4 ANALYSIS OF THE VIETNAMESE MONO-BRAND BEAUTY RETAILING INDUSTRY

4.1 DEMAND DRIVERS

Growth of the middle-income class, both in urban and rural areas: The average monthly income per capita for the urban population rose at a CAGR of 14.8% while average monthly income per capita for the rural population rose at a CAGR of 16.1% during 2002-2018. The middle-income population in Vietnam is rising, with the number of individuals with annual income ranging between USD10,000-USD20,000 growing from an 8% share of the total population in 2013 to a 14% share of the total population in 2018, and forecasted to grow further to a 20% share of the total population by 2023.

Increasing spending power of female consumers: The number of women joining the workforce grew from 49.8% in 2005 to 54.1% in 2018. In 2017, approximately 40% of the female population (or 19 million people) were considered to be potential customers of the industry, with 80% of them purchasing at least one CPC product in the previous year[32]. The disposable income per capita of the female population is also expected to grow at a faster pace as compared to the male population during the 2018-2023 period.

Growing market for prestige and masstige products: There is a growing demand by Vietnamese women to purchase prestige/masstige cosmetics or skin care products due to growing brand awareness.

Increasing internet and mobile devices penetration: Vietnam has made improvements in providing access to high-speed Internet. As at Jan 2019, an estimated 62 million people are active social media users (with approximately 64% penetration rate) and 72% of the adult population use smartphones[33]. On a daily average, adults spend 6 hours 42 minutes on the internet and spend 2 hours 32 minutes on social media via any electronic devices[33]. During the same period, major e-commerce activities among internet users are to search for product or services to buy online (87%), visit an online retail store via any devices (87%), and purchase product or services online via mobile devices (62%). Mobile phones can potentially be the main gateway for retailers to reach consumers in rural areas, specifically those living outside of the three main cities – Ho Chi Minh City (**"HCMC"**), Hanoi and Da Nang[34].

More purchases of CPC products via e-commerce platforms: Mobile phone penetration and internet penetration has supported the rise of e-commerce in Vietnam. According to Vietnam E-Commerce and Information Technology Agency ("**VECITA**"), in 2016 the online purchase value per capita was estimated at USD170 in 2016, up from USD160 in 2015[35].

Growing acceptance of natural products: A growing number of Vietnamese consumers are opting for naturally-sourced CPC products, in particular due to the frequent scandals on counterfeit products and harmful ingredients[36]. The counterfeit CPC products of various international brands are sold in traditional markets, including in key cities such as HCMC and Hanoi, at prices substantially lower than original products. These products that are distributed and sold without relevant authority approval could contain harmful or poor quality substances that can harm consumers' appearance and health. Natural products are considered safer, of a better quality, environmentally friendly, and more effective. Vietnamese consumers also believe that naturally-sourced CPC products will reduce the chances of suffering from allergy reactions and/or other health complications[37].

4.2 RESTRAINTS

Competition from traditional herbal cosmetics: Local consumers may be inclined to opt for traditional herbal cosmetics due to their price competitiveness and the relevance to their beauty care traditions.

Overseas purchase of branded CPC products: Apart from spending domestically, the high and upper middle-income populations in Vietnam may also be spending on branded products when they travel overseas, especially on branded CPC and clothing products due to availability, higher variety of product selections, and better pricing as compared to those sold in the country. Additionally, some original or non-counterfeit goods are imported without the authorised permission of brand owner[38]. Due to the high demand for masstige or premium international brands between 2015 and 2018, these products are sold at a lower price compared to the official points-of-sale prices. As of 2018, the prices of CPC products sold in official points-of-sale are relatively higher than unauthorised imported products, due to additional expenses occurred by retailers (such as store rents, staff wage, among others). As a result, there are a large number of Vietnamese consumers, especially from the lower to middle-income class that still prefers to purchase unauthorised imported products sold online. The sales of unauthorised imported products affect the brand sales of CPC products in Vietnam.

4.3 SUPPLY DYNAMICS

The modern retail sector in Vietnam is developing at a faster rate compared to traditional retail, as consumers' shopping culture is constantly changing over the years. Modern retail constitutes 32% of total retail sales in

[32] Viet Nam News, "Vietnamese Women's Cosmetics Market Sees Stable Growth", February 2017
[33] We are Social and Hootsuite, Digital 2019 Vietnam
[34] IFC," E- and M-Commerce and Payment Sector Development in Vietnam", 2014
[35] VECITA, "Vietnam E-commerce Report", 2015
[36] Kantar World Panel, "Finding New Beauty Shoppers", May 2018
[37] The Economic and Trade Mission, the Embassy of Israel in Vietnam, "Vietnam, Cosmetic Review", January 2017
[38] This refers to cases such as 3rd party vendors who buys the products in bulk then sells via their own website or other non-official sales channels at prices lower than original retail prices

2017, as compared to 25% in 2015, and it is expected to reach 45% by 2020[39]. Majority of the modern retailers are concentrated in major urban cities such as Hanoi, HCMC, and Da Nang. The retail culture in Vietnam is different from that of Malaysia. While shopping culture and preference in Malaysia are prominently toward shopping malls, high-street stores are observed to be a popular channel for Vietnamese consumers even though there is an emerging popularity and growing acceptance of shopping malls. Although online retailing is the fastest growing trade channel, Vietnamese consumers prefer the benefit of physical proximity of purchasing fast-moving consumer goods in bricks and mortar points-of-sale as this allows them the convenience to consult staff, get advice and test products before making purchases, due to the growing emphasis on product quality and suitability[40]. In January 2017, approximately 90% to 95% of the market for international cosmetics products was mainly centered in two big cities, namely the southern-based HCMC and the northern-based Hanoi[41].

Shopping malls: The number of shopping malls is growing at a CAGR of 10.1% from 130 shopping malls in 2013 to 210 shopping malls in 2018[42]. The number of shopping malls is forecasted to reach more than 300 by 2020[43] despite several malls closing down due to inability to adapt to local consumer behaviour.

Department stores: Approximately 20% of CPC products are distributed by department stores[44]. As a reference on the growth of department stores in the country, selected nine companies[45] have established 78 department stores as at 2018, and the number is forecasted to increase to 96 department stores by 2019.

Shop units: Majority of consumers prefer to shop in high-street stores compared to shopping malls due to the limited number and lack of well-developed shopping malls. As a result, most CPC retailers are setting up their points-of-sale in high-street stores to suit the preference of the local customers.

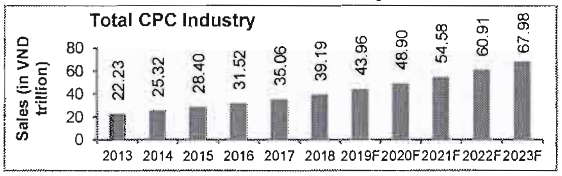
Airport retail: Passenger traffic increased from 6.0 million in 2013 to 10.9 million in 2017 at a CAGR of 14.4% and the Airports Corporation of Vietnam ("**ACV**") is looking to increase its revenue from retail. As the ACV recognises the need to expand the retail areas in airports, mono-brand beauty retailers have the opportunity to grow their revenue by opening physical points-of-sale at the airports.

