
10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “related party” of a listed corporation is:

- (i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company;
- (ii) a major shareholder including any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation, its subsidiary or holding company, having an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares is:
 - (a) 10% or more of the total number of voting shares in the corporation; or
 - (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

In the context of this Section 10, our substantial shareholders fall within the definition of “major shareholder” as set out above.

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10.1.2 Material related party transactions

Save as disclosed below, there are no material related party transactions entered into by our Group which involve the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them for the Financial Years Under Review and the subsequent period from 1 January 2024 up to 31 August 2024:

No.	Transacting parties	Nature of interest	Nature of transaction	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to 31 August 2024
				RM'000	RM'000	RM'000	RM'000
(i)	Our Company and CKH	CKH is a major shareholder of our Company Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CKH	(a) Purchase of CUCKOO-branded products and spare parts related to such products manufactured or sourced by CKH including water purifier and air purifier (" CKH Products ") ⁽¹⁾	287,659 (represents 38.9% of our Group's cost of sales)	204,448 (represents 30.9% of our Group's cost of sales)	213,657 (represents 28.6% of our Group's cost of sales)	200,292 (represents 34.9% of our Group's cost of sales)
			(b) License to use the trademark for the purpose of sales, promotion and distribution of the CKH Products (" CKH Royalty Fee ") ⁽¹⁾	30,921 (represents 4.2% of our Group's cost of sales)	30,787 (represents 4.7% of our Group's cost of sales)	30,633 (represents 4.1% of our Group's cost of sales)	22,288 (represents 3.9% of our Group's cost of sales)
			(c) Interest charges on amounts owing for CKH Products and CKH Royalty Fee which are past due ⁽¹⁾	15,495 (represents 8.3% of our Group's PAT)	6,326 (represents 307.8% of our Group's PAT)	10,208 (represents 11.8% of our Group's PAT)	5,856 (represents 6.1% of our Group's PAT)

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No.	Transacting parties	Nature of interest	Nature of transaction	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to 31 August 2024
				RM'000	RM'000	RM'000	RM'000
(ii)	Our Company and CUCKOO Electronics Malaysia	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics Malaysia	(a) Rental of property at Level 16, Menara Bangkok Bank, Laman Sentral Berjaya, No. 105, Jalan Ampang, 50450 Kuala Lumpur, Malaysia, for our use as our head office ⁽²⁾	953 (represents 0.5% of our Group's PAT)	953 (represents 46.4% of our Group's PAT)	953 (represents 1.1% of our Group's PAT)	635 (represents 0.7% of our Group's PAT)
		Koo Bon Hak, Director and major shareholder of our Company, is also a director and major shareholder of CUCKOO Electronics Malaysia	(b) Rental of property at Level 15 EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur, Malaysia for our use as an office ⁽³⁾	485 (represents 0.3% of our Group's PAT)	485 (represents 23.6% of our Group's PAT)	485 (represents 0.6% of our Group's PAT)	324 (represents 0.3% of our Group's PAT)

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No.	Transacting parties	Nature of interest	Nature of transaction	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to 31 August 2024
				RM'000	RM'000	RM'000	RM'000
(iii)	Our Company and CUCKOO Electronics	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CUCKOO Electronics	(a) Purchase of CUCKOO-branded products and spare parts related to such products manufactured or sourced by CUCKOO Electronics including rice cooker, multi cooker and induction cooker (" CKE Products ") ⁽⁴⁾	603 (represents 0.1% of our Group's cost of sales)	1,178 (represents 0.2% of our Group's cost of sales)	510 (represents 0.1% of our Group's cost of sales)	675 (represents 0.1% of our Group's cost of sales)
			(b) License to use the trademark for the purpose of sales, promotion and distribution of the CKE Products (" CKE Royalty Fee ") ⁽⁴⁾	333 (represents less than 0.1% of our Group's cost of sales)	542 (represents 0.1% of our Group's cost of sales)	152 (represents less than 0.1% of our Group's cost of sales)	75 (represents less than 0.1% of our Group's cost of sales)
			(c) Interest charges on amounts owing for CKE Products and CKE Royalty Fee which are past due ⁽⁴⁾	110 (represents 0.1% of our Group's PAT)	40 (represents 1.9% of our Group's PAT)	26 (represents less than 0.1% of our Group's PAT)	11 (represents less than 0.1% of our Group's PAT)

