**

The Group applied the practical expedient 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**

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Interest income of financial assets calculated using the effective interest method that are at amortised cost:			
- Deposits placed with licensed banks	2,712	2,061	1,167
Interest income on net investment in sublease	27	412	470
	<u>2,739</u>	<u>2,473</u>	<u>1,637</u>

**20. Finance costs**

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Interest expense of financial liabilities that are not at fair value through profit or loss:			
- Interest charges on amounts due to inter-companies	10,234	6,366	15,602
- Bank and merchant charges	6,765	7,294	6,919
- Loans and borrowings	5,556	4,801	198
Interest expense on lease liabilities	981	1,135	1,359
Net foreign exchange loss on amounts due to inter-companies	14,644	21,650	16,152
	<u>38,180</u>	<u>41,246</u>	<u>40,230</u>

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**21. Profit before tax**

	<b>Note</b>	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>Profit before tax is arrived at after charging/(crediting):</b>				
<b><i>Auditors' remunerations</i></b>				
Audit fees:				
- KPMG PLT		224	211	179
- Overseas affiliate of KPMG PLT		61	51	49
Non-audit fees:				
- KPMG PLT		57	65	51
<b><i>Material expenses/(income)</i></b>				
Amortisation of trademark		997	997	748
Bad debts written off		-	109	-
Depreciation of property, plant and equipment		48,576	57,844	72,361
Depreciation of right-of-use assets		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		4,130	3,783	2,778
- Wages, salaries and others		64,487	29,880	22,297
- Share-based payments		-	137,509	-
Net (reversal of)/impairment loss on property, plant and equipment		(632)	(183)	6,071
Impairment loss on right-of-use assets		665	459	-
Wages subsidy	a	(45)	(121)	(265)
Rental subsidy	b	-	-	(138)
Property, plant and equipment written off		640	1,339	8,966
<b><i>Expenses/(Income) arising from leases</i></b>				
Expenses relating to short-term leases	c	11,990	11,688	10,205
Income relating to property and equipment subject to operating leases		(168,015)	(211,732)	(260,949)
Income from subleasing of short-term leases		(298)	(9,372)	(7,940)

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**21. Profit before tax (continued)**

	1.1.2023 to Note 31.12.2023	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021
	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging/(crediting) (continued):</b>			
<b><i>Net loss/(reversal) on impairment of financial instruments</i></b>			
Financial assets at amortised cost:			
Trade receivables	15,643	12,610	3,785
Net investment in lease	36,582	15,231	16,573
Other receivables	33	(73)	232
Inter-company balances	-	4	71
d	<u>52,258</u>	<u>27,772</u>	<u>20,661</u>

**Note a**

Certain Group entities were entitled to a wage subsidy programme introduced by the government of Singapore respectively in response to Covid-19 pandemic during the current and previous financial years.

**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**

	<b>1.1.2023 to Note 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>Current tax expense</b>			
Current year	56,250	66,190	72,549
Prior year	3,667	(5,302)	(104)
Total current tax recognised in profit or loss	59,917	60,888	72,445
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	(5,724)	(12,899)	(12,193)
(Over)/Under provision in prior year	(2,431)	1,928	2,739
Total deferred tax recognised in profit or loss (Note 9)	(8,155)	(10,971)	(9,454)
Total income tax expense	51,762	49,917	62,991

**Reconciliation of tax expense**

Profit before tax	138,631	51,972	249,427
Income tax calculated using Malaysian tax rates at 24%	33,271	12,473	59,862
Effect of tax at different rate (i)	-	11,517	-
Non-deductible expenses	16,219	28,359	65
Non-taxable income	(11)	-	(76)
Effect of tax rate in foreign jurisdiction	255	201	134
Effect of deferred tax assets not recognised	792	741	371
Under/(Over) provision in prior year	1,236	(3,374)	2,635
	51,762	49,917	62,991

- (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:

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Profit attributable to ordinary shareholders	<u>87,260</u>	<u>2,440</u>	<u>186,694</u>
	<b>31.12.2023 '000</b>	<b>31.12.2022 '000</b>	<b>31.12.2021 '000</b>
Issued ordinary shares at 1 January	44,031	44,031	44,031
Effect of share options issued	3,682	-	-
Effect of bonus issue*	<u>1,210,039</u>	<u>1,116,653</u>	<u>1,116,653</u>
Weighted average number of ordinary shares as at 31 December	<u>1,257,752</u>	<u>1,160,684</u>	<u>1,160,684</u>
	<b>1.1.2023 to 31.12.2023 sen</b>	<b>1.1.2022 to 31.12.2022 sen</b>	<b>1.1.2021 to 31.12.2021 sen</b>
Basic earnings per share	<u>6.94</u>	<u>0.21</u>	<u>16.08</u>