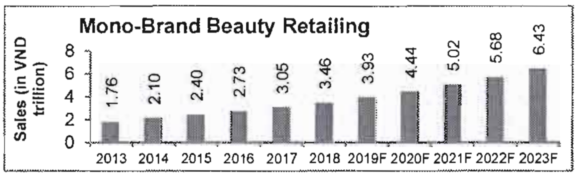
Online retail: In Vietnam, the online channel is growing as it provides ease of purchase for consumers that are located outside of major urban centers and far from main cities where the key shopping areas are located, which provides a valuable channel for retailers to reach mass consumers in rural and sub-urban areas, reducing the need for a physical presence. In 2016, the Government of Vietnam approved the E-Commerce Development Master Plan to develop the e-commerce platform in all cities and provinces throughout the country by 2020. The Master Plan forecasts that online shoppers is expected to reach 30% of the nation's population by 2020, with the average annual spending on online shopping likely to reach USD350 per individual[46].The business-to-consumer retail sales is forecasted to reach USD10 billion by 2022, which will account for 5% of the total retail and services revenue in Vietnam.

4.4 INDUSTRY SIZE AND GROWTH

The CPC industry grew at a CAGR of 12.0% from VND22.23 trillion to VND39.19 trillion during the period 2013-2018 and it is expected to increase to VND67.98 trillion in 2023, at a CAGR of 11.6% in 2018-2023[47]. The mono-brand beauty retailing market is estimated to account for 8.8% (VND3.46 trillion) of the total CPC industry in 2018. This segment has been growing at a CAGR of 14.5% during 2013-2018, faster than the total CPC industry which registered a CAGR of 12.0%. In the period 2018-2023, the mono-brand beauty retailing market is expected to grow faster than the total CPC industry at a CAGR of 13.2% and 11.6% respectively.

Chart 4-1: Size of the CPC industry, Vietnam, 2013 – 2023F





Source: Frost & Sullivan analysis

4.5 COMPETITIVE LANDSCAPE

The market for mono-brand beauty retailers in Vietnam is dominated by brands from South Korea, Japan, US, France and UK. In 2013, The Body Shop was one of the first mono-brand beauty retailers to establish an online store in the Vietnamese market. The Body Shop's Vietnamese FB[48] page has one of the largest fan base

[39] EU-Vietnam Business Network ("**EVBN**"), "Vietnam's Distribution and Retail Channel Edition", 2018
[40] The Voice of Vietnam, "Wealthy Vietnamese shoppers prefer to purchase product online", August 2017
[41] The Economic and Trade Mission, the Embassy of Israel in Vietnam, "Vietnam, Cosmetic Review", January 2017
[42] General Statistics Office of Vietnam
[43] EVBN, "Vietnam's Distribution and Retail Channel Edition", 2018
[44] This includes supermarkets as well. Source: in-cosmetics Asia, Vietnam Market
[45] Q&Me Vietnam Market Research: Vietnam retail store statistics 2019. Selected nine companies are: Vincom, AEON Mall, Crescent Mall, Diamond, LotteMart, Parkson, Robins, Takashimaya, VivoCity.
[46] Vietnam E-commerce and Digital Economy Agency, MOIT: "Vietnam's Policies to Promote the Development of E-commerce"
[47] The size of the CPC and of the mono-brand beauty retailing industries is growing year-on-year and it is forecasted to grow in absolute value over the period 2018-2023. The declining rate of the CAGR is due to the larger base (size of the industry) in 2018 compared to 2013.
[48] As at January 2019, Facebook is the most active social networking platform in Vietnam with a penetration of approximately 95% of internet users according to the report "Digital Vietnam 2019" by We are Social and Hootsuite. (The 2nd and 3rd most active social networking platforms with the highest penetration rate

compared to the Vietnamese FB page of other mono-brand beauty retailers. In the mono-brand beauty market, The Body Shop holds a market share of 3.5% based on total market sales of VND3.46 trillion as at 2018[49].

Table 4-1: Physical and Online Presence of Key Mono-Brand Beauty Retailers with 10 or More Points-of-Sale, Vietnam, December 2019

Brand (year of brand launched)	Company in Vietnam	Brand HQ (# of countries of presence)	# of physical points-of-sale in Vietnam(1)(2)	Likes on the official Vietnamese FB page(3)
The Face Shop (2005)	Hoa Sen Viet Group (Viet Lotus)	South Korea(35)	81	523k likes
Yves Rocher (2007)	Botanical Cosmetic	France(~90)	50	998k likes
The Body Shop (2009)	TBS Vietnam	UK (58)	34	698k likes
O HUI (N/A)	LG Vina Cosmetics	South Korea (N/A)	34	113k likes
Shiseido (1997)	Shiseido Cosmetics Vietnam	Japan(29)	30	no VN FB page
Menard (2004)	TTM Trading	Japan(19)	29	149k likes
Vichy (2007)	L'Oréal Vietnam	France(51)	17	no VN FB page
Laneige (2005)	Amore Pacific Vietnam	South Korea(9)	15	342k likes
The History of Whoo (2003)	LG Vina Cosmetics	South Korea (N/A)	14	22k likes
Innisfree	Amore Pacific Vietnam	South Korea (11)	12	626k likes
Lancôme (2007)	L'Oréal Vietnam	France (130)	11	no VN FB page
M·A·C Cosmetics (2013)	Estee Lauder (Vietnam)	US(120)	10	no VN FB page
Clinique (2012)	Estee Lauder (Vietnam)	US (51)	10	no VN FB page

Note: (1) The number of physical points-of-sale is as at 31st December 2019; (2) Physical points-of-sale include stand-alone retail stores (mono-brand beauty retailer stores), counters in department stores (store-in-store), and spas; (3) The number of likes is as at 31st December 2019.
Source: Frost & Sullivan

Chart 4-2: Market share of total sales by key mono-brand beauty retailers, Vietnam, 2018

Company name	# of mono-brands	Brand Names	Market share
L'Oréal Vietnam	5	Lancôme , Shu Uemura, Kiehl's, Vichy, Biotherm	15.9%
Hoa Sen Viet Group	1	The Face Shop	14.8%
Shiseido Cosmetics Vietnam	3	Shiseido, NARS, Clé de Peau Beauté	13.8%
Amore Pacific Vietnam	3	Laneige, Sulwhasoo, Innisfree	10.0%
Estee Lauder (Vietnam)	4	Estée Lauder, Clinique, M·A·C Cosmetics, Bobbi Brown	8.7%
Botanical Cosmetic	1	Yves Rocher	6.9%
LG Vina Cosmetics	5	O HUI, The History of Whoo, Isa Knox, SU:M37°, Belif Cosmetics	6.5%
TTM Trading	1	Menard	4.3%
TBS Vietnam	1	The Body Shop	3.5%
Hals Group	2	L'Occitane, Clarins	1.5%
Others	N/A	E.g. Skin Food, TonyMoly, Kanebo, Murad, DHC, Make Up For Ever, etc.	14.2%

Note: Market share estimated by Frost & Sullivan based on the available public information (e.g. number of stores, past industry reports), primary interviews (e.g. with industry players) and analysis of sales via points-of-sale by selected key mono-brand beauty retailers.
Source: Frost & Sullivan

The Face Shop has the highest number of points-of-sale (81 points-of-sale) compared to Yves Rocher, The Body Shop, O HUI, and Shiseido with 50, 34, 34 and 30 points-of-sale respectively as at 31st December 2019. The Body Shop has established stores in major high-street areas such as Ba Trieu, Hai Ba Trung District, Hanoi, where competitors, such as Yves Rocher and Innisfree, are also present within the same street. The online market for mono-brand beauty retailers is estimated at VND85 billion as at 2018. TBS Vietnam is estimated to be one of the largest in terms of online sales, with a market share of 10% as at 2018[50].

