

## 7. BUSINESS OVERVIEW

### 7.1 OVERVIEW AND BACKGROUND

We are a company with a vision to be a "Healthy Home Creator", dedicated to fostering healthy lifestyles for our customers through our home appliances, household goods, skincare and nutritional food products, and home care services. We are guided by our 'Beyond Standards' philosophy to deliver exceptional products and services to our customers, which drives continuous improvement across our strategies and operations. We offer various rental plans for a selection of our products which provide accessibility and flexibility to our customers. According to Frost & Sullivan, we have a market share estimated at 18.6% based on revenue for the FYE2023, and a market share estimated at 23.4% based on the number of active orders as at 31 December 2023, in the rental industry for home appliances and household goods in Malaysia. According to Frost & Sullivan, we have the largest number of outlets as at the LPD amongst the selected players in this industry, which includes Coway (Malaysia) Sdn Bhd and SK Magic Retail Malaysia Sdn Bhd.

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

Our CEO, Hoe Kian Choon, founded the business of our Company in 2014 to undertake the distribution of CUCKOO rice cookers and water purifiers under our CUCKOO-branded segment in Malaysia. Subsequently, he collaborated with CKH and Koo Bon Hak to grow our business. Hoe Kian Choon expanded our business further together with the rest of our Key Senior Management, who are based locally with extensive experience and understanding of the local market as well as consumer preferences. We have the flexibility to select from and distribute the full line of CUCKOO-branded products as well as products of other brands, tailoring the product specifications and our services to meet specific needs of the local market. Over time, we continued to expand our business and product offerings under our CUCKOO-branded segment to include air purifiers, kitchen appliances, home appliances and outdoor water filters. In 2016, we expanded our geographical presence to Singapore and Brunei to expand our footprint in new markets. Since 2020, we have entered into partnerships with LSK, Fujiire and OGAWA Malaysia to diversify our product and service offerings through the launch of massage chairs, air conditioners and mattresses respectively under our CUCKOO Co-Created segment. As at the LPD, we have a portfolio of 53 SKUs in our portfolio of home appliances and household goods, which comprises 43 CUCKOO-branded products and 10 CUCKOO Co-Created products.

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

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

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

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

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

### 7.1.1 History and key milestones

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

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

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

## 7.2 AWARDS AND RECOGNITION

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

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

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

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### 7.3 COMPETITIVE STRENGTHS

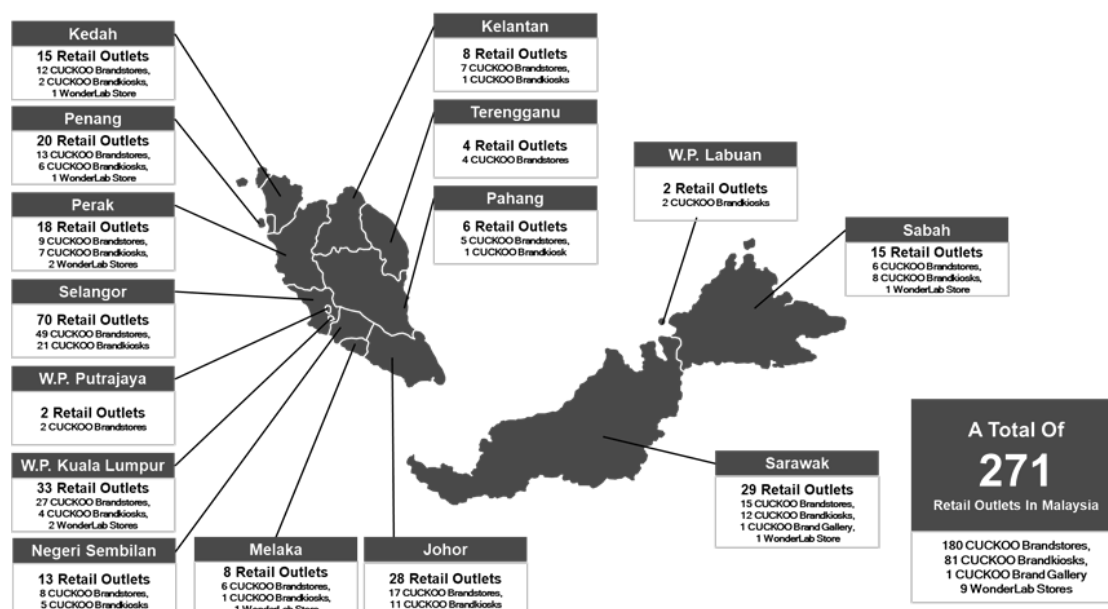
#### 7.3.1 We have a strong brand presence in the rental industry for home appliances and household goods in Malaysia

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

We have built our strong brand presence through our effective business model focused on facilitating accessibility to a holistic wellness ecosystem, and extensive customer outreach through our geographical presence in Malaysia. According to Frost & Sullivan, we have a market share estimated at 18.6% based on revenue for the financial year ended 2023, and a market share estimated at 23.4% based on number of active orders as at 31 December 2023, in the rental industry for home appliances and household goods in Malaysia.

As at the LPD, we have a wide geographical presence in Malaysia with 271 CUCKOO and WonderLab Retail Outlets located in shopping malls, department stores, supermarkets and hypermarkets, managed by more than 6,000 personnel in the CUCKOO Sales Team and WonderLab Sales Team collectively across Malaysia. According to Frost & Sullivan, we have the largest number of retail outlets among the key players in the industry as at LPD.

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



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

	31 December 2021	31 December 2022	31 December 2023	LPD
<b>Malaysia</b>	390	326	283	271
<b>Singapore <sup>(1)</sup></b>	10	10	4	3

**Note:**

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

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

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

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

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

We also offer our customers various rental contract terms and pricing options, offering our customers flexibility to pick a rental contract term and price point that suits their lifestyle and budget (see Section 7.5.4 of this Prospectus for further information on our rental plans). These options allow us to reach consumers across a wide range of income levels, appealing to low to middle-income consumers, and the hassle-free experience provided through our aftersales maintenance services are attractive to consumers of all income levels. According to Frost & Sullivan, the aggregate household debt in Malaysia increased at a CAGR of 5.1% from around RM1.19 trillion in 2018 to RM1.53 trillion in 2023, with the household debt-to-GDP ratio increasing from 82.0% to 84.2% during the same period. This indicates that consumers allocate a significant portion of household income toward debt repayment, potentially reducing discretionary purchases. Consequently, consumers may opt for the rental of home appliances or household goods with lower monthly payments, thus contributing to the growth of the rental industry for home appliances and household goods.

According to Frost & Sullivan, in Malaysia, there are more companies that offer home appliances and household goods through outright purchase compared to those that offer rental plans for such products. As home appliances and household goods in Malaysia are typically considered big-ticket purchases, Malaysian consumers, especially the low- and middle-income groups, tend to be more value-conscious and seek products with lower price points. Given these challenges in the home appliances and household goods in Malaysia, we believe that our effective business model focusing on providing flexible rental plans has enabled us to sustain and grow our business, including the number of active orders.

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The table below sets out the number of active orders as at 31 December and the number of new orders for the financial years indicated:

	2021	2022	2023
Number of active orders (31 December)	1,056,000	1,073,000	1,096,000
Number of new orders (FYE)	163,000	137,000	176,000

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

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

We have diversified our product and service offerings by continuously working to understand customer needs and preferences in our local markets while leveraging on the CUCKOO brand name. Our wide and diverse range of products, aftersales maintenance services and omni-channel distribution strategy, enable us to enhance our customer outreach to expand our customer base and cross-sell our products to achieve a higher revenue per existing customer. As at the LPD, we have a portfolio of 53 SKUs in our portfolio of home appliances and household goods, which comprises 43 CUCKOO-branded products and 10 CUCKOO Co-Created products. According to Frost & Sullivan, as at 15 August 2024, we have a wide range of product categories for home appliances and household goods, and our products are generally priced competitively (without consideration for product features) compared to our competitors in the home appliance and household goods rental market in Malaysia.

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

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

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

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

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### *Customer-facing applications and support tools*

We developed our CUCKOO+ mobile application in collaboration with an external party, which allows our customers to schedule appointments for product servicing or home care services, check and manage their CUCKOO or WonderKlean orders, view and pay their bills, and get instantaneous support with our CUCKOO AI Chatbot. Our CUCKOO+ mobile application was launched in November 2020, and as at the LPD, there were 727,827 downloads and 423,249 active users (i.e., users who have logged in at least once in the last 12 months) of our CUCKOO+ mobile application. Through our CUCKOO+ mobile application, we can analyse customer behaviour, which helps drive our operational and business decisions including planning and managing our resources.