\* *The previous years' earnings per share have been adjusted retrospectively to reflect the bonus issue subsequent to the end of the current financial year 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:

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
Profit attributable to ordinary shareholders	<u>87,260</u>	<u>2,440</u>	<u>186,694</u>
	<b>31.12.2023 '000</b>	<b>31.12.2022 '000</b>	<b>31.12.2021 '000</b>
Weighted average number of ordinary shares at 31 December (basic)	1,257,752	1,160,684	1,160,684
Effect of share options on issue, considering bonus issue	<u>-</u>	<u>32,499</u>	<u>-</u>
Weighted average number of ordinary shares at 31 December (diluted)	<u>1,257,752</u>	<u>1,193,183</u>	<u>1,160,684</u>
	<b>1.1.2023 to 31.12.2023 sen</b>	<b>1.1.2022 to 31.12.2022 sen</b>	<b>1.1.2021 to 31.12.2021 sen</b>
Diluted earnings per ordinary share	<u>6.94</u>	<u>0.20</u>	<u>16.08</u>

As at 31 December 2023, there are no dilutive instruments following the full exercise of share options during the financial year.

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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 and kitchen appliances. |
| • 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, 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 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 year to acquire property, plant and equipment, and intangible assets other than goodwill.

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**24. Operating segments (continued)**

	1.1.2023 to 31.12.2023 CUCKOO				1.1.2022 to 31.12.2022 CUCKOO				1.1.2021 to 31.12.2021 CUCKOO			
	CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000	Total RM'000	CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000	Total RM'000	CUCKOO- Branded products RM'000	Co- Created products RM'000	Non- reportable segments RM'000	Total 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 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)

	31.12.2023				31.12.2022				31.12.2021			
	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	CUCKOO- Branded products RM'000	CUCKOO Co- Created products RM'000	Non- reportable segments RM'000	Total RM'000
<b>Segment assets</b>	1,066,298	195,656	13,054	1,275,008	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	53,866	8,685	493	63,044	8,476	732	92	9,300	3,653	101	46	3,800
Right-of-use assets	11,734	1,891	109	13,734	9,232	905	115	10,252	9,151	873	111	10,135
	65,600	10,576	602	76,778	17,708	1,637	207	19,552	12,804	974	157	13,778
<b>Segment liabilities</b>	(453,987)	(20,979)	(2,686)	(477,652)	(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	(187,244)	-	-	(187,244)	(136,326)	-	(81,037)	(217,363)	(189,924)	-	-	(189,924)
Loans and borrowings	(59,952)	-	-	(59,952)	(112,188)	-	-	(112,188)	(161,772)	-	-	(161,772)
Contract liabilities	(59,600)	(279)	(1,478)	(61,357)	(59,676)	(238)	(1,953)	(61,867)	(46,196)	(190)	(2,628)	(49,014)
Deferred income	(3,659)	-	-	(3,659)	(10,140)	-	-	(10,140)	(17,021)	-	-	(17,021)
	(310,455)	(279)	(1,478)	(312,212)	(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 in 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 years ended 31 December 2023, 31 December 2022 and 31 December 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"):

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>			
Trade and other receivables*	907,717	833,069	778,446
Cash and cash equivalents	84,099	133,483	85,240
	<u>991,816</u>	<u>966,552</u>	<u>863,686</u>
<b>Financial liabilities</b>			
Loans and borrowings	(59,952)	(112,188)	(161,772)
Trade and other payables	(317,022)	(304,352)	(298,713)
	<u>(376,974)</u>	<u>(416,540)</u>	<u>(460,485)</u>

\* excludes Goods and Services Tax recoverable.

**25.2 Net (losses) and gains arising from financial instruments**

	<b>1.1.2023 to</b>	<b>1.1.2022 to</b>	<b>1.1.2021 to</b>
	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (losses)/gains on:			
Financial assets at amortised cost	(9)	16,770	53,055
Financial liabilities at amortised cost	(37,582)	(40,538)	(38,844)
	<u>(37,591)</u>	<u>(23,768)</u>	<u>14,211</u>

**25.3 Financial risk management**

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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**25. Financial instruments (continued)****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 is represented by the carrying amounts in the statements of financial position.