4.6 INDUSTRY OUTLOOK AND PROSPECTS

The outlook for the CPC market is positive. Frost & Sullivan forecasts the total sales to grow at a CAGR of 11.6% in the period 2018-2023. During this period, the sales by mono-brand beauty retailers are forecasted to grow at a CAGR of 13.2%. The positive demographic and economic prospects for Vietnam are attracting new CPC companies to establish their presence in the country and existing players to expand their physical presence. The growth of the economy is contributing to the growth of the disposable income and the emergence of the middle-income class. The number of shopping malls in Vietnam is expected to grow to cater to the changing preferences by Vietnamese consumers, who are increasingly attracted by shopping centres not only as a destination for shopping, but also for entertainment and to socialise. Due to the growth of the Internet penetration, the online platform is also becoming an important channel for retailers to reach consumers with access to the internet, without the need for a significant geographical expansion of the physical points-of-sale.

5 OVERVIEW OF THE MONO-BRAND BEAUTY RETAILING INDUSTRY IN CAMBODIA

5.1 DEMAND DRIVERS

Growth of wealth per adult supporting the spending power: During 2013-2018, wealth per adult grew at a CAGR of 5.2%. The economic development in the country is supporting the growth of income and of disposable income, for both men and women, contributing to higher expenditure on CPC products.

among internet users are: Instagram (51%) and Twitter (37%). Social networking excludes video-sharing platforms such as YouTube and social messenger platforms such as FB Messenger and Zalo).

[49] Based on total sales in 2018 of VND120.7 billion by TBS Vietnam, over the total industry size of VND3,457.6 billion

[50] Based on total online sales in 2018 of VND10.1 billion by TBS Vietnam, over the estimated industry online sales at VND85 billion

Growing attention to appearance: The young population is increasingly becoming exposed to social media, particularly in the major urban areas, and pay greater attention to physical appearance. Social media is likely to result in a greater influence among consumers in their purchasing habits and selection of products. CPC brands are increasingly using social media as a platform to reach potential customers.

Growing interest over quality and original products: Due to growing income and literacy levels, consumers are increasingly looking for better quality and original products, thus limiting the market for imitation products which in the past have been responsible for health issues to consumers[51]. Cambodians are increasingly aware of the side effects of counterfeited CPC products, through social media platforms, as consumers share their experience with products and provide feedback on the sellers.

Growing tourism industry likely to expand demand for branded CPC products: International tourist arrivals have grown from 4.2 million in 2013 to 6.2 million in 2018 at a CAGR of 8.1% with average spending per tourist increasing from USD605 to USD706 over the same period[52].

5.2 RESTRAINTS

Poor infrastructure network, which inhibits access by consumers to modern retail stores: Poor infrastructure network is seen as one of the main challenges to Cambodia's growth[53]. However, the ongoing development of internet infrastructure, which has resulted in the favourable growth of internet penetration in the country from 6.8% in 2013 to 40% in 2018[54], is likely to foster the development of the e-commerce channel as an alternative for CPC distribution.

Although growing, the disposable income remains low in rural areas: The middle-income class is still relatively small compared to the total population and it is concentrated in main urban areas. Masstige and prestige CPC products, mostly imported, may only be affordable to consumers within urban areas.

Overseas purchases of branded CPC products: The high-income population is still small in Cambodia, and may prefer to purchase branded CPC products abroad while travelling overseas, due to a higher variety of products available and better pricing as compared to the ones available within the country.

5.3 SUPPLY DYNAMICS

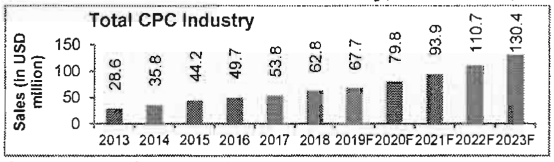
Most consumers purchase their CPC products from points-of-sale within their proximity, largely due to poor infrastructure and long-lasting relationships with the store owner and employees. In large cities, however, the emergence of shopping malls with multiple stores and offering leisure facilities, are attracting consumers to travel for their purchases. Therefore, due to the high traffic of consumers per day, major global mono-brand beauty retailers are expanding their presence in the country by opening shops in new emerging shopping malls. As at 2018, while there are a growing number of purchases made online, the majority of mono-brand beauty retailers still rely on physical sales channels for their business activities in Cambodia. While still being a nascent trend, the online channel is the fastest growing sales channel in Cambodia, driven by growing internet penetration in the country which grew from 5.0 million people in 2014 to 13.6 million people in 2018 at a CAGR of 28.4%[55]. As a country that is undergoing economic and business landscape reforms, only a few large international mono-brand beauty retailers are present in Cambodia as at 2018. This presents a favourable opportunity for first-mover CPC players to build loyalty with the younger population, who has a growing disposable income, a more consumerist attitude, and a greater attention to the lifestyle.

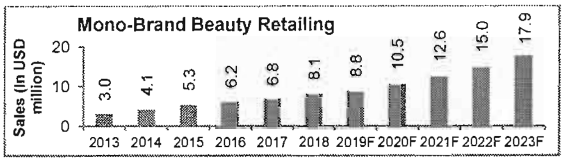
5.4 INDUSTRY SIZE AND GROWTH

The market for CPC products in Cambodia grew during 2013-2018, at a CAGR of 17.0%, driven by the positive performance of the economy, which has given a boost to the disposable income, and therefore stimulated the growth of local commercial activities and attracted multiple international brands to expand their presence in the country. Sales are forecasted to grow both in physical points-of-sale and online. Online sales are forecasted to grow at a faster pace, as an increasing number of Cambodians are connected to the internet and consumers located far from commercial areas rely on online purchases to overcome the commercial accessibility challenge posed by poor infrastructure network. Out of the total CPC industry, the mono-brand beauty retailing segment is estimated to account for 12.9% of the total CPC market, at USD8.1 million. This segment grew at a CAGR of 22.4% during 2013-2018, faster than the CAGR of 17.0% registered by the total CPC industry. The market grew significantly in the years 2012-2016, as numerous international mono-brand beauty retailers such as Nature Republic (15 stores), The Face Shop (9 stores), and Yves Rocher (6 stores) has established and expanded their presence in the country[56]. In the period 2018-2023, the mono-brand beauty retailing market is forecasted to grow at a CAGR of 17.1%, as other mono-brand beauty retailers are expected to establish their presence in the country, either by opening physical points-of-sale, or by providing international shipping.

[51] One example was the case of contaminated skin-whitening creams. Journalhealthpollution.org: Mercury Contamination of Skin-whitening Creams in Phnom Penh, Cambodia, December 2015
[52] Ministry of Tourism, Tourism Statistics Report Year 2018
[53] IMF, "The Cambodian Economy: Outlook, Risks and Reforms", June 2017
[54] International Telecommunication Union (ITU)
[55] Telecommunication Regulator of Cambodia, "https://www.trc.gov.kh/internet-subcribers/", accessed on 11 November 2019. As at 11th November 2019, the 2019 full year figure is not publicly available.
[56] The no. of stores is as at 31st December 2019.