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

Following the launch of our CUCKOO AI ChatBot in 2021, the number of customer queries resolved by our customer service agents as a percentage of the total number of customer queries decreased from 95% in 2020 to 17% for the FYE 2021 and decreased further to 9% for the FYE 2023.

### *In-house processes and systems*

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

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

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

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

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



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

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

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

Our sales are primarily handled by the CUCKOO Sales Team and the WonderLab Sales Team, while aftersales maintenance services and home care services are carried out by the CUCKOO+ Service Group. As at the LPD, the CUCKOO Sales Team, WonderLab Sales Team, and CUCKOO+ Service Group comprise 6,094 personnel, 1,236 personnel, and 3,559 personnel respectively across Malaysia and Singapore. The CUCKOO Sales Team manages the sale of CUCKOO-branded products and CUCKOO Co-Created products, and the WonderLab Sales Team manages the sale of WonderLab and WonderDewi products. The CUCKOO+ Service Group carries out our aftersales maintenance services and our WonderKlean services, as well as cross-sells our CUCKOO-branded products and CUCKOO Co-Created products.

We motivate our sales and service personnel with a sales-driven compensation plan. We have structured different compensation plans for the CUCKOO Sales Team and the CUCKOO+ Service Group when they sell or cross-sell CUCKOO-branded products and CUCKOO Co-Created products. Our compensation plan for our Sales Managers and Sales Representatives are designed to incentivise them to drive sales and grow our business. Specifically, our Sales Managers' are paid a base salary as well as a commission component that is based on (i) the sales of the Sales Representatives that they manage; or (ii) the sales of the Sales Representatives managed by their lower-ranked Sales Managers. A similar sales-driven compensation plan is adopted for our Wonder Managers. Our Sales Representatives' and Wonder Stars' commission is computed based on their own sales only. See Section 7.5.5.1 of this Prospectus for further details.

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For the CUCKOO+ Service Group, they are encouraged to cross-sell to existing customers and are paid a sales commission (based on sales volume) for every successful: (i) cross-sale to existing customers; (ii) trade in by existing customers; and (iii) contract upgrade or extension by existing customers. This is in addition to compensation paid to the CUCKOO+ Service Group for aftersales maintenance services rendered. The compensation for the provision of aftersales maintenance services includes a base component and a commission component that is computed based on the number of appointments handled, and additional commission for positive customer service reviews. The CUCKOO+ Service Group commenced cross-selling in the FYE2023, where they contributed to 26% of the total number of orders in the CUCKOO-branded and CUCKOO Co-Created segments.

As at the LPD, 75.3% of our customers have only purchased or rented one product SKU within the CUCKOO-branded segment, which are mainly water purifiers. Accordingly, we have potential growth opportunities through cross-selling of our range of products within our existing customer pool (see Section 7.4.1 of this Prospectus for further details on our strategy with respect to growth of market share through cross-selling of products).

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

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

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

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

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- *Revenue-sharing arrangements:* Our revenue-sharing arrangements with our business partners in respect of most of our CUCKOO Co-Created products which apply throughout the term of the rental contract for such CUCKOO Co-Created products, support our positive operating cash flows. Such arrangements mitigate the misalignment in revenue recognition and cashflows as our payments are made to our business partners as rental payments are collected from our customers.

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

We are led by our CEO, Hoe Kian Choon, who has over 17 years of experience in the rental industry for home appliances and household goods. Hoe Kian Choon has been named Entrepreneur of the Year at the 2022 Asia Pacific Enterprise Awards, and Young Entrepreneur of the Year at the Asia Corporate Excellence and Sustainability Awards 2023. He is supported by our other experienced Key Senior Management team based in Malaysia who have 18 to 24 years of experience in their respective areas of expertise including in the rental industry for home appliances and household goods in Malaysia. Leveraging on their experience and understanding of the home appliance and household goods industry as well as local demographics in locations where we operate, our Key Senior Management has been successful in driving our growth and develop relationships with our business partners, as well as ensuring that we are able to adapt to local market consumer needs and preferences.

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

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

Such collaborations with our business partners enable us to leverage on their technical experience and expertise, from product design and research to product testing and sourcing of raw materials and component parts. We also benefit from their presence and market recognition in the markets in which they operate. Apart from leveraging on the expertise of our business partners, our revenue sharing arrangements with most of our business partners which apply throughout the term of the rental contract, also help us maintain our positive operating cash flows. See Section 7.3.7 of this Prospectus.

## 7.4 FUTURE PLANS AND STRATEGIES

### 7.4.1 Grow market share through expansion of product and service offerings

We have built brand awareness in the home appliance and household goods rental market in Malaysia primarily through the sale of our CUCKOO-branded water purifiers, which contributed 54.1%, 46.5% and 45.2% of our total revenue for the FYE2021, FYE2022 and FYE2023. According to Frost & Sullivan, the rental industry for home appliances and household goods in Malaysia is a growing industry that is resilient, and is forecasted to grow in the period from 2023 to 2028 at a CAGR of 10.0%. We plan to continue to leverage on our strong brand presence, effective business model, and omni-channel distribution network to capitalise on the growing industry in Malaysia.

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

	<b>No. of SKUs</b>
CUCKOO-branded	43
CUCKOO Co-Created	10
WonderLab and WonderDewi	31 (comprising eight WonderLab SKUs and 23 WonderDewi SKUs)
WonderKlean	8

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

We leverage on our distributor agreements with the CUCKOO Holdings Group and access to their wide product portfolio range. With this arrangement, we are able to identify products with features that are aligned with local customer demands and launch such products quickly without a longer lead time required on research and development and manufacturing processes.

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

### *CUCKOO-branded segment*

As at the LPD, we have 43 SKUs in the CUCKOO-branded segment, and intend to expand our product offerings to 53 SKUs by the end of 2025. As at the LPD, 75.3% of our customers have only purchased or rented one product SKU within the CUCKOO-branded segment, which are mainly water purifiers. We intend to leverage on our existing customer network to cross-sell other products and services across all our business segments, and to expand our product offerings to cater to our customers' demand for new products. For example, we launched a CUCKOO-branded foldable treadmill and a CUCKOO-branded washer and dryer in 2024. Through our regular product strategy review, we will also recommend different products in different geographic regions to cater to local customer preferences and demands. For instance, we have focused on offering tankless water purifiers in Singapore where there is a preference for products to suit smaller living spaces. We have also launched water purifiers with additional features to address particular issues such as lower water pressure in certain regions in Malaysia.

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

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

### *CUCKOO Co-Created*

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

For the FYE2021, FYE2022 and FYE2023, our revenue from the CUCKOO Co-Created segment was RM32.9 million, RM95.4 million and RM153.9 million, respectively, representing 2.9%, 9.1% and 13.8% of our total revenue, respectively, which increased primarily due to the launch of new SKUs. As such, in 2024, we launched two new SKUs of mattresses under the CUCKOO Co-Created segment. As at the LPD, we have 10 SKUs in this segment, and intend to expand our product offerings to 12 SKUs by the end of 2025.

### *WonderLab and WonderDewi*

We provide beauty and wellness solutions through our WonderLab and WonderDewi brands, including skincare and nutritional food products. We intend to expand our product portfolio from 31 SKUs as at the LPD to 36 SKUs by the end of 2025 under our WonderLab and WonderDewi brands.

### *WonderKlean*

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

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

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

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### *Expansion and enhancement of offline and online customer touchpoints*

As at the LPD, we have 271 Retail Outlets comprising CUCKOO Brandstores, CUCKOO Brandkiosks, CUCKOO Brand Gallery and Wonder Stores across Malaysia and three CUCKOO Brandstores in Singapore.

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

- (i) introducing CUCKOO "cash and carry" Brandshops to provide a convenient and seamless shopping experience for customers. We will also introduce repair and exchange services for CUCKOO-branded rice cookers in these CUCKOO "cash and carry" Brandshops to enhance customer experience in our ecosystem for wellness solutions. We intend to open three such CUCKOO "cash and carry" Brandshops in 2025 in Kuala Lumpur, Penang and Johor, and seven such CUCKOO "cash and carry" Brandshops in 2026 in Sabah, Selangor, Malacca, Perak, Kedah, Kelantan and Terengganu. We have identified these states for expansion based on our assessment of factors such as historical sales performance and existing Retail Outlet penetration, which refers to the number of Retail Outlets per million households (see Paragraph 3.4.3 of the IMR Report set out in Section 8 of this Prospectus for more information). The CUCKOO "cash and carry" Brandshops will initially carry rice cookers, and we intend to expand product categories offered at such Retail Outlets by the end of 2026;
- (ii) making more products available under our CUCKOO e-Brandshop and our WonderLab e-Brandshop, from 11 SKUs under our CUCKOO e-Brandshop and 31 SKUs under our WonderLab e-Brandshop as at the LPD, to 19 SKUs and 36 SKUs respectively by the end of 2025. As at the LPD, we offer a total of 42 SKUs comprising our CUCKOO-branded rice cookers and small kitchen appliances on the CUCKOO e-Brandshop and WonderLab e-Brandshop; and
- (iii) opening five third-party retail outlets and continuing to expand our distribution channels in Singapore, and leverage on distribution networks of more partners such as department stores and retail shops to build brand awareness. See Section 7.5.5.4 of this Prospectus for more information on our existing third-party retail outlets.