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No.	Transacting parties	Nature of interest	Nature of transaction	From 1 January 2024 up to 31 August 2024			
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	RM'000
(iv)	Our Company and HEH Resources Sdn Bhd ("HEH Resources")	Hoe Kian Huaw and Hoe Kian Eu, the directors and major shareholders of HEH Resources, are siblings of Hoe Kian Choon (Chief Executive Officer, Director and major shareholder of our Company)	Supply of hygiene kits, service packs and cleaning solutions ⁽⁵⁾ and provision of repacking services for leather polisher which are used on mattresses, washing machines and air conditioners sold by our Group	3,330 (represents 0.5% of our Group's cost of sales)	4,852 (represents 0.7% of our Group's cost of sales)	4,602 (represents 0.6% of our Group's cost of sales)	2,355 (represents 0.4% of our Group's cost of sales)
(v)	Our Company and Great Hoe Holdings	Hoe Kian Choon, Chief Executive Officer, Director and major shareholder of our Company, is also a director and major shareholder of Great Hoe Holdings	(a) Rental of property bearing the postal address Level 13A EkoCheras, No. 693, Batu 5, Jalan Cheras, 56000 Kuala Lumpur, for our use as an office ⁽⁶⁾	460 (represents 0.2% of our Group's PAT)	460 (represents 22.4% of our Group's PAT)	460 (represents 0.5% of our Group's PAT)	306 (represents 0.3% of our Group's PAT)
			(b) Rental of property at Lot 753, Jalan Subang 3, Taman Perindustrian Subang, 47610 Subang Jaya, Selangor Darul Ehsan, Malaysia for our use as a distribution centre ⁽⁷⁾	1,729 (represents 0.9% of our Group's PAT)	1,729 (represents 84.1% of our Group's PAT)	1,729 (represents 2.0% of our Group's PAT)	1,009 (represents 1.0% of our Group's PAT)

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No.	Transacting parties	Nature of interest	Nature of transaction	FYE 2021	FYE 2022	FYE 2023	From 1 January 2024 up to 31 August 2024
				RM'000	RM'000	RM'000	RM'000
(vi)	Our Company, Wonderlab Resources Sdn Bhd (“ Wonderlab Resources ”) and Mak Foong Ling	Mak Foong Ling, the spouse of Hoe Kian Choon (Chief Executive Officer, Director and major shareholder of our Company), was a director and major shareholder of Wonderlab Resources	Acquisition of Wonderlab Resources' business of trading of skin care and cosmetic products, and provision of cleaning services ⁽⁸⁾	1,772 (represents 0.3% of our Group's NA)	-	-	-
			Purchase of beauty products including cosmetics and beauty services in Malaysia and provision of homecare services ⁽⁹⁾	4,019 (represents 0.5% of our Group's cost of sales)	-	-	-
(vii)	Our Company and CUCKOO Singapore	Hoe Kian Choon, Chief Executive Officer, Director and major shareholder of our Company, is also a director and major shareholder of CUCKOO Singapore (direct shareholdings of 13.7% ⁽¹⁰⁾ in CUCKOO Singapore)	Sale of our CUCKOO-branded products	1,871 (represents 0.2% of our Group's revenue)	2,321 (represents 0.2% of our Group's revenue)	2,043 (represents 0.2% of our Group's revenue)	1,555 (represents 0.2% of our Group's revenue)

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Notes:

- (1) Please refer to Section 7.21 of this Prospectus for the salient terms of the distribution agreement between our Company and CKH.
- (2) Tenancy agreement between CUCKOO Electronics Malaysia and our Company dated 31 October 2022 for the rental of such property. The tenancy is for a term of two years and expires on 31 October 2024, with an option to renew for a further term of two years. The monthly rental is RM79,431.00. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party. The parties have mutually agreed to extend the tenancy for this property until 30 June 2025, without any break in continuity and on the same terms and conditions as stipulated in the original tenancy agreement.
- (3) Tenancy agreement between CUCKOO Electronics Malaysia and our Company dated 31 October 2022 for the rental of such property. The tenancy is for a term of two years and expires on 31 October 2024, with an option to renew for a further term of two years. The monthly rental is RM40,441.00. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party. The parties have mutually agreed to extend the tenancy for this property until 30 June 2025, without any break in continuity and on the same terms and conditions as stipulated in the original tenancy agreement.
- (4) Distribution agreement between CUCKOO Electronics and our Company dated 1 January 2021, as supplemented by an agreement dated 16 August 2024, for the appointment of our Company as the sole and exclusive distributor for the CUCKOO-branded products manufactured or sourced by CUCKOO Electronics from time to time including but not limited to rice cookers, multi-cookers and induction cookers. The current term of the agreement ends on 31 December 2025, with an automatic renewal for successive periods of one year, unless terminated earlier in accordance with the agreement. The purchase prices of the CKE Products are set out in invoices issued by CUCKOO Electronics to our Company. The credit term granted to our Group is 90 days from the date of the respective invoices.
- (5) Agreement between HEH Resources and our Company dated 1 January 2023, for the purchase and supply of (i) hygiene kits and service packs used by our CUCKOO+ Service Group during servicing and maintenance of products sold by our Group and (ii) cleaning solutions which are used on mattresses, washing machines and air conditioners sold by our Group. The term of the agreement is for three years and expires on 31 December 2025, with an option by our Company to extend the term for another one year.
- (6) Tenancy agreement between Great Hoe Holdings and our Company dated 18 October 2022 for the rental of such property. The tenancy is for a term of two years expiring on 31 October 2024, with an option to renew for further term of two years. The monthly rental is RM38,308.50. The tenancy agreement may be terminated by either party before the expiration of the tenancy period or any renewal thereof provided that three months prior written notice is provided to the other party. The parties have mutually agreed on to extend the tenancy for this property until 30 June 2025, without any break in continuity and on the same terms and conditions as stipulated in the original tenancy agreement.