Chart 5-1: Size of the CPC industry, Cambodia, 2013 – 2023F





Source: Frost & Sullivan analysis

5.5 INDUSTRY OUTLOOK AND PROSPECTS

The outlook for the CPC market is positive. Frost & Sullivan forecasts the total sales of the CPC market to grow at a CAGR of 15.7% during 2018-2023. In the same period, the sales by mono-brand beauty retailers are forecasted to grow faster at a CAGR of 17.1%. This is due to an increasing number of brands gradually penetrating the market[57]. In fact, the growth of average salary, sustained by positive economic prospects, provides consumers with higher disposable income for the purchase of discretionary goods. In particular, with the population becoming increasingly urbanised, and with the increasing consumer awareness to lifestyle and physical care and appearance, CPC products are increasingly becoming an important item in the basket of goods for Cambodian consumers.

6 SUMMARY PROSPECTS AND OUTLOOK FOR INNATURE

The CPC industry prospects in Malaysia and Vietnam, and Cambodia are positive due to a number of factors including growing population, growing disposable income and growing attention to personal care and physical appearance. In particular, within the CPC industry, the sales of CPC products by mono-brand beauty retailers are growing at a faster pace compared to the overall CPC industry, as consumers are increasingly being attracted by prestige and masstige products, due to their higher perceived quality and branding. Consumers are also increasingly favouring natural products and brands that practice and promote ethical values. Nonetheless, industry risks may persist in developing markets like Vietnam and Cambodia, whereby the sale of counterfeit and unauthorised imported CPC products remains active in the past years due to high-price sensitivity (for original imported products), particularly among the lower and middle-income class, and difficulties faced by enforcement agencies in controlling the retail market. Due to the lack of relevant regulatory approval and poor product quality, the sale of counterfeit and unauthorised CPC products in these markets may adversely impact the brand reputation of the original imported CPC brands.

The CPC industry is growing in tandem with the positive outlook for the overall retail landscape in Malaysia, Vietnam and Cambodia. In this context, InNature may capitalise on the growth of the modern retail space via its expansion plan to increase the number of The Body Shop's points-of-sale in Malaysia and Vietnam. In Cambodia, where only few renowned international brands are present as at 31st December 2019, The Body Shop brand has the potential to be established as an early-mover, and gain consumer acceptance. Additionally, the introduction of the Natura brand in Malaysia by InNature may also allow InNature to further strengthen its position as one of the largest players in the mono-brand beauty retailing industry in Malaysia. Natura is a leading CPC brand in Brazil with growing presence across Latin America. It is owned and operated by Natura Cosméticos S.A., a global cosmetics group listed on the Sao Paulo Stock Exchange since 2004 which also owns The Body Shop and Aesop brands[58].

Online retailing is the fastest growing retail channel in Malaysia, Vietnam, and Cambodia[59], in line with the growing internet penetration and growing tendency for consumers to purchase online. This allows InNature to benefit from its established online presence compared to other mono-brand beauty retailers, driven by a strong following on its social media platforms in Malaysia and Vietnam, and an early mover in establishing an online store in both markets. Frost & Sullivan opines that InNature's multi-channel approach, coupled with its loyalty program, will support InNature's revenue growth and customers' loyalty. In addition, its masstige pricing of The Body Shop products is expected to support its penetration of the growing middle-income market. Despite many new brands entering in the highly competitive beauty industry and heavily saturated retail landscape in Malaysia, The Body Shop brand has achieved sustainable growth in over three decades of presence in the country, indicating the attractiveness of the brand (recognised internationally for natural products and ethical values) among consumers and the acceptance and relevance of its local campaigns to fulfill the brand's philosophy. As at 2018, as shown in chart 3-2, InNature secured a leading position in Malaysia among mono-brand beauty retailers and, as shown in chart 4-2, it became one of the top-10 mono-brand beauty retailers in Vietnam.

[57] Frost & Sullivan analysis: over 6 mono-brand beauty retailers have established their presence in Cambodia between 2013 and 2018. Brand (and year of establishment): TonyMoly (2013), Kosé (2013), L'Occitane (2014), The Saem, (2014), Clarins (2015), J.estina (2017).
[58] Natura & Co 2018 Report
[59] Bangkok Post, "Emerging Asia poised as e-commerce hub", December 2017

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

7.1 Risks relating to our business and operations

7.1.1 We may not be able to renew or comply with the terms of our Franchise Agreements with The Body Shop International

Risk of non-renewal or termination of the Franchise Agreements

Our rights to retail and distribute TBS products in the territories where we operate in, namely West Malaysia, Sabah, Labuan, Vietnam and Cambodia, are derived from the rights granted to us under our Franchise Agreements with our Franchisor, The Body Shop International. Our group is reliant on the revenue generated from the sale of TBS products which accounts for nearly all of our Group's total revenue for the financial years under review.

The Franchise Agreements are valid for a period of up to 10 years from the date of the respective Franchise Agreements and are renewable for an additional period of up to 5 years subject to the terms and conditions of the respective Franchise Agreements (please see Section 5.15.1 of this Prospectus for the conditions for renewal of the Franchise Agreements). Therefore, the termination of our Franchise Agreements can adversely affect our ability to carry on our business. The events that could cause our Franchise Agreements to be terminated are set out in Section 5.15.1(g) of this Prospectus and include:

(i) if Rampai-Niaga, TBS Vietnam, and Green Cosmetics (**"TBS Franchisees"**) are in breach of the Franchise Agreements and fail to remedy the breach within 28 days of the Franchisor's notification to us of such breach;

(ii) if there are any changes in our Group's management, which encompasses Datin Mina and the manager(s) approved by the Franchisor from time to time, ownership or control without our Franchisor's written approval;

(iii) if TBS Franchisees and/or any other persons named in the Franchise Agreements directly or indirectly engage in or is guilty of conduct which our Franchisor considers to be prejudicial to its interests or interests of the Business (as defined in Section 5.15.1 of this Prospectus);

(iv) if the TBS Franchisees become bankrupt or insolvent;

(v) if any person successfully takes action to enforce any action including legal proceedings or foreclose any lien or mortgage over or in respect of any property of the TBS Franchisees; or

(vi) upon the termination of the Franchise Framework Agreement.

There can be no assurance that the TBS Franchisees will be able to renew each of the Franchise Agreements as and when they expire, or that any of the Franchise Agreements will not be terminated prior to its expiry by our Franchisor. Any non-renewal or termination of the Franchise Agreements would result in us not being able to distribute products under the The Body Shop® brand and in such case, our business prospects, financial condition and results of operations would be materially and adversely affected.

Risk of termination of our Franchise Framework Agreement

Further, our Franchisor may terminate the Franchise Framework Agreement (which could lead to the termination of the Franchise Agreement) arising from certain breaches by Etheco as well as by Dato' Simon and Datin Mina under the Franchise Framework Agreement. The events that could cause our Franchise Framework Agreement to be terminated are set out in Section 5.15.2(o) of this Prospectus and include:

(i) upon the winding up, insolvency, administration, dissolution or bankruptcy of Dato' Simon, Datin Mina or Etheco or upon the appointment of a liquidator, receiver, administrator, trustee or similar officer over all or any part of any of Dato' Simon's, Datin Mina's or Etheco's business or assets or event having a similar effect as the above events; or

(ii) where in the case of the breach capable of being remedied, Dato' Simon, Datin Mina or Etheco fail to remedy such breach within 28 days of being notified to remedy the breach, provided that TBSI shall not be obliged to give such notice in the case of a persistent breach which shall be one which has occurred twice in any 12 month period and/or any 3 different breaches occurring within any 12 month period of the FFA.