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

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

## 7. BUSINESS OVERVIEW

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

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

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

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

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

	<b>As at the LPD</b>	<b>As at 31 December 2025</b>	<b>As at 31 December 2026</b>
CUCKOO Training Hubs	27	37	52
CUCKOO+ Service Centres	147	177	202

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

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

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

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

#### *Enhancement of logistical capabilities*

We currently manage the logistics for the delivery of CUCKOO-branded products to our customers in Malaysia. A dedicated group within our CUCKOO+ Service Group delivers certain CUCKOO-branded products and about 28% of CUCKOO Co-Created massage chairs and mattresses to our customers in Malaysia with their own trucks. We plan to expand our delivery capabilities, which was 28% of total deliveries of massage chairs and mattresses for the period from 1 January 2024 up to the LPD, to 83% by 31 December 2025, by paying the CUCKOO+ Service Group a commission to carry out delivery services for us. We believe we will be able to control and improve the efficiency of our logistics service which will help improve our last-mile capabilities and reduce operating costs in the long run.

#### *Enhancement of warehouse management system and physical server*

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

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

## 7.5 OUR BUSINESS MODEL, PRODUCTS AND SERVICES

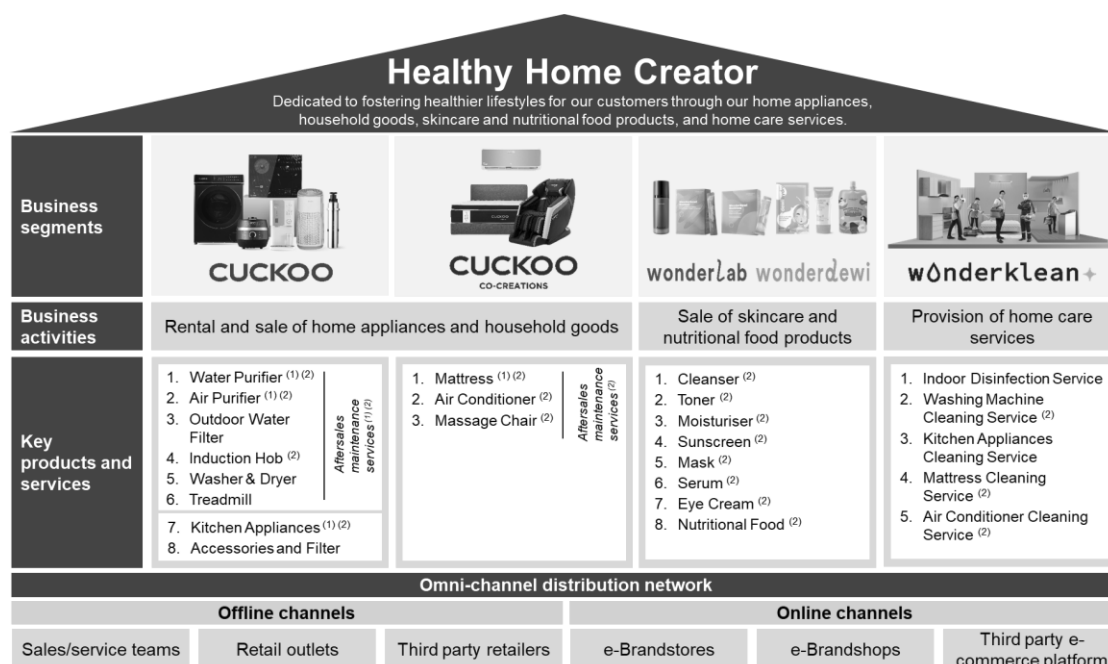
### 7.5.1 Our business model

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



## 7. BUSINESS OVERVIEW

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



### Notes:

(1) Also available in Singapore.

(2) Also available in Brunei.

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

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

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

## 7. BUSINESS OVERVIEW

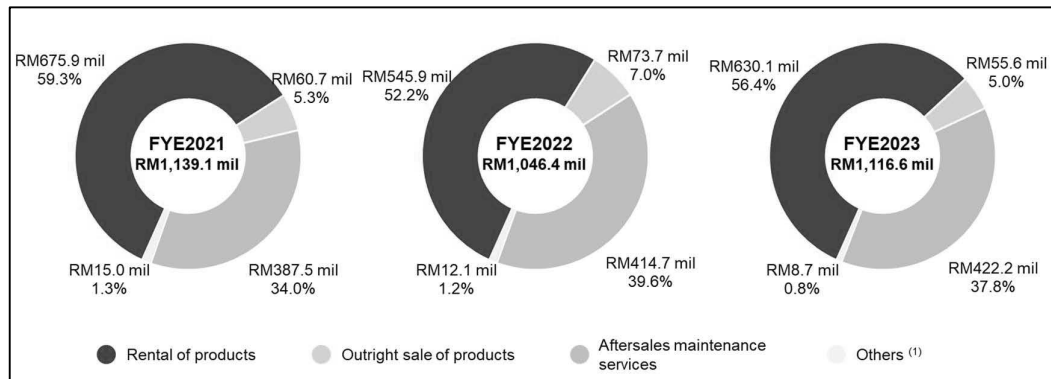
We provide home care services through subscription plans under our WonderKlean segment, which include our indoor disinfection and professional cleaning services for our customers' homes and household goods.

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

### 7.5.2 Business activities and revenue streams

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

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



**Note:**

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

### 7.5.3 Principal markets

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

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

### 7.5.4 Our rental plans, subscription plans and outright plans

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

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

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

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

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

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

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

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

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

### 7.5.5 Our omni-channel distribution network

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

##### ***Roles and responsibilities***

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

As at the LPD, the CUCKOO Sales Team comprises 473 Sales Managers and 5,621 Sales Representatives across Malaysia and Singapore, and the WonderLab Sales Team comprises seven Wonder Managers, 1,213 Wonder Stars and 16 WonderLab Sales Associates across Malaysia. The CUCKOO+ Service Group comprises 274 Service Managers and 3,285 Service Specialists across Malaysia and Singapore.

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

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

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### ***e-Brandstores***

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

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

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

### ***Compensation***

#### *CUCKOO Sales Team and Wonder Star Team*

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

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

The WonderLab Sales Associates are paid a base salary as well as a commission that is based on the sales achieved at our Wonder Stores.

#### *CUCKOO+ Service Group*

Our compensation plan for our CUCKOO+ Service Group comprises: (i) a base component which is payable only to Service Managers; (ii) a commission component that is based on service volume (which is computed based on the number of appointments handled), which is payable to all personnel in the CUCKOO+ Service Group. In addition, we pay our CUCKOO+ Service Group additional commission if they receive positive customer service reviews for their services.

In line with our diversification to an omni-channel distribution strategy, we also encourage our CUCKOO+ Service Group to cross-sell our CUCKOO-branded products, CUCKOO Co-Created products and WonderKlean subscription plans to existing customers, by including a sales commission component for successful cross-selling, upgrading, trade in or contract extension done by the CUCKOO+ Service Group, which is computed based on sales volume.

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### 7.5.5.2 Retail outlets

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

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

	Malaysia	Singapore
CUCKOO Brandstores <sup>(1)</sup>	180	3
CUCKOO Brandkiosks <sup>(2)</sup>	81	-
CUCKOO Brand Gallery <sup>(3)</sup>	1	-
Wonder Stores <sup>(4)</sup>	9	-
<b>Total</b>	<b>271</b>	<b>3</b>

**Notes:**

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

### 7.5.5.3 Online sales channels

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

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

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

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In Singapore, we sell our products through third party e-commerce platforms such as Audio House, KrisShop, Gates Digital, Y-SG, Harvey Norman and Robinsons directly to end-customers of such platforms. These e-commerce platform providers may charge us a commission.

### 7.5.5.4 Third-party retail outlets

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

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

As at the LPD, we do not collaborate with any third party retail outlets in Malaysia.