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- (7) Sub-let agreement between Great Hoe Holdings and our Company dated 1 October 2021 for the rental of such property. The sub-tenancy is for a term of three years and two months expiring on 31 December 2024, with an option to renew for further term of three years and two months. The monthly rental is RM144,076.00. As at the LPD, our Company has terminated the agreement and vacated the premises.
- (8) Sale of business agreement between Wonderlab Resources (as vendor), Mak Foong Ling (as covenantor) and our Company (as purchaser), as supplemented by an agreement dated 21 July 2021, for the acquisition of Wonderlab Resources' assets and liabilities for its business of trading of skin care and cosmetic products, and provision of cleaning services ("**Wonderlab Acquisition**"). The total purchase consideration was RM1,772,760.00 which was fully settled in cash. The purchase consideration was arrived at after taking into consideration the valuation of the assets of RM 6,884,790.00 as ascribed by an independent valuer jointly appointed by the parties, net of the liabilities acquired. The Wonderlab Acquisition was completed on 10 May 2021.
- (9) Distribution agreement between Wonderlab Resources and our Company dated 1 January 2020 for the appointment of our Company as the exclusive distributor of Wonderlab Resources' (i) beauty products including cosmetics and/or beauty services in Malaysia; and (ii) professional home care services under the name Wonderklean. This agreement was terminated after the Wonderlab Acquisition.
- (10) As of January 2018, Hoe Kian Choon held 9.1% equity interest in CUCKOO Singapore. His shareholdings in CUCKOO Singapore increased to 13.7% in March 2023.

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Our Directors confirm that all the above material related party transactions were transacted on an arm's length basis and based on terms and conditions which were not unfavourable to our Group after taking into consideration, amongst others, quotes and invoices from third parties for similar products and services, property analysis and business valuation reports as appraised by independent valuers and transfer pricing documentations of our Group. Further, the rental rate of each of our properties rented from related parties is within the range of rental rates of comparable properties based on the property analysis reports.

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders (which mandate would typically be renewed as required at each AGM of our Company) to enter into such recurrent transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and non-interested shareholders and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any recurrent related party transaction and the terms thereof and report to our Board for further action, as set out in Section 10.2.1 of this Prospectus.

10.1.3 Related party transactions that are unusual in their nature or condition

There are no material transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in the Financial Years Under Review and the subsequent period up to the LPD.

10.1.4 Outstanding loans and/or financial assistance made to or for the benefit of related parties

There are no material outstanding loans and/or financial assistance (including guarantees of any kind) that have been granted by our Group to or for the benefit of our related parties as at the end of the respective Financial Years Under Review and 31 August 2024.

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10.1.5 Outstanding loans and/or financial assistance made by related parties to or for the benefit of the Group

Save as disclosed below, there are no material outstanding loans and/or financial assistance (including guarantees of any kind) made by related parties to or for the benefit of our Group as at the end of the respective Financial Years Under Review and 31 August 2024.

No.	Transacting parties	Nature of interest	Nature of transaction	Outstanding amount as at			
				31 December 2021	31 December 2022	31 December 2023	31 August 2024
				RM'000	RM'000	RM'000	RM'000
(1)	CKH and our Company	CKH is a major shareholder of our Company	(a) Receipt of longer than general repayment terms for our purchase of CUCKOO-branded products from CKH ⁽¹⁾	113,470 (20.0% of our Group's NA)	136,326 (19.3% of our Group's NA)	150,602 (18.9% of our Group's NA)	32,638 (4.0% of our Group's NA)
		Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CKH.	(b) Shareholders' loan extended by CKH to our Company ("CKH Loan") ⁽²⁾	76,454 (13.5% of our Group's NA)	81,037 (11.5% of our Group's NA)	36,642 (4.6% of our Group's NA)	-
(2)	CUCKOO Electronics and our Company	CUCKOO Holdings is a common major shareholder of our Company and CUCKOO Electronics	Receipt of longer than general repayment terms for our purchase of CUCKOO-branded products from CUCKOO Electronics ⁽¹⁾	685 (0.1% of our Group's NA)	2,035 (0.3% of our Group's NA)	179 (less than 0.1% of our Group's NA)	122 (less than 0.1% of our Group's NA)
		Koo Bon Hak, Director and major shareholder of our Company, is also a director, representative director and major shareholder of CUCKOO Electronics					