Based on the above, among others, if a liquidator, receiver, administrator, trustee or similar officer is appointed in relation to the business or assets held by Dato' Simon and Datin Mina in their personal capacity outside of the Group, such events could cause the Franchise Framework Agreement to be terminated if not remedied within the agreed timeframe.

As such, any breach by Datin Mina, Dato' Simon or Etheco of their obligations and undertakings under the Franchise Framework Agreement, may result in a termination of the Franchise Framework Agreement by our Franchisor which in turn would lead to a termination of the Franchise Agreements and such termination would lead to a material adverse effect on our business, prospects, financial condition and results of operations.

Other risks under the Franchise Agreements

In addition, under the Franchise Agreements, our TBS Franchisees are required to comply with certain obligations and undertakings such as our Group shall not be engaged, interested or concerned in any business which is in competition or similar to our business during the term of the Franchise Agreements and for a period of 1 year (in respect of TBS Vietnam and Green Cosmetics) or 2 years (in respect of Rampai-Niaga) following the termination and no member, shareholder, director and employee of the TBS Franchisees or other individual having a degree of control or influence over the TBS Franchisees, is or becomes so engaged during the term of the Franchise Agreements and for the following period after the end of the term of the Franchise Agreements.

The Franchise Agreements also restrict us from disposing our TBS business to other parties save with the consent of the Franchisor provided that all our obligations under the Franchise Agreements are complied with and subject to certain conditions imposed by our Franchisor, such as the disposal shall be bona fide and at arm's length and the proposed purchaser shall meet the criteria set by the Franchisor with respect to business experience, financial status, ability and compatibility with the Franchisor and its values, as well as suitability of the directors and shareholders of the proposed purchaser.

While compliance with such provisions in the Franchise Agreements ensure that our Franchisor's operating and quality standards are maintained, there can be no assurance that such provisions would not curtail our competitiveness in any of the markets that we operate in or restrict our business activities and expansion plans, which may have an adverse impact on our business, results of operations and financial condition.

Please refer to Section 5.15 of this Prospectus for further details of the above terms and other salient terms of the Franchise Agreements and the Franchise Framework Agreement.

7.1.2 The continuity of our Franchise Agreements is dependent on the continued involvement of our Promoters, Datin Mina and Dato Simon

The continuity of our Franchise Agreements is dependent on our Promoters, Datin Mina's and Dato' Simon's continued involvement in the business.

Specifically, under the Franchise Agreement, upon the death or permanent incapacity of Datin Mina or Dato Simon being persons who beneficially own a Controlling Interest, (being an aggregate majority of shares of the respective TBS Franchisee, or has the right to appoint or dismiss a majority of directors, and in respect of any other business or entity, where that person is beneficially entitled to a majority of share of the assets, proceeds or distribution of the same ("**Controlling Interest**")), their Controlling Interest will have to be transferred to a third party approved by TBSI at its sole and absolute discretion within 6 months after such death or permanent incapacity. If the transfer is unable to be effected within the 6 months stipulated above, then provided that the relevant TBS Franchisee has been consistently achieving its performance objectives, then the personal representative of the deceased will have 2 years to dispose of the deceased's interest in the respective Franchise Agreements. If the TBS Franchisee has not been consistently achieving its performance objectives, then the personal representative will have 1 year to do so. If the transfer is not effected within the said periods, TBSI may terminate the Franchise Agreements.

Under the Franchise Agreements, the prior written approval of TBSI must be obtained before any change in the ownership or control of the Franchisees. Although Daryl Foong and Dexter Foong are the sons of Datin Mina and Dato' Simon, and presently have equity participation in the Company through their direct shareholding in Pelagos and Primarium respectively, written approval from the Franchisor is required to be obtained prior to any transfer of shares to them in the event of death or permanent disability of Datin Mina and/or Dato Simon.

As such, if the approval from the Franchisor for the transfer of shares to Daryl Foong and/or Dexter Foong is not obtained, and the transfer is not effected within the said periods consequently, this may result in a termination of the Franchise Agreements by our Franchisor.

In addition, under the Franchise Agreements, InNature shall undertake to notify TBSI of the details of any proposal received to purchase the shareholdings of the Franchisees. InNature shall also undertake to grant TBSI an option to purchase such shareholdings for the same amount and upon the same terms as offered by the proposed purchaser, which option may be exercised by TBSI within 14 days of receipt of such notice.

Given the above, upon the death or permanent incapacity of Dato' Simon or Datin Mina, there is a possibility that their shareholdings in our Franchisees may be transferred to an unrelated party at a lower price, subject to TBSI's consent.

Such termination or transfer of ownership of our Franchisees to an unrelated party, may lead to a material adverse effect on our business, prospects, financial condition and results of operations.

Please refer to Section 5.15 of this Prospectus for further details of the above terms of the Franchise Agreements.

7.1.3 We depend on the supply of goods from TBSI for TBS products and Indústria Natura for Natura products

Currently, our TBS Franchisees retail and distribute only TBS products and as such we depend on the supply of goods from our Franchisor in our operations. TBSI is our top supplier, and the value of our purchases from TBSI in FYE 2016 to 2018 and FPE 2019 are set out in Section 5.14 of this Prospectus.

Our TBS products are mostly supplied from the UK of which accounts for approximately 99.0% of our total purchases on TBS products annually. The impending withdrawal of the UK from the European Union ("**Brexit**") has created significant uncertainty about the future relationship between the UK and the European Union, including the laws and regulations that will apply in the UK as it determines which European Union laws to adopt or replace upon its withdrawal. Until the terms and timing of UK's exit from the European Union are finalised, the exact impact that Brexit and its related matters may have on our business and results of operations remain uncertain. Any changes in the laws and regulations in the UK arising from Brexit may result in a potential disruption to our business and operations. These disruptions may in turn have a material adverse effect on our business and results of operations.

We also depend on the supply of products from Indústria Natura, a subsidiary of Natura Cosméticos S.A., for our Natura business.

Any disruption in supply of the TBS products or Natura products to us for any other reason may also materially and adversely affect our operations and ability to meet our customers' needs.

7.1.4 Our success is closely linked to the value of the TBS brand which may be eroded by events beyond our control

The Body Shop® brand name and related logos, trademarks and other intellectual property rights have significant brand value. Our continued growth and success depend significantly on our ability to maintain and promote the TBS brand and to strengthen our customers' connection with the TBS brand, in the countries where we operate in. If we are unable to maintain and increase the awareness of the TBS brand and products, we may not be able to continue to attract and retain our customers.

Over the years we have put significant effort into ensuring that the TBS brand and its ethical values are embodied in our business processes and operations of our Company through adopting a culture that is synonymous with these values, from product training to dealing with customers. Any negative publicity surrounding the way we carry out the business, source our TBS products, service our customers or run our campaigns may severely damage the TBS brand value. In particular, any negative commentary regarding TBS products or incidents that result in consumers' perception that our employees have acted in an irresponsible manner against the TBS brand and its ethical values, may be posted on TBS's websites or social media platforms by consumers which may have an adverse effect to our TBS brand reputation and our business. It is the nature of consumers to often value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correct, causing the TBS brand value to be affected.

As at the LPD, there were no past incidents that resulted in negative publicity for the TBS brand, which had material adverse impact on the Group's business and profitability.

We have no control over third party actions which may erode the TBS brand or violate their ethical values.

Any such violation or negative publicity at the global level would cause damage to the TBS brand in the countries where we operate in and affect customer demand for the TBS products.