### 7.5.6 Marketing activities

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

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

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

We reach out to customers across various digital marketing and advertising channels to enhance our brand equity and sales of our products and services:

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

## 7. BUSINESS OVERVIEW

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

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

### 7.5.7 Training hubs and service centres

#### *CUCKOO Training Hubs*

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

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

#### *CUCKOO+ Service Centres*

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

### 7.5.8 Our products and services

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

We have two types of services: (i) aftersales maintenance services, which we typically offer with our CUCKOO-branded and CUCKOO Co-Created products; and (ii) professional cleaning and indoor disinfection services, which we provide under our WonderKlean segment (see Sections 7.5.8.4 and 7.5.8.5 of this Prospectus for further details).

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



## 7. BUSINESS OVERVIEW

### 7.5.8.1 CUCKOO-branded

Our CUCKOO-branded products include:

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

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

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

### 7.5.8.2 CUCKOO Co-Created

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

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

For the FYE 2021, FYE 2022 and FYE 2023, our revenue from our CUCKOO Co-Created segment was RM32.9 million, RM95.4 million and RM153.9 million, respectively, representing 2.9%, 9.1% and 13.8% of our total revenue, respectively.

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

### 7.5.8.3 WonderLab and WonderDewi

We provide beauty and wellness solutions through our WonderLab and WonderDewi brands, including skincare and nutritional food products. Our products under our WonderLab and WonderDewi segment are sold by our WonderLab Sales Associates across our nine Wonder Stores in Malaysia.

## 7. BUSINESS OVERVIEW

### ***WonderLab***

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

We entered into a consignment agreement with OGAWA Malaysia to sell a facial lifting and massage device from OGAWA Malaysia bundled with our complementary WonderLab skincare products.

### ***WonderDewi***

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

#### **7.5.8.4 WonderKlean home care services**

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

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

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

#### **7.5.8.5 Aftersales maintenance services**

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

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

#### **7.5.9 Our manufacturing and supply chain**

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

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

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

## 7. BUSINESS OVERVIEW

### 7.6 CUSTOMER ASSESSMENT AND COLLECTIONS

#### 7.6.1 Customer credit assessment

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

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

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

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

#### 7.6.2 Payment collections and repossession of products

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

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

**Note:**

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

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

## 7. BUSINESS OVERVIEW

### 7.7 TYPES, SOURCES AND AVAILABILITY OF INPUT MATERIALS

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

	Audited					
	FYE2021		FYE2022		FYE2023	
	RM'000	%	RM'000	%	RM'000	%
<b>Purchases of finished goods and spare parts:</b>						
CUCKOO-branded	298,444	97.5	219,115	89.9	225,024	90.8
CUCKOO Co-Created	3,194	1.0	22,141	9.1	21,909	8.8
WonderDewi and WonderLab	4,653	1.5	2,617	1.0	1,084	0.4
<b>Total</b>	<b>306,291</b>	<b>100.0</b>	<b>243,873</b>	<b>100.0</b>	<b>248,017</b>	<b>100.0</b>

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

	Audited					
	FYE2021		FYE2022		FYE2023	
	RM'000	%	RM'000	%	RM'000	%
Malaysian suppliers	17,395	5.7	35,630	14.6	32,766	13.2
South Korean suppliers <sup>(1)</sup>	288,262	94.1	205,626	84.3	214,167	86.4
Other foreign suppliers <sup>(2)</sup>	634	0.2	2,617	1.1	1,084	0.4
<b>Total</b>	<b>306,291</b>	<b>100.0</b>	<b>243,873</b>	<b>100.0</b>	<b>248,017</b>	<b>100.0</b>

#### Notes:

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

In the FYE2021, FYE2022 and FYE2023, 94.3%, 85.4%, and 86.8% respectively of our total purchases of input materials were transacted in foreign currencies. Our transactions are mainly denominated in USD, which is different from our functional currency. See Section 9.1.12 of this Prospectus for further details on the risk relating to currency exchange rate fluctuations.

## 7.8 WAREHOUSING, LOGISTICS, TRANSPORTATION AND SALES AND INVENTORY MANAGEMENT

### 7.8.1 Warehousing, logistics and transportation

We manage warehousing of our CUCKOO-branded products in Malaysia and Singapore using a hub and spoke model. The inbound inventory from our suppliers is first shipped to our distribution hub in Subang Jaya (which we acquired in September 2022), and subsequently transferred to our centres across Malaysia (including our three distribution centres located in Penang, Johor and Sabah). Our CUCKOO Co-Created products are stored at our distribution hubs or our centres across Malaysia (including our three distribution centres located in Penang, Johor and Sabah) or by our business partners. In Singapore, we have one warehouse for our CUCKOO-branded products.

## 7. BUSINESS OVERVIEW

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

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

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

### 7.8.2 Sales management

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

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

### 7.8.3 Warehouse management

As at the LPD, our inventory includes our CUCKOO-branded products, CUCKOO Co-Created with Fujiaire air conditioners, and WonderLab and WonderDewi products. Other CUCKOO Co-Created products such as massage chairs and mattresses are stored by OGAWA Malaysia and LSK respectively.

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

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

## **7. BUSINESS OVERVIEW**

### **7.9 QUALITY CONTROL AND PRODUCT WARRANTY**

#### **7.9.1 Quality control and assurance**

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

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

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

#### **7.9.2 Product warranty**

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

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

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

### **7.10 CUSTOMER SERVICE**

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

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

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

## **7. BUSINESS OVERVIEW**

### **7.11 TECHNOLOGY AND DATA PROTECTION**

#### **7.11.1 Technology**

We utilise our in-house support and management tools as well as external tools across Malaysia and Singapore in our business operations. As at the LPD, we have an internal IT team of 24 personnel to provide solutions to our CUCKOO Sales Team, CUCKOO+ Service Group, collection representatives, internal operations team and our management team. We developed most of our systems in-house, including our Cuckoo+ mobile application. For other external IT systems and tools, we pay license fees for their use. Examples of the tools we have developed in-house include:

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

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

#### **7.11.2 Data protection**

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

### **7.12 RESEARCH AND DEVELOPMENT**

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

## 7. BUSINESS OVERVIEW

### 7.13 MAJOR SUPPLIERS

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

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



## 7. BUSINESS OVERVIEW

### Notes:

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

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

## 7. BUSINESS OVERVIEW

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

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

- (i) the CKH Distribution Agreement does not have an expiry term;
- (ii) the distribution agreement entered into between our Company and CUCKOO Electronics is automatically renewed on expiry;
- (iii) in the event of any material breach by CKH or us under the CKH Distribution Agreement, CKH and us are obligated to in good faith consult, discuss, negotiate and agree on the actions and steps to remedy any such breach including renegotiating the terms of the CKH Distribution Agreement and/or agreeing to other arrangements to continue our business relationship within a period of up to 12 months from the defaulting party's receipt of the notice of breach; and
- (iv) our Company is a subsidiary of CKH and was the top revenue contributor to CKH for the Financial Years Under Review. For the FYE2021, FYE2022, and FYE2023, our Group contributed to 34.8%, 31.3% and 31.9% of CKH's revenue (excluding finance lease interest income) respectively. As such, it is in CKH's best interest to continue maintaining a good relationship with our Company as any material adverse impact to our business and profitability may have a material adverse impact on the financial performance of CKH.

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

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

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

### 7.14 MAJOR CUSTOMERS

Our customer base comprises mainly retail consumers. Due to the retail nature of our Group's business, we do not have any major customers as none of our customers contributed more than 5% to our total revenue for the Financial Years Under Review. As such, we are not dependent on any of our customers.

## 7. BUSINESS OVERVIEW

### 7.15 SEASONALITY

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

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

### 7.16 GOVERNING LAWS, REGULATIONS AND ENVIRONMENTAL ISSUES

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

### 7.17 NON-COMPLIANCES

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

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

- (i) the premises of our Group which have non-compliances are not material to our Group's operations and financial condition, and may be easily replaced and/or relocated to other similar premises;
- (ii) the premises of our Group which have non-compliances are located throughout Malaysia, and under the jurisdiction of various authorities, and hence, the risk of our Group being penalised by all the authorities at one instance is low;
- (iii) the relevant authorities have verbally informed that for buildings without CCC, any risk of tenants being penalised is low;
- (iv) where applicable, the relevant applications to rectify the non-compliances have been submitted, and our Group is following up closely on the progress of the relevant applications for the necessary approvals and licenses;
- (v) we have put in place internal controls to ensure that to the extent possible, all relevant applications are made in a timely manner, and our Legal, Governance and Compliance ("LGC") department shall monitor such controls to ensure the Company's continuous compliance; and
- (vi) the total cost of rectification and potential maximum penalty arising from all the non-compliances of RM3.3 million are immaterial as it represents 3.8% of our Group's audited PAT for the FYE2023.