***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:

	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic	875,493	751,274	684,561
Brunei	2,863	2,269	2,400
Singapore	822	602	137
	<u>879,178</u>	<u>754,145</u>	<u>687,098</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***

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 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***

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>31.12.2023</b>			
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
	26,047	(6,183)	19,864
<b>Credit impaired</b>			
Past due more than 5 months	36,222	(35,007)	1,215
	62,269	(41,190)	21,079
<b>31.12.2022</b>			
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
	24,592	(8,251)	16,341
<b>Credit impaired</b>			
Past due more than 5 months	21,105	(20,907)	198
	45,697	(29,158)	16,539



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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)***

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>31.12.2021</b>			
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
	19,921	(6,111)	13,810
<b>Credit impaired</b>			
Past due more than 5 months	19,580	(19,115)	465
Individually impaired	104	(104)	-
	39,605	(25,330)	14,275

***Net investment in lease***

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>31.12.2023</b>			
Not past due	867,913	(9,814)	858,099
Credit impaired	95,699	(95,699)	-
	963,612	(105,513)	858,099
<b>31.12.2022</b>			
Not past due	737,606	-	737,606
Credit impaired	68,931	(68,931)	-
	806,537	(68,931)	737,606
<b>31.12.2021</b>			
Not past due	672,823	-	672,823
Credit impaired	56,846	(56,846)	-
	729,669	(56,846)	672,823

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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 year are shown below:

	<b>Trade receivables</b>		<b>Net investment in lease</b>		
	<b>Lifetime ECL</b>	<b>Credit impaired</b>	<b>Lifetime ECL</b>	<b>Credit impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Balance at 1 January 2021</b>	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
<b>Balance at 31 December 2021/ 1 January 2022</b>	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
<b>Balance at 31 December 2022/ 1 January 2023</b>	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
<b>Balance at 31 December 2023</b>	6,183	35,007	9,814	95,699	146,703

As at 31 December 2023, 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 year are shown below:

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.1.2021 RM'000</b>
<b>Balance at 1 January</b>	305	378	146
Amount written off	(320)	-	-
Net remeasurement of loss allowance	33	(73)	232
Effect of movements in exchange rates	14	-	-
<b>Balance at 31 December</b>	<b>32</b>	<b>305</b>	<b>378</b>

## 13. ACCOUNTANTS' REPORT

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## 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.

**13. ACCOUNTANTS' REPORT**

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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.

	<b>Gross carrying amount RM'000</b>	<b>Impairment loss allowance RM'000</b>	<b>Net balances RM'000</b>
<b>31.12.2023</b>			
Low credit risk	645	-	645
Credit impaired	63	(3)	60
	<u>708</u>	<u>(3)</u>	<u>705</u>
<b>31.12.2022</b>			
Low credit risk	577	-	577
Credit impaired	46	(3)	43
	<u>623</u>	<u>(3)</u>	<u>620</u>
<b>31.12.2021</b>			
Low credit risk	634	-	634
Credit impaired	1,259	(1,237)	22
	<u>1,893</u>	<u>(1,237)</u>	<u>656</u>

The movements in the allowance for impairment in respect of inter-company balances during the year are shown below:

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>Balance at 1 January</b>	3	1,237	1,166
Amount written off	-	(1,238)	
Net remeasurement of loss allowance	-	4	71
<b>Balance at 31 December</b>	<u>3</u>	<u>3</u>	<u>1,237</u>

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## 25. Financial instruments (continued)

### 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.

#### ***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
<b>31.12.2023</b>						
<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>

## 13. ACCOUNTANTS' REPORT

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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
<b>31.12.2022</b>						
<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>
<b>31.12.2021</b>						
<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.

**13. ACCOUNTANTS' REPORT**

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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:

	<b>Denominated in USD</b>		
	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Balances recognised in the statements of financial position</b>			
Trade and other receivables	3,535	2,874	2,914
Bank loan	-	(112,188)	(161,772)
Trade and other payables	(187,423)	(219,398)	(190,609)
	<u>(183,888)</u>	<u>(328,712)</u>	<u>(349,467)</u>

***Currency risk sensitivity analysis***

A 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.

	<b>Profit or loss</b>		
	<b>1.1.2023 to</b>	<b>1.1.2022 to</b>	<b>1.1.2021 to</b>
	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD	<u>13,975</u>	<u>24,982</u>	<u>26,559</u>

A 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.



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## 25. Financial instruments (continued)

## 25.6 Market risk (continued)

## 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 rate 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:

	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<b>Fixed rate instruments</b>			
Financial assets	257	253	249
Financial liabilities	(261,148)	(17,888)	(20,959)
	<u>(260,891)</u>	<u>(17,635)</u>	<u>(20,710)</u>
<b>Floating rate instruments</b>			
Financial liabilities	-	(331,586)	(352,381)

***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**

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**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.