7.1.5 Our success depends on our ability to secure optimal locations and to renew the tenancies or leases of our present points-of-sale

We continuously strengthen the TBS brand through marketing efforts and use our TBS brand value to enhance our ability to secure attractive locations.

As at the LPD, all our points-of-sale in Malaysia, Vietnam and Cambodia are rented. Our points-of-sale in Malaysia are mostly located in leading malls within urban areas throughout West Malaysia, Sabah and Labuan, whereas in Vietnam, our points-of-sale are concentrated in malls and high street locations i.e. main shopping streets in the urban districts of HCMC and Hanoi. In Cambodia, our first point-of-sale which we opened in November 2019 is located in Aeon Mall Phnom Penh. As with our present markets, we target to open our future points-of-sale in Cambodia in shopping malls in major urban areas in Phnom Penh.

There is no assurance that we will succeed in securing these prime locations on commercially reasonable tenancy terms in view of the constant rise in demand of properties in prime locations. Due to the high demand for retail space, there is usually a long waiting list for brands to open their stores, particularly in popular shopping malls. In addition, high demand for retail space can drive up rental rates. Furthermore, most of the mall operators for the reputable shopping centres are usually stringent when it comes to the selection of their tenants as they take into consideration, amongst others, the tenants' brand reputation, sales potential, and area of business.

Although presently most of our points-of-sale are located in prime locations, the terms and conditions in respect of the new tenancies may not be as competitive which could result in us incurring additional costs in order to secure these new locations. As such, we cannot assure you that we are able to maintain our current rental rates in the future should the rental in respect of our points-of-sale continue to increase. We may also potentially lose our current locations to other competing tenants who are able to offer higher rentals or more favourable terms to the landlord for the locations.

In Malaysia and Vietnam, the duration of our tenancies range from 1 to 3 years and 1 to 7 years respectively. In Cambodia, the duration of our tenancy for our point-of-sale is 3 years. As at the LPD, out of our 89 points-of-sale in Malaysia, 2 tenancies have expired and are pending renewal, 14 will expire over the next 6 months and out of our 34 points-of-sale in Vietnam, 3 will expire over the next 6 months.

If these tenancy agreements are not renewed upon their expiry, our Group may have to re-locate these outlets to other locations which may be less viable commercially and/or which are subject to higher rental rates.

As such, if we are unable to obtain the desired point-of-sale locations on commercially reasonable terms or at all, our business, results of operations and ability to implement our growth strategy may be adversely affected.

7.1.6 We may not be able to successfully implement our future plans and strategies

As part of our future plans and strategies further detailed in Section 5.4.4 of this Prospectus, we will be expanding the TBS business further in Vietnam and Cambodia and growing our brand portfolio of our Group through our new business venture with Natura. We cannot assure you that we will be able to anticipate all the business and operational risks arising from our future plans and strategies.

Our ability to implement our expansion of the TBS business in Cambodia and expand into our new business venture with Natura depend on our ability to adapt our experience and expertise to the local retail landscape for the TBS brand in Cambodia, and the business model of distribution via online social commerce for our Natura business. Our heads of departments and key senior management team who have been the main drivers to our business over the years have an average of 23 years of relevant experience with approximately half of the number of years of relevant experience being under the employment of the Group.

Investors should also note that any new investments by us into new points-of-sale and other distribution channels for the TBS and Natura brands will typically take time to reach their full potential in term of sales, profitability, market penetration and scale. Pending the new investments reaching their targeted business potential levels, they will continue to incur rentals, staff costs, and other operating costs. In addition, our new business venture with Natura may incur costs such as franchise fees, royalty fees and/or licensing fees, which may affect our results of operations and our Group's financial performance.

Our new business venture for Natura is based on the Natura MOU and the Natura Supply Agreement. Please refer to Section 5.15.4 for further details of the Natura MOU and the Natura Supply Agreement. In this regard, if the definitive agreement(s) are not signed for this new venture prior to the expiry of the Natura Supply Agreement, or if the Natura MOU and/or the Natura Supply Agreement are not renewed or terminated, we may be subject to the risks of our Natura business not continuing. Such termination may limit the business growth and prospects of our Group.

Additionally at this juncture, we are unable to assess whether the Natura products would pose direct competition to the TBS products as the Natura products have only been introduced in Malaysia in August 2019. Both the Natura and TBS products are naturally inspired products and as such there may be an overlap in terms of purchasing interest for customers with such preference. However, as both the Natura and TBS products would be offered by the InNature Group, the introduction of the Natura products is intended to complement the current offering by InNature instead of cannibalizing the market share of InNature through the offering of TBS business products. Any optimisation of sales and product mix to improve sales will only be determined after the launch of the products and analysing customers' preferences. This would be a risk to the TBS brand offering in Malaysia rather than our Group.

We cannot assure you that we will be able to successfully implement the plans for our new business venture in the future and failure to do so may materially and adversely affect our future business, earnings growth, future results of operations and prospects.

7.1.7 We are subject to currency fluctuations as we import all TBS products and Natura products

All our TBS product inventories are imported from the UK and we are therefore exposed to fluctuations in the GBP currency. We are also exposed to fluctuation in USD and VND from our TBS operations in Vietnam and KHR and USD for our operations in Cambodia. For the Natura products, all our product inventories are imported from Brazil and we are therefore exposed to fluctuations in the USD.

The reporting currency for our consolidated financial results is in RM. There is a financial risk to our business if there is any adverse fluctuation in any one or more currencies transacted by our Group. The Group's net foreign exchange gain for the FYE 2016, FYE 2017, FYE 2018 and FPE 2019 were RM1.4 million, RM0.7 million, RM0.7 million and RM0.5 million respectively. Any significant fluctuation in the value of the RM against the currencies of the countries where we operate in or from which we obtain our supplies could adversely affect our financial results and financial position. In such a situation, there may also be a possibility that we could incur foreign exchange losses and/or our product pricing may have to be increased which could render us less competitive than our competitors in the areas where we operate.

7.1.8 Our success depends, in part, on the quality, efficacy and safety of the TBS and Natura products

If the TBS and Natura products are found or perceived to be contaminated, defective or unsafe, or if they fail to meet our customers' expectations, the TBS brand value and the Natura brand value could be diminished. Any loss of confidence in the ingredients used in the TBS products or the Natura products, whether related to product contamination or safety, or quality failures, actual or perceived, or inclusion of prohibited ingredients, could damage the TBS brand or the Natura brand. As at the LPD, there were no past instances of contamination, defective or unsafe TBS products nor Natura products which had material adverse impact on the Group. Despite the measures we and our Franchisor (for TBS products) have in place, and our efforts with Natura Cosméticos S.A., (for Natura products) to control the quality of the products, contamination or degradation of ingredients of the products may occur during the production, transportation, distribution and sales processes due to reasons unknown to us and/or beyond our control. The occurrence of such problems may result in the possibilities of negative publicity, product recalls, product liability claims and/or regulatory action, which could cause serious damage to our reputation and the TBS brand or the Natura brand as well as cause us to lose sales or market share.

7.1.9 Our business operations may be adversely affected if our distribution, warehousing and logistics experience any significant disruption or disasters or operational delays

Our TBS products are shipped from TBSI's warehouses in the UK and Singapore directly to third party DCs in Malaysia, Vietnam and Cambodia respectively leased by us from third party logistics companies who manage the distribution of our TBS products in Malaysia, Vietnam and Cambodia.