## 7. BUSINESS OVERVIEW

In addition to our internal controls that we have put in place to mitigate the recurrence of the below non-compliances, our Board has also adopted the Internal Audit Charter on 14 August 2024 where our Internal Audit department shall conduct quarterly audits on our internal controls and processes, and is also responsible to evaluate the effectiveness of our processes, identify areas for improvement, and provide recommendations for process enhancements. After our Listing any non-compliances identified shall be reported by the Internal Audit department to the Audit and Risk Management Committee. As at 31 October 2024, there have been no recurrences of the below non-compliances after the internal controls have been put in place, save for the renewal of BPALs for existing premises.

### 7.17.1 Occupation of buildings without CCC

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

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

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

	<u>No. of premises</u>	<u>% of total rented premises</u>
<b>CCC obtained</b>	468	98.1
<b>CCC not obtained:</b>		
- Landlord informed that there is no CCC <sup>(1)</sup>	2	0.4
- No response from landlord upon request <sup>(2)</sup>	6	1.3
- Landlord rejected request to share CCC <sup>(3)</sup>	1	0.2
<b>Total</b>	<b>477</b>	<b>100.0</b>

**Note:**

- (1) The affected premises are located in Terengganu and in Sarawak.
- (2) The affected premises are located in Johor (two premises), Kedah, Kelantan, Sabah and Selangor.
- (3) The affected premises is located in Penang.

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

## 7. BUSINESS OVERVIEW

Nevertheless, we will not be renewing the tenancies for such rented premises which do not have a valid CCC and will (i) cease (one premise) our operations which has ceased on 30 September 2024; and (ii) relocate (eight premises) our operations from these premises to other appropriate locations with valid CCCs after the respective tenancy agreements have expired as follows:

<b>Expiry date of tenancy agreement</b>	<b>No. of premises to be relocated</b>
By 31 December 2024	2
By 31 December 2025	5
By 30 June 2026	1
<b>Total</b>	<b>8</b>

The total estimated cost of relocating the eight affected premises is approximately RM300,000.

If found liable, we may be subject to:

- (i) a fine not exceeding RM250,000 per building, or imprisonment for a term not exceeding 10 years, or both, for seven of the affected premises located in Peninsular Malaysia which may not have a CCC;
- (ii) a fine not exceeding RM500 per building, for the affected premise located in Sabah which may not have a CCC; and
- (iii) a fine not exceeding RM10,000 per building, for the affected premise located in Sarawak which may not have a CCC.

Based on the total number of affected premises which may not have a CCC, the potential maximum potential penalty is approximately RM1.8 million, which represents 2.1% of our Group's audited PAT for the FYE2023.

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

- (i) the affected premises comprise:
  - (a) two premises mainly used for storage of cleaning equipment and cleaning products;
  - (b) one premises mainly used as a collection centre, which tenancy is expiring on 31 January 2025;
  - (c) four premises mainly used as pick-up points of products prior to installation;
  - (d) one premises mainly used for storage of spare parts; and
  - (e) one premises used as a retail outlet, which tenancy had expired on 30 September 2024,

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

## 7. BUSINESS OVERVIEW

In addition, the affected premises are located within proper development schemes, being shoplots in commercial areas or outlets in retail malls, save for one premises in Sabah used as a pick-up point which tenancy had expired on 31 August 2024.

- (ii) we do not foresee difficulties in identifying and relocating the operations from the affected premises after the expiry of the respective tenancies;
- (iii) the total estimated cost of relocation of the affected premises and the maximum potential penalty, if we are liable, are immaterial as it represents 2.4% of our Group's audited PAT for the FYE2023;
- (iv) based on verbal enquiries with certain local authorities in which the affected premises are located, the local authorities have informed that, generally, the landlords bear a higher risk of being penalised in respect of the occupation of buildings without a CCC and the penalty of imprisonment is unlikely to be imposed; and
- (v) we have put in place internal controls to ensure that our Group shall only enter into tenancy agreements for premises which have the relevant CCCs. In Malaysia, our Retail and Asset Management ("**RAM**") department will conduct a checklist-based evaluation for new premises which includes ensuring that the premises have a valid CCC, and we will only enter into a tenancy agreement in respect of the premises if there is a valid CCC. Our LGC department shall regularly monitor and review such evaluations for new premises as well as provide guidance and assistance to our RAM department where necessary. In Singapore, internal controls have also been put in place to ensure that our CUCKOO Singapore team will conduct a checklist-based evaluation for new premises' compliance with the applicable regulatory requirements prior to renting any premises.

### 7.17.2 Occupation of buildings with a CCC that may be invalid

#### Penang distribution centre

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

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

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

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

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

## 7. BUSINESS OVERVIEW

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

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

### Sabah distribution centre

Pursuant to the Building By-Laws 1951 of Sabah no person shall occupy or permit to be occupied any building or any part thereof unless a CCC has been issued. Any person who contravenes this provision shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM500.

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

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

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

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

Pursuant to our tenancy agreement with the landlord for the Sabah DC, we do not have the right for the determination of the tenancy prior to the expiry of the tenancy, and we would continue to be obliged to pay the rent of RM31,900 per month in full up till 30 April 2026, being the expiry date of such tenancy i.e. totalling to RM638,000 as at the LPD ("**Balance Rental Amounts**").

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

The estimated cost for rectification is approximately RM800,000 which includes the Balance Rental Amounts and the costs for relocation of our operations. We may be subject to a fine not exceeding RM500 if we are found liable for occupying a premises without a valid CCC.

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

- (i) the total inventory held in our Sabah DC is not material as compared to our Group's total inventory;

## 7. BUSINESS OVERVIEW

- (ii) the total estimated cost of relocation of the affected premises and the potential maximum penalty, if we are found liable, is negligible as it represents 0.9% of our Group's audited PAT for the FYE2023; and
- (iii) based on verbal enquiries with the relevant local authority, the tenant occupying premises without a valid CCC will not be subject to fines or, where applicable, imprisonment as the responsibility for obtaining a valid CCC rests solely with the owner.

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

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

We conduct our business at certain premises that has yet to obtain a BPAL as at the LPD. Further, our Group had been issued two compounds dated 12 April 2023 and 23 October 2023 by the Sepang Municipal Council for carrying on trade, business or industry or using any place or premises within the jurisdiction of the council for any activity, trade and industry without a BPAL at DPulze Shopping Centre, 63000 Cyberjaya for a maximum of RM1,000. Both compounds issued by the Sepang Municipal Council have been fully settled for a total amount of RM810 on 6 November 2023. As at the LPD, a valid BPAL has since been issued in respect of this premises. Further, we had been issued a compound notice on 19 June 2024 by Kuala Lumpur City Hall for carrying on trade without a BPAL at Mitsui Lalaport, 55100 Kuala Lumpur, of RM2,000. On 1 July 2024, we had submitted an appeal in respect of this compound notice as an application had been submitted in a timely manner, but the status of the BPAL was 'pending approval' and hence was not available for display at the time of inspection. Following this, we had settled the compound on 1 August 2024 for an amount of RM100. As at the LPD, a valid BPAL has since been issued in respect of this premises.

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

	<b>No. of premises</b>	<b>% of total premises</b>
<b>Valid BPAL / temporary BPAL obtained</b>	<b>345</b>	<b>72.0</b>
<b>BPAL pending <sup>(1)</sup>:</b>	<b>134</b>	<b>28.0</b>
Submitted and pending approval by local authority	72	15.0
Pending documents from third parties for submission	53	11.1
Tenancy to be terminated by November 2024 (no submission to be made) <sup>(2)</sup>	9	1.9
<b>Total BPAL</b>	<b>479</b>	<b>100.0</b>

**Note:**

- (1) Of the affected premises, 101 are located in Peninsular Malaysia, 10 in Sabah, and 23 in Sarawak.
- (2) As at 30 November 2024, the tenancies at seven of the nine premises have been terminated.



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We had notified the landlord that we were not renewing the tenancy agreement of one of the premises (located in Bandar Saujana Putra). The landlord had then decided to settle the outstanding assessment which had previously prevented us from applying for a BPAL which required these payments to be current. We applied for the BPAL on 10 December 2024 and the application is pending approval. Based on the above, the tenancy of this premises has been renewed to 31 October 2025.

We have identified a new premises for the relocation of our operations from one of the premises (located in Seremban) and have also obtained a valid BPAL for such premises. We expect the relocation of our operations to be completed by 10 January 2025. We have extended the existing tenancy from 31 October 2024 to 28 February 2025 to cater for the time required to relocate and to avoid any disruptions to our operations.