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Notes:

- (1) Pursuant to distribution agreements dated 1 January 2021 between (i) CKH and our Company; and (ii) CUCKOO Electronics and our Company, our Company had been granted by CKH and CUCKOO Electronics a repayment term of 24 months from the date of the invoices relating to our Group's purchase of products. CKH and CUCKOO Electronics respectively were entitled to impose interest charges (which were to be on an arm's length basis) on amounts which remained outstanding 30 days from the date of the invoice.

Such repayment term is longer than general repayment terms that are provided to our Group by other suppliers of 30 to 90 days. Hence our Company may have received financial assistance from CUCKOO Holdings Group.

However, pursuant to (i) the CKH Distribution Agreement, the repayment term has been revised to 90 days from the date of the invoice or the on-board date as stated in the bill of lading for each shipment of products, whichever is later; and (ii) the supplemental agreement which came into effect on 1 July 2024 between CUCKOO Electronics and our Company ("**CUCKOO Electronics Supplemental Distribution Agreement**") the repayment term has been revised to 90 days from the on-board date as stated in the bill of lading for each shipment of products.

Under (i) the CKH Distribution Agreement, CKH may impose interest charges on amounts which remain outstanding 30 days from the date of the invoice or the on-board date as stated in the bill of lading for the shipment of the products, whichever is later; and (ii) the CUCKOO Electronics Supplemental Distribution Agreement, CUCKOO Electronics may impose interest charges on amounts which remain outstanding 30 days from the on-board date as stated in the bill of lading. As at the LPD, the interest charges applied on outstanding amounts pursuant to these distribution agreements were based on the existing bank facilities granted to our Company.

- (2) Our Company had on 30 November 2021 entered into a shareholders' loan agreement with CKH whereby the trade payable sum of USD67,126,900 owed by our Company to CKH from our Company's purchases of CUCKOO-branded products was converted into a shareholders' loan. Pursuant to the shareholders' loan agreement, the term shall be 24 months from the date of the agreement and the loan amount shall be subject to interest of 2.0% per annum calculated on daily rests, or such other rate as may be determined on an arm's length basis with effect from the date of the agreement. Prior to the full settlement of the CKH Loan in August 2024, the interest charges applied then on outstanding amounts pursuant to such shareholder loan agreement were based on the then existing bank facilities granted to our Company.

Our Board is of the view that any potential conflict of interest situation arising from the receipt of financial assistance from CUCKOO Holdings Group is mitigated as:

- (i) the receipt of financial assistance through the repayment term of 90 days for the amount owing to CUCKOO Holdings Group for our Group's purchase of products from them is based on normal commercial terms and are comparable to those which are generally provided by our other suppliers of 30 days to 90 days; and
- (ii) our Company has fully settled all outstanding trade and non-trade amounts owing to CUCKOO Holdings Group exceeding a repayment term of 90 days as at 31 August 2024, and the CKH Loan using bank borrowings and internally generated funds.

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10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee Review

Upon our Listing, our Audit and Risk Management Committee, will, amongst others, review the terms of all related party transactions (including recurrent related party transactions), and our Directors will report such transactions, if any, annually in our Company's annual report. The Audit and Risk Management Committee also reviews any transaction, procedure or course of conduct that raises questions of management integrity, including our related party transactions. In reviewing the related party transactions, the Audit and Risk Management Committee will consider, among other things, (i) the rationale and the cost/benefit to our Group, (ii) where possible comparative quotes will be taken into consideration, (iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length and are not detrimental to the interest of our minority shareholders.

All reviews by the Audit and Risk Management Committee are reported to our Board for its further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom we enter into transactions. As disclosed in this Prospectus, some of our Directors and/or substantial shareholders are also directors and, in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to the interest of our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and MCCG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board's members are independent Directors and will undertake an annual assessment of our independent Directors;
- (ii) in the event that there are any proposed related party transactions that involve the direct or indirect interest of our Directors, our interested Directors shall disclose to our Board the nature and extent of their interest including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which is not in our best interest. Our interested Directors shall also abstain from any of our Board's deliberation and voting on the relevant resolutions in respect of such proposed related party transactions; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment which would in turn, make a recommendation to our Board.

Further, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions. The interested persons shall abstain from voting on the relevant resolutions in respect of such proposed related party transactions at our general meetings.