As we rely on a single DC as the centre of our distribution of TBS products in each of the countries that we operate in, as well as the Natura products in Malaysia; any significant disruption, disasters, system failures, prolonged power outages or other unforeseen events affecting these DCs or delays in the operations of these DCs may affect our product distribution and business operations. As at the LPD, the Group has not experienced any past instances of significant service disruption or disasters or delays in operations.

In the event we encounter the above issues, we cannot guarantee that the critical systems and operations will be restored in a timely manner or at all, nor can we guarantee that the above preventive measures taken by us are adequate or our insurance policies are sufficient to cover our actual losses. Any disruption or disasters on a large scale could have a material adverse effect on our business, prospects, financial condition and results of operations.

7.1.10 Our TBS and Natura product offering is dependent on us obtaining the cosmetics notification approval and the product registrations in a timely manner

We are subject to compliance with various laws and regulations relating to cosmetic products and general consumer protection and product safety in the jurisdictions in which we sell our products. These rules principally set out requirements for the composition, testing, labelling and packaging of our products. Failure to comply with these rules may result in the imposition of conditions on or the suspension of sales or seizure of our products, significant penalties or claims and, in some jurisdictions, criminal liability.

Further, in the event that the countries in which we sell our products increase the stringency of such laws and regulations relating to cosmetic products and general consumer protection and product safety, our costs may increase, and we may be unable to pass these additional costs on to our customers. In the event that any such change in law or regulations requires that we obtain a license or permit for our operations, we may be unable to obtain or, if obtained, maintain such license or permit, which may result in a temporary or permanent suspension of some or all of our business activities, which could disrupt our operations and adversely affect our business. Further, in the event that any jurisdiction in which we operate in or plan to operate imposes any new laws, regulations, restrictions and/or other barriers to entry, our ability to expand may be thereby limited and our growth and development may be adversely affected.

For TBS products, TBSI's regulatory team is currently responsible to obtain cosmetics notification approval from the National Pharmaceutical Regulatory Agency for Malaysia and we directly handle cosmetics notifications in Vietnam and Cambodia. For the TBS products to be brought into Vietnam and Cambodia, we will be required to obtain these cosmetic notifications or product registrations from time to time for new TBS products to be introduced in these countries. When we intend to import the TBS products into Cambodia, in addition to the cosmetic product notification, we will need to obtain necessary import approvals as well. For Natura products, we will obtain the cosmetics notification approvals for the Natura products to be brought into Malaysia.

There is no guarantee that in future, the requisite approval or notification will be issued to us in time or at all, for the launch of new TBS products or Natura products as the authorities may change their internal importation guidelines from time to time and this may extend the lead time for the processing of our applications for approvals or notifications. Any delay or failure in obtaining the requisite approvals or notifications would cause a delay or failure in the roll-out of new TBS products or Natura products and may have a negative impact on our business and results of operations.

7.1.11 Any IT malfunctions or system failure, cyber-based attacks or network security breaches may affect our business operations and reputation

We depend on ERP and IT systems to, among others, process, transmit and store electronic and financial information, manage a variety of business processes and activities and comply with regulatory, legal and tax requirements. The ability to receive and fulfil orders successfully without interruption to the operation of our computer hardware and software systems is crucial for a smooth operation of our business. Any malfunctions of or system failure on our computer hardware or network connections may interrupt our business operations and hinder our ability to manage ordering, ensure optimal inventory levels, oversee our cash management and expose us to other operational inefficiencies and risks which could materially and adversely affect our business, financial condition and results of operations.

As part of our business operations, we also collect, maintain, transmit and store data of our customers, including personally identifiable information, as well as other confidential and proprietary information. We also employ third-party service providers that collect, store, process and transmit proprietary, personal and confidential information, including credit card information, on our behalf.

We and our service providers may not be able to prevent third parties including employee and other insiders, from breaking into or altering our systems, conducting attacks, installing viruses or malicious software on our website or devices used by our employees or contractors, or carrying out other activity to disrupt our systems, gain access to confidential or sensitive information or monetary funds in our or our service providers' systems. We have had some minor IT breaches in the past but such breaches did not have any material adverse impact on the Group.

However, any compromise or breach of our security measures, or those of our service providers, may violate applicable privacy, data security and other laws, and expose us to litigation risk or regulatory action and possible liability as well as result in adverse publicity and a loss of confidence in our security measures. This could have a material adverse effect on our business, financial condition and results of operations and damage our reputation.

7.1.12 We are dependent on our skilled and experienced personnel and the loss of their continued services may affect the operations and growth of our business

Our success and future growth are dependent on the expertise and experience of our Key Senior Management and other key employees in the countries which we operate. Our success also depends on our continuing ability to identify, hire, train and retain other highly qualified personnel.

We recognise that the loss of our Key Senior Management and other key employees may have a material adverse effect on our business, prospects, financial condition and results of operation. If we experience any significant, material changes to the composition of our Key Senior Management team, we may not be able to recruit suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could disrupt our business and slow down our ability to grow. Further, if we lose our Key Senior Management or other key employees to our competitors, our competitiveness, operations and our ability to grow may be adversely affected.

7.1.13 We may face human resource challenges which could lead to issues in the quality of our customer service

As customer service is crucial in our business, any shortage in manpower on the floor could have a negative impact on our customers' shopping experience. As such, it is vital that we ensure we have sufficient staff stationed in each point-of-sale to attend to our customers' needs. Shortage of manpower may affect the quality of our customer service and may result in loss of sales and loss of our loyal customers.

We have put in place competitive remuneration packages, benefits and incentives above the statutory and standard benefits that covers health insurance, product allowance, and grooming allowance, to attract and retain our staff. In addition, we employ a combination of incentive programmes to motivate our retail store team which include cash commission based on various tiers of sales targets achievement, rewards for consistent achievement of targets, and attractive incentive trips for achievement of annual sales targets. Notwithstanding our continuing efforts to provide motivation to our retail staff, there is no assurance that the above measures would be successful in retaining them.

In addition, any changes in the regulatory requirements in the countries we operate in relation to minimum wage may result in the increase of our operating costs.

7.2 Risks relating to the industry in which our Group operates

7.2.1 We operate in a competitive environment

The CPC industry in Malaysia and Vietnam is highly competitive, comprising numerous mass, masstige and prestige brands, both local and international, offering a wide variety of CPC products. Within the CPC mono-brand beauty retailers segment, the market is highly fragmented, where no company holds a market share of more than 20.0%. (Source: IMR Report)

Our TBS or Natura products face and will continue to face competition for consumer recognition and market share with products that have achieved significant national and international brand name recognition and customer loyalty. Our competitors may attempt to gain market share by offering products at prices at or below the prices at which our products are typically offered. Our competitors, who may have greater resources than we do, may be better able to withstand these price reductions and lost sales. It is difficult to predict the timing and scale of our competitors' activities. Further, the constant emergence of new entrants to the same market as we operate in will always pose a challenge for us in our continuous effort to gain brand awareness. In addition, our business growth and strategy may be constrained in view of new and enhanced technologies which increase competition in the online platforms, new product offerings by competitors and the strength and success of our competitors' marketing programmes.

There is no assurance that we are able to continue to compete effectively and our business, results of operations and financial condition will not be materially and adversely affected if we are unable to do so.

7.2.2 Our performance is dependent on the performance of economy and consumer spending patterns in the countries we operate in

Total spending on the CPC products are at consumers' discretionary spending and is influenced by general economic conditions and the availability of disposable income.