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

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

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

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

If found liable, we may be subject to a fine not exceeding in aggregate RM226,000, based on 101 premises in Peninsular Malaysia potentially being subject to a maximum fine of RM2,000 each, 10 premises in Sabah potentially being subject to a maximum fine of RM100 each (being four times the licence fee of RM25), and 23 premises in Sarawak potentially being subject to a maximum fine of RM1,000 each.

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

- (i) the maximum potential penalty, if we are liable, is immaterial as it represents 0.3% of our Group's audited PAT for the FYE2023;
- (ii) based on verbal enquiries with relevant local authorities, the local authorities have informed that:
  - (a) where the application for the renewal of the BPAL has been submitted and the issuance of the BPAL is pending from the relevant local authority, there should be no enforcement as an application for a BPAL has already been made;

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(b) where the application for the renewal of the BPAL has not been submitted, there is a risk of enforcement action by the local authorities in respect of premises for which applications for BPALs have not been submitted and are then inspected by the local authorities. Please refer to the above for the amount of potential fine; and

(c) the penalty of imprisonment is unlikely to be imposed.

If fines are imposed, the potential monetary penalties are low and not material to our Group; and

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

We will not commence operations at any new premises without a valid BPAL. However, in respect of existing premises where the BPAL has expired and the renewed BPAL remains pending from the relevant local authority despite timely submission of the renewal application, we may continue our operations at such premises, taking into account the feedback from the local authorities based on our verbal enquiries as highlighted in subparagraph (ii) above.

### 7.17.4 Expired 'Certificate of Approval' for remaining stock of electrical appliances

Pursuant to Section 97(1) of the Electricity Regulations 1994 ("**Electricity Regulations**") issued pursuant to the Electricity Supply Act 1990 ("**ESA**"), subject to the provisions of the Electricity Regulations, no person shall manufacture, import, display, sell or advertise (i) any domestic equipment; (ii) any low voltage equipment which is usually sold directly to the general public; or (iii) any low voltage equipment which does not require special skills in its operation, unless the equipment is approved by the Energy Commission (established under the Energy Commission Act 2011) ("**EC**"). Regulation 122 of the Electricity Regulations provides that unless otherwise made an offence under the ESA, a person who contravenes or fails to comply with any of the provisions of the Electricity Regulations shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding one year or to both. Section 50E of the ESA provides that a person who fails to comply with any codes, guidelines or directions of the EC issued under the ESA commits an offence and shall, on conviction, be liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding two years or to both.

We had obtained Certificate of Approvals for the import and sale of certain of its electrical equipment products which have expired. As at the LPD, some of these products remain unsold.

We are unable to renew the Certificate of Approval issued by the EC in respect of the selling of unsold imported electrical equipment the EC has verbally confirmed in practice:

- (a) the EC does not issue or renew Certificate of Approvals solely for the purpose of selling electrical equipment and that a Certificate of Approval is only currently required for the manufacture, import and display of electrical equipment; and
- (b) a new Certificate of Approval does not need to be applied for to display, sell or advertise remaining stock of the same batch of electrical equipment which had been imported under a valid Certificate of Approval upon its expiry.

## 7. BUSINESS OVERVIEW

Based on the above, there will not be any rectification time or costs incurred, or any penalty imposed, in respect of this non-compliance.

Our Directors are of the opinion that this non-compliance will have no material adverse impact to our Group's operations and financial condition based on the verbal confirmation of the EC as above.

### 7.18 MAJOR APPROVALS, LICENCES, PERMITS AND REGISTRATIONS

Please refer to Appendix II of this Prospectus for further details on the major approvals, licenses, permits and registrations obtained by our Group for our business operations.

### 7.19 INTELLECTUAL PROPERTY RIGHTS, PATENTS, TRADEMARKS AND REGISTRATIONS

Please refer to Appendix III of this Prospectus for further details on the intellectual property rights, patents, trademarks and registrations which our Group is dependent on.

### 7.20 MATERIAL PROPERTIES, PLANT AND EQUIPMENT

Please refer to Appendix IV of this Prospectus for further details on our material properties, plant and equipment, whether owned or leased.

### 7.21 MATERIAL DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

As at the LPD, save for the CKH Distribution Agreement, there are no other contracts, agreements or other arrangements which our Group is materially dependent on, and which are material to our business and profitability. A summary of the salient terms of this CKH Distribution Agreement is as follows:

#### Purpose

The CKH Distribution Agreement governs our appointment as the sole and exclusive distributor for the products and spare parts related to the products with the "CUCKOO" brand manufactured or sourced by CKH from time to time including water purifiers, air purifiers and dehumidifiers ("**Products**") in Malaysia, Singapore and Brunei ("**Territory**"). It is a condition of the CKH Distribution Agreement that we shall not, directly or indirectly through another party, purchase, import, export, sell, distribute, or otherwise deal with any other products which are competing with or are similar to the Products in the Territory, without the prior written consent of CKH.

#### Term

1 January 2021 until terminated pursuant to the provisions of the CKH Distribution Agreement.

#### Payment term and intra-group financial assistance charges

We are required to make all payments to CKH and/or pay all invoices from CKH within 90 days from the date of the invoice or in respect of the Products, the date of the invoice or the on-board date as stated in the bill of lading for each shipment of Products, whichever is later ("**Trigger Date**"), unless CKH and us agree to an extension in writing. However, CKH may impose intra-group financial assistance charges ("**Interest Charges**") on the outstanding payment and/or invoices which remain unpaid after 30 days from the Trigger Date.

## 7. BUSINESS OVERVIEW

The determination and the imposition of any Interest Charges by CKH shall be agreed upon by CKH and us on an arm's length basis. The Interest Charges shall be calculated on daily rests and computed on the basis of the actual number of days elapsed over a year of 360 days. The Interest Charges arising shall be due and payable on an annual basis.

For avoidance of doubt, the Interest Charges payable will only be in respect of any outstanding payments and/or invoices which remain unpaid after 30 days from the Trigger Date.

*\* CKH has been imposing Interest Charges on us for all outstanding payments which remain unpaid after 30 days from the Trigger Date.*

### Brand loyalty fee

We shall pay CKH a brand loyalty fee which is calculated based on a mutually agreed rate on an annual basis ("**Brand Loyalty Fee**"), calculated as follows:

Brand Loyalty Fee = Revenue derived by us from the Products and other products which carry solely the "CUCKOO" brand regardless of the source of the products ("**Net Revenue**") multiplied by 3% or such other percentage as may be mutually agreed by CKH and us from time to time ("**Agreed Rate**").

For Net Revenue of products that are co-branded, the Brand Loyalty Fee shall be 50% of the Agreed Rate. The Brand Loyalty Fee is payable only when we achieve operating profits before taxation.

An invoice shall be issued by CKH to us 30 days from the determination of the agreed Brand Loyalty Fee. CKH shall grant to us a period of 90 days to pay the Brand Loyalty Fee outstanding on the invoice. We may pay the Brand Loyalty Fee outstanding on the invoices at any time during the said 90-day period. However, CKH has the right to charge Interest Charges on any outstanding payments and/or invoices which remain unpaid after 30 days from the date of the invoice.

*\* CKH has been imposing Interest Charges on us for all outstanding payments for the Brand Loyalty Fee which remain unpaid after 30 days from the date of the invoice.*

### Transfer pricing

Any profit generated by us from the revenue derived by us from the Products sourced directly from CKH ("**TP Revenue**") in excess of an arm's length profit will be adjusted downward and be paid by us to CKH while any profit generated by us from the TP Revenue that is less than an arm's length profit will be adjusted upward and be paid by CKH to us. Any payments made by CKH to us pursuant to any transfer pricing adjustments shall be made within 90 days from the date of the invoice issued by us unless any extension is agreed by CKH and us in writing. Any payment and/or invoices which remain unpaid after 30 days from the date of the invoice shall be subject to Interest Charges.

CKH shall grant us 90 days to pay the transfer pricing adjustment amount outstanding on the invoices issued and we may pay the arm's length profit amount outstanding on the invoices at any time during the 90-day period. However, CKH has the right to charge Interest Charges on any outstanding payments and/or invoices which remain unpaid after 30 days from the date of the invoice.

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### Trademark

For the purposes of the CKH Distribution Agreement, CKH has been duly licensed and grants to us the license to use the trademark which is registered in the Territory by CUCKOO Holdings ("**Trademark**") for the purpose of sales, promotion and distribution of the Products within the Territory by us, and our related companies, persons employed or engaged by us as well as any sub-distributors appointed by us in the Territory ("**Approved Users**").