	<b>Profit or loss</b>					
	<b>1.1.2023 to 31.12.2023</b>		<b>1.1.2022 to 31.12.2022</b>		<b>1.1.2021 to 31.12.2021</b>	
	<b>50 bp increase</b>	<b>50 bp decrease</b>	<b>50 bp increase</b>	<b>50 bp decrease</b>	<b>50 bp increase</b>	<b>50 bp decrease</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Floating rate instruments	-	-	(1,260)	1,260	(1,339)	1,339

**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 loan 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.

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**26. Capital management (continued)**

The debt-to-equity ratios at 31 December 2023, 31 December 2022 and 31 December 2021 were as follows:

	<b>Note</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total loans and borrowings	13	59,952	112,188	161,772
Lease liabilities		13,773	17,888	20,959
Less: Cash and cash equivalents	11	(84,099)	(133,483)	(85,240)
Net (cash)/debt		<u>(10,374)</u>	<u>(3,407)</u>	<u>97,491</u>
 Total equity		 <u>797,356</u>	 <u>706,305</u>	 <u>567,243</u>
 Debt-to-equity ratio		 <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 year.

The Group has complied with the covenants disclosed in Note 13.

**27. Dividend**

After the end of the reporting period the following dividend was declared by the Directors. The dividend will be recognised in subsequent financial period.

	<b>RM per share</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
Interim 2023 ordinary	1.50	<u>73,378</u>	25 April 2024

**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.

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**28. Related parties (continued)****Significant related party transactions (continued)**

	<b>1.1.2023 to 31.12.2023 RM'000</b>	<b>1.1.2022 to 31.12.2022 RM'000</b>	<b>1.1.2021 to 31.12.2021 RM'000</b>
<b>A. Immediate holding company</b>			
Purchase of goods	213,657	204,448	287,659
Interest expense	10,208	6,326	15,495
Royalty fees	<u>30,633</u>	<u>30,787</u>	<u>30,921</u>
<b>B. Related corporations</b>			
Purchase of goods	510	1,178	603
Lease of premises	1,438	1,438	1,438
Royalty fees	<u>152</u>	<u>542</u>	<u>333</u>
<b>C. Related party</b>			
Acquisition of business	-	-	1,772
Purchase of goods	<u>-</u>	<u>-</u>	<u>4,019</u>
<b>D. Company in which a Director has substantial financial interest in</b>			
Lease of premises	<u>2,189</u>	<u>2,189</u>	<u>2,189</u>
<b>E. Key management personnel</b>			
<b><i>Directors</i></b>			
Remuneration	924	1,031	954
Other short-term employee benefits	<u>554</u>	<u>820</u>	<u>1,014</u>
	<u>1,478</u>	<u>1,851</u>	<u>1,968</u>
<b><i>Other key management personnel</i></b>			
Short-term employee benefits	<u>2,935</u>	<u>3,201</u>	<u>2,556</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.

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**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**

	<b>1.4.2021 RM'000</b>
Cash and cash equivalents	<u>1,772</u>

**Identifiable assets acquired and liabilities assumed**

	<b>Note</b>	<b>1.4.2021 RM'000</b>
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:

	<b>1.1.2021 to 31.12.2021 RM</b>
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.

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**13. ACCOUNTANTS' REPORT**

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**30. Subsequent events****(i) 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.

Subsequent to the completion of this exercise, the share capital of the Company has increased from 48,918,407 ordinary shares to 1,289,520,000 ordinary shares.

**(ii) Proposed listing**

The Company is currently in the midst of its application for the proposed listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing"). As at the date of this report, the Company has yet to obtain the approval from Bursa Securities and the Securities Commission Malaysia in relation to the Company's Proposed Listing.

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### 13. ACCOUNTANTS' REPORT

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50450 Kuala Lumpur

[•] September 2024

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 statements of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information, as set out on pages 1 to 69. The consolidated financial statements of the Company have been prepared for inclusion in the Company's draft prospectus in connection with the proposed 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 Company as at 31 December 2023, 31 December 2022 and 31 December 2021 and of its consolidated financial performance and cash flows for the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Company. We are responsible for the direction, supervision and performance 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.

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**13. ACCOUNTANTS' REPORT**

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***Cuckoo International (MAL) Berhad ("Cuckoo" or the "Company")***  
*Accountants' Report on the*  
*Consolidated Financial Statements*

**Restriction on Distribution and Use**

This report is made solely to the Company and for inclusion in the Company's draft prospectus in connection with the proposed 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