CKH shall have the right to (i) impose upon us and the Approved Users, such limitations as it deems fit on the use of the Trademark granted under the CKH Distribution Agreement, to protect the goodwill and reputation of the Trademark; and/or (ii) terminate the CKH Distribution Agreement if:

- (a) a majority of our voting shares is compulsorily acquired; or
- (b) our operations have been taken over or affected,

by an event beyond the control of CKH or ourselves such as war, revolution, coup d'état, riot, civil unrest or change of political ideology of Malaysia.

### Naming Rights

CKH confirms and acknowledges that it has consented to and grants a license, which is an exclusive license in respect of the Territory, to us for the use of the Trademark by us as part of our company name from the date of our incorporation and agrees to the continuous use of the Trademark by us as part of our company name, as long as the CKH Distribution Agreement is subsisting, subject to the termination provisions of the agreement.

CKH allows us to sublicense the right to use the Trademark to our subsidiaries and CUCKOO Brunei for their company naming purposes from their respective incorporation dates and has agreed to continue allowing us to sublicense the right to use the Trademark to our subsidiaries and CUCKOO Brunei, which shall not be transferrable and shall not pass on to any third party unless otherwise agreed by CKH. We shall not sub-license the right to use the Trademark to any person other than our subsidiaries without the prior written consent of CKH.

### Faulty products and spare parts

In the event the Products supplied by CKH are defective or found to be faulty with detailed information provided by us to CKH, CKH and us shall jointly investigate the defects or faults, and it shall be mutually agreed between CKH and us in each case on the appropriate course of action in connection with the defect or faulty Products (i.e. whether CKH shall replace, repair or grant appropriate credit for the faulty Product to us).

CKH shall provide spare parts to us equivalent to the value of 1.0% of the Products ordered free of charge based on the prevailing price list provided by CKH from time to time or any other basis subject to mutual discussion and agreement by CKH and us prior to orders being placed ("**Prevailing Price List**"). Any additional spare parts in excess of 1.0% of the value of the Products supplied by CKH that we require shall be chargeable in accordance with the Prevailing Price List.

## 7. BUSINESS OVERVIEW

### Termination

#### Termination due to default

The CKH Distribution Agreement may be terminated by either CKH or us (the “**Non-Defaulting Party**”), if the other party (the “**Defaulting Party**”) materially breaches any of its obligations under the CKH Distribution Agreement, provided that the Non-Defaulting Party provides a written notice of such breach (the “**Breach Notice**”) to the Defaulting Party.

CKH and us shall in good faith consult, discuss, negotiate and agree on the actions and steps to be taken by the Defaulting Party to remedy the breach (including renegotiating the terms of the CKH Distribution Agreement and/or agreeing to other arrangements to continue the business relationship between CKH and us) within six months from the Defaulting Party's receipt of the Breach Notice. Thereafter the Defaulting Party shall have a further three months or such longer period as may be approved in writing by the Non-Defaulting Party (the “**Remedy Period**”) to remedy such breach.

If the Defaulting Party is successful in remedying the breach to the satisfaction of the Non-Defaulting Party within the Remedy Period, the CKH Distribution Agreement shall continue in full force and effect, subject to such renegotiated terms agreed between the Parties, if any.

If the Defaulting Party fails to remedy the breach to the satisfaction of the Non-Defaulting Party within the Remedy Period, the Non-Defaulting Party may terminate the CKH Distribution Agreement by providing a written notice of termination, which shall take effect three months after the end of the Remedy Period (the “**Termination Notice Period**”).

If the breach is not remediable within the Remedy Period, but the Defaulting Party demonstrates that it is diligently working towards remedying the breach and provides reasonable evidence that such breach will be remedied within an extended period, the Remedy Period may be extended by an additional three months at the sole discretion of the Non-Defaulting Party. During this extended period, the Defaulting Party shall take all reasonable steps to remedy the breach as quickly as possible.

#### Termination due to insolvency and inability to carry on normal business operations

In the event either CKH or us (i) becomes insolvent or (ii) ceases to function as a going concern or is unable to conduct its operations in the normal course of business, the other party shall be entitled to terminate the CKH Distribution Agreement by providing a written notice of termination, which shall take effect three months after the receipt of the said notice of termination.

#### No termination without cause

The CKH Distribution Agreement may only be terminated (i) by either party in the event of default or insolvency or inability to carry on normal business operations, in accordance with the terms of the CKH Distribution Agreement; or (ii) by CKH in the event as stipulated in the Trademark clause.

#### Effect of termination

Following the termination of the CKH Distribution Agreement, CKH shall no longer be required to supply any Products to us, and all payments owed by us to CKH upon termination shall become immediately due and payable unless otherwise mutually agreed in writing. The termination shall not serve to release CKH or us, or their or our successors or assignees of any remaining obligations which are intended to survive the termination of the CKH Distribution Agreement. The obligations which shall survive termination include (i) CKH providing spare parts pursuant to the 'Faulty products and spare parts' clause as above; (ii) our Group paying the Brand Loyalty Fee to CKH; and (iii) both parties making the transfer pricing adjustment payments pursuant to the agreement.

## 7. BUSINESS OVERVIEW

### Transition period after termination

In the event of termination of the CKH Distribution Agreement due to default, CKH agrees to grant us a transition period of not less than 36 months from the date of termination ("**Transition Period**"), to unless otherwise approved by CKH:

- (i) remove the Trademark from being part of our name and our subsidiaries' names;
- (ii) cease and cause the Approved Users to cease, the use of the Trademark for the purpose of sales, promotion and distribution of the Products and any other products not manufactured by and/or sourced from CKH ("**Other Products**") within the Territory;
- (iii) cease and cause the Approved Users and third-party collaborators in respect of co-created products ("**Third-Party Partners**") to cease, the use of the Trademark on any Other Products; and
- (iv) cease and cause the Approved Users and Third-Party Partners to cease, the sale of any Other Products bearing the Trademark.

In consideration of CKH agreeing to the Transition Period, we shall use our best efforts to effect the transition to reduce and eventually cease the use of the Trademark as soon as practicable before the expiry of the Transition Period.

Subject to the use of the Trademark as per the above, we will be able to continue our business and operations without obstruction, including entering into new rental and/or service agreements with customers during the Transition Period. Additionally, CKH will continue to be obligated to supply spare parts to us during and after the Transition Period, pursuant to the terms of the CKH Distribution Agreement. CUCKOO Holdings, as the registered owner of the Trademark in the Territory, has also via a letter dated 18 February 2025 (which supplements the brand royalty master agreement between CUCKOO Holdings and CKH ("**BRM Agreement**")) provided an undertaking to CKH and our Company that in the event the right granted by CUCKOO Holdings to CKH under the BRM Agreement to sub-licence the Trademark to our Company is revoked/terminated, CUCKOO Holdings will grant to CKH the right to continue to sub-licence the use of the Trademark up until 36 months from the effective date of termination of the CKH Distribution Agreement. This undertaking by CUCKOO Holdings is to ensure that we will be able to continue to use the Trademark in accordance with the terms of the CKH Distribution Agreement (including the Transition Period) in the event that CKH's right to sub-licence the Trademark is revoked/terminated by CUCKOO Holdings for whatsoever reason.

### Rights and obligations to customers post-termination

Nothing in the CKH Distribution Agreement or the termination thereof will prevent us, the Approved Users or the Third-Party Partners from being able to fulfil their obligations under any rental or service agreements entered into with their respective customers in respect of the Products or Other Products prior to the expiry of the Transition Period where such agreements were entered into on normal commercial terms which are consistent with the terms of the CKH Distribution Agreement.

Immediately upon termination of the CKH Distribution Agreement and notwithstanding the Transition Period has yet to expire, CKH shall be entitled to sell the Products and/or appoint other party(ies) as distributors of the Products within the Territory,

## 7.22 BUSINESS INTERRUPTIONS

We have not experienced any business interruptions during the FYE2021, FYE2022 and FYE2023 that have had a material impact on our business.

## 7. BUSINESS OVERVIEW

### 7.23 EMPLOYEES

As at the LPD, we employed a total of 1,369 full-time employees and interns across Malaysia and Singapore as follows:

Category	Malaysia	Singapore	Total
Permanent employees <sup>(1)</sup>	568	7	575
Contract employees <sup>(1)(2)</sup>	791	-	791
Interns	3	-	3
<b>Total</b>	<b>1,362</b>	<b>7</b>	<b>1,369</b>

**Notes:**

- (1) We employ one foreign permanent employee and one foreign contract employee.
- (2) 770 contract employees make up our Sales Managers, Wonder Managers, WonderLab Sales Associates and Services Managers. See Section 7.5.5.1 of this Prospectus for further information.

We may from time to time engage more contract employees, or convert our existing independent contractors to Sales Managers and Wonder Managers if required.

The following table sets out the breakdown of our employees and interns by business function in Malaysia and Singapore as at the LPD:

Category	No. of employees <sup>(2)</sup>	% of total
Managerial <sup>(1)</sup>	11	1.8
Operations and logistics	188	31.4
Administrative and governance	113	18.9
Backend sales and customer service support	287	47.9
<b>Total</b>	<b>599</b>	<b>100.0</b>

**Notes:**

- (1) Includes our Key Senior Management.
- (2) Comprises 575 permanent employees, 21 contract employees and three interns, and excludes our 770 contract employees who make up our Sales Managers, Wonder Managers, WonderLab Sales Associates and Service Managers. See Section 7.5.5.1 of this Prospectus for further information.

The following table sets out the number of employees and interns in our Group categorised by geographic location as at the LPD:

Country	No. of employees <sup>(1)</sup>	% of total
Malaysia	592	99.0
Singapore	7	1.0
<b>Total</b>	<b>599</b>	<b>100.0</b>

**Note:**

- (1) Comprises 575 permanent employees, 21 contract employees and three interns, and excludes our 770 contract employees who make up our Sales Managers, Wonder Managers, WonderLab Sales Associates and Service Managers. See Section 7.5.5.1 of this Prospectus for further information.



## 7. BUSINESS OVERVIEW

As at the LPD, our employees do not belong to any union and are not parties to any collective agreements. Further, we have not experienced any major industrial disputes in the past.

### 7.24 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We operate our business with social and environmental responsibility and aim towards a high standard of corporate governance.

#### 7.24.1 ESG policy

We have a sustainability management handbook that was adopted in March 2024 and sets out, amongst others, our sustainability scope, policy, initiatives, and governance structure.

Our sustainability governance structure outlines the roles, responsibilities, and decision-making processes related to sustainability within our Company, including oversight by our Board of Directors, our Sustainability Committee, and our dedicated sustainability teams.

Our Board provides the stewardship and oversight over our sustainability policies.

Our Sustainability Committee comprises senior managers of the Operating Division within our Group to support our Board by evaluating and reviewing sustainability strategies, policies and other matters that are reported by our Sustainability Working Group.

Our Sustainability Working Group comprises the respective department heads of the Operating Division within our Group that are mainly responsible for identifying and gathering information related to sustainability matters. As at the LPD, these departments include our Legal, Governance and Compliance department, our Marketing department, our Human Resources and Administrative department, our Company Planning department, and our Finance department.

The key sustainability policies of our Group, which outline our commitment to sustainable practices and sets the direction for integrating sustainability into our operations, decision-making processes, and stakeholder engagements, can be summarised as follows:

- to ensure that our activities create trust and value for our shareholders and stakeholders;
- to execute our business strategy in a manner that addresses economic, environmental and social risks and opportunities effectively; and
- to ensure compliance with the laws and regulations within the jurisdictions in which our business operates.

Our sustainability scope defines the boundaries and focus areas of sustainability efforts within our Group, including the environmental, social, and economic aspects that are considered relevant to our principal activities in Malaysia, and are considered material to our operations and stakeholders. Our sustainability focus identifies key areas of emphasis for our sustainability initiatives that we have implemented, such as reducing carbon emissions by managing scrap disposal, promoting social equity, and enhancing supply chain transparency.

## 7. BUSINESS OVERVIEW

We have adopted a sustainability materiality assessment process to guide us on identifying sustainability matters that are material to our Group. Phase 1 focuses on identifying potential sustainability issues and impacts relevant to our Group and our stakeholders, Phase 2 assesses and ranks sustainability issues based on their significance and potential effects on stakeholders and business operations, and Phase 3 involves a review of the outcome and regular monitoring of the issues identified. Some of the sustainability matters that we have identified as significant matters include product safety, environmental management, community development, and regulatory compliance.

Our sustainability framework consists of various components including sustainability guidelines, standards, and principles on measuring, managing, and reporting on sustainability performance. For example, we have adopted the sustainability performance indicators set out in the Sustainability Reporting Guide (3rd Edition) issued by Bursa Securities ("**Sustainability Reporting Guide**"), to assess and track our progress toward our sustainability goals and targets. Moving forward, our Group will report our progress and performance of our ESG practices via the Sustainability Statements (which refer to a narrative statement of our management of material economic, environmental and social risks and opportunities, which will be included in our Annual Reports), in line with the Listing Requirements and the Sustainability Reporting Guide. We will also report on key sustainability performance metrics to our stakeholders, highlighting trends and achievements, and areas for improvement.

Our Group has identified the following key sustainability performance metrics:

- data protection, privacy and security;
- anti-bribery and corruption;
- conflict of interest;
- regulatory compliances;
- business ethics and compliance;
- digitalisation;
- product safety;
- customer experience and satisfaction;
- public relation crisis;
- community development;
- learning and development;
- fair and living wages;
- workplace condition; and
- environmental management (i.e. water management, energy management and scrap disposal management).

## 7. BUSINESS OVERVIEW

Our approach to engaging shareholders and stakeholders on sustainability matters involves regular communication and collaboration. We have put in place mechanisms for our shareholders and stakeholders to share their feedback with us, to ensure alignment with stakeholders' expectations, gather insights, and address concerns related to our sustainability performance.

### 7.24.2 Corporate social responsibility

We are committed to being a responsible member of communities where we operate, and to supporting those in need, which may include sponsoring various events, initiatives and organisations. We have taken part in the initiatives below to create a positive social impact in the communities where we operate, to raise living standards of communities in need, in line with our vision to be a "Healthy Home Creator".

To support healthcare efforts during the Covid-19 pandemic, in 2021, we sponsored water purifiers at vaccination centres established across Malaysia under the National Covid-19 Immunisation Programme and provided a RM100,000 cash grant to My Starfish Foundation to support its efforts to procure and donate Covid-19 medical supplies to hospitals in Malaysia. The donations and cash grant that we provided as part of our Covid-19 efforts between 2020 and 2021 amounted to approximately RM1 million.

Under our community outreach programme, "CUCKOO Loves, Cares Project", we reached out to communities that were affected by floods and worked to help families clean up their homes. In 2021, we worked with the Yayasan Al-Sultan Abdullah charity to donate refurbished mattresses and 300 sets of daily and essential goods, such as kettles and rice, to families affected by the monsoon floods in Pahang.

In 2020, we donated more than RM100,000 to the SIMPLYSITI Di Hati Campaign to financially support children who are undergoing heart surgery at the National Heart Institute of Malaysia. We also launched the CUCKOO Creative Arts Foundation, a sponsorship platform to discover and grow homegrown talents in Malaysia. As at the LPD, we have invested more than RM100,000 in the CUCKOO Creative Arts Foundation. We also collaborated with the Football Association of Malaysia and the national team, Harimau Malaysia, from 2019 to 2020, as the official supplier of water purifiers and air purifiers in the national team's dormitory. In 2023, we sponsored the National Cancer Society Malaysia with water purifiers, to support their initiative to provide a halfway home for cancer patients.

In 2024, as part of our initiatives to improve social equity, we have sponsored charitable organisations such as My Starfish Foundation and the Women's Aid Organisation. To support underprivileged children and differently-abled persons, we have also provided water purifiers to the Padmasambhava Children Loving Association Klang Selangor, Maahad Tahfiz Al-Firdaus Lil Banat, and the Persatuan Kebajikan dan Sosial Sejahtera Masyarakat Malaysia.

### 7.24.3 Corporate governance

We are committed to uphold good corporate governance and ethical conduct in accordance with the principles and guidance of corporate governance as set out in the MCCG, which sets out recommendations on corporate governance practices based on three key principles of corporate governance which are: board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

Pursuant to the recommendations above, as at the LPD:

- the positions of Chairman and Chief Executive Officer of our Company are held by different individuals;

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## 7. BUSINESS OVERVIEW

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- we have met the MCCG's recommendation to have at least 30% female directors on our Board; and
- we have also established our Audit and Risk Management Committee and Nomination and Remuneration Committee, whose membership comprise all Independent Non-Executive Directors, to oversee amongst others, financial reporting, risk management, remuneration policies, potential conflicts and related party transactions.

We have in place our Anti-Bribery and Corruption Policy, which sets out guidelines to our employees on our internal control policies and procedures, for, amongst others, payments and kickbacks, our procurement process, dealings with public officials, money laundering, anti-bribery and corruption, and conflicts of interest.

We also have in place our Anti-Slavery Policy, Whistleblower Policy, as well as our Gift, Entertainment and Corporate Hospitality Guidelines for Business Associates and Customers.

As at the LPD, there are no departures from the recommendations of the MCCG. Our Group will continue to comply with all aspects of the MCCG after our Listing.