Adverse economic conditions in the countries we operate in may decrease consumers' spending power, which will have a significant negative impact on the CPC industry. Although our price positioning is intended to allow us to reach a wide base of consumers who would buy our TBS products or Natura products even in an economic downturn, there is no guarantee that a decline in the economic conditions in the countries we operate in will not materially and adversely affect our business, financial conditions and results of operations.

7.2.3 Our financial performance is subject to political, economic, social, regulatory and other developments in the countries we operate in

Our business, prospects, financial conditions and results of operations may be affected by political, economic, social, regulatory and other developments in the countries we operate in. Our exposure to the risks associated with our operations in the countries we operate in include, but are not limited to, burdens of complying with a wide variety of laws and regulations, political and economic instability, changes in interest rates, economic recession, fiscal and monetary policies of the governments such as foreign exchange control regulations, inflation, deflation, methods of taxation and tax policy, natural disasters, trade restrictions, imposition of government controls, tariffs and customs duties and the classifications of our products by applicable governmental bodies, logistics and sourcing, military conflicts, acts of terrorism and other matters that influence consumer confidence and spending.

In Vietnam, we have an established principal-agent relationship with GC Vietnam from 2013 for the purpose of expediting the opening of TBS points-of-sale in Vietnam. Please refer to Section 5.3.4 of this Prospectus for further details of this arrangement. Should there be any changes to the applicable laws, regulations or policies governing this type of agency relationships, the opening of our new retail points-of-sale in Vietnam may be affected.

The occurrence of any of these risks could negatively affect our international business and consequently our overall business, financial condition and results of operations.

7.2.4 The sale of unauthorised imported products in the market may affect our sales and growth

According to the IMR Report, in Vietnam some original or non-counterfeited goods are imported without the authorised permission of the brand owner. This activity grew from 2015 to 2018, due to the high demand for masstige or premium international brands. These original or non-counterfeited goods are sold at a lower price compared to the official points-of-sale prices. As of 2018, the prices of CPC products sold in official points-of-sale are relatively higher than unauthorised imported products, due to additional expenses incurred by retailers. As a result, there are a large number of Vietnamese consumers especially from the lower to middle-income class who still prefer to purchase unauthorised imported products sold through the internet. The sale of unauthorised imported products affect the brand sales of CPC products in Vietnam. There can be no assurance that the growth of the CPC industry in Vietnam will not be impeded by the unauthorised imported products.

It is difficult for us to predict whether these unauthorised imported products would saturate the markets which we operate in and any attempt by the operators of these unauthorised imported products would have an adverse impact on our business, results of operations and financial condition.

7.2.5 The sale of counterfeit products may affect our reputation and profitability

In Vietnam there also exists counterfeit CPC products, especially in key cities such as HCMC and Hanoi, according to the IMR Report. The counterfeit CPC products of various famous international brands are sold in traditional markets at prices substantially lower than the original products. These products are distributed and sold without relevant authority approval and could contain harmful or poor quality substances that can harm consumers' appearance and health. As with Vietnam, the sale of counterfeit products in Cambodia have proliferated in the past years due to customers' high-price sensitivity (for original imported products) and the difficulties by enforcement agencies in controlling the retail market.

As TBS brand enjoys worldwide consumer recognition and masstige positioning in the CPC industry, we cannot assure that we will not encounter counterfeiting of TBS products, such as unauthorised imitation or replication of the designs, trademarks or labelling by third parties from time to time in the future and there can be also no assurance that any actions that may be taken by our Franchisor on a global scale to combat against counterfeiting of TBS products will be successful in prevention of counterfeiting. The presence of counterfeit products in the market could have a negative impact on the value and image of the TBS brand, result in a loss of consumer confidence in TBS brand, and as a consequence, adversely affect our business and results of operations.

7.3 Risks relating to investment in our Shares

7.3.1 No prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares.

We, our Promoters, the Selling Shareholder, and the Sole Bookrunner have no obligation to cause our Shares to be marketable. The Final Retail Price was determined after taking into consideration various factors and these factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares.

There can be no assurance that the Final Retail Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and that the market price of our Shares will not decline below the Final Retail Price.

7.3.2 Capital market risks and share price volatility

The performance of capital market is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

Our Shares could trade at prices lower than the Final Retail Price depending on various factors, including current economic, financial and fiscal condition in Malaysia, our operations and financial results, and the price volatility in the markets for securities in similar or related industry in Malaysia or emerging markets. There is no assurance that any market for our Shares will not be disrupted by price volatility or other factors, which may have a material adverse effect of the market price of our Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

(i) variations in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(v) additions or departures of our key management personnel;

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the original issue price of our Shares.

7.3.3 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

As disclosed in Section 2 of this Prospectus, our Promoters and Substantial Shareholders will collectively hold in aggregate approximately 75% of our enlarged issued and paid-up share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of directors, the timing and payment of dividends as well as having majority voting control over our Group and as such, will likely influence the outcome of matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters and Substantial Shareholders will be aligned with those of our other shareholders.

7.3.4 The sale or the possible sale of a substantial number of Shares in the public market following our IPO could adversely affect the price of our Shares

Following the completion of the IPO and Listing, approximately 25% of our enlarged issued and paid-up share capital will be publicly held by investors participating in our IPO, while approximately 75% of our enlarged issued and paid-up share capital, will be held by our Promoters and Substantial Shareholders.

It is possible that our Promoters and Substantial Shareholders may dispose of some or all of their Shares after the moratorium period of 6 months, subject to the terms of the Franchise Framework Agreement, pursuant to their own investment objectives. If our Promoters and Substantial Shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price of our Shares could be adversely affected.

7.3.5 Delay in or cancellation of our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Managing Underwriter's exercise of its rights under the Retail Underwriting Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

(a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or the Selling Shareholder shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest within 14 days.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our IPO Shares form part of our share capital. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (aa) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances, or (bb) a solvency statement from the directors.

7.3.6 There is no assurance that we will declare and distribute any amount of dividends in the future

The payment of dividends is not guaranteed and our Board may decide in its sole absolute direction, at any time and for any reason, not to pay dividends if it is not in the best interest of the Company. The absence of dividends may have a negative effect on the market price of our Shares and the value of any investment in our Shares.

It is the intention of our Board to recommend and distribute dividend of at least 30.0% of our annual audited PAT attributable to the shareholders of our Company to allow shareholders to participate in the profits of our Group. However, as a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions we receive from our Subsidiaries.

Our Board when recommending dividends for the year will also take into account a number of factors, including our results of operations and cash flow, our expected financial performance and working capital needs, the payment by our Subsidiaries of cash dividends or other distributions to us, our future prospects, applicable laws and contractual obligations that we are obliged to observe, where applicable, and other factors that our Board may consider important. Our ability to pay dividends is also subject to us having sufficient distributable reserves. It is also a requirement under the Franchise Framework Agreement that our Board shall also take into account the business plans of InNature and the TBS Franchisees and the anticipated funding needs for the purposes of meeting the agreed targets and performance objectives when considering the dividend recommendation.

Please refer to Section 11.10 of this Prospectus for further discussion on our Company's dividend policy.

8. APPROVALS AND CONDITIONS

8.1 Approvals and conditions

The approvals and conditions imposed by the relevant authorities for our Listing are as follows:

8.1.1 SC

The SC has, via its letter dated 30 August 2019, approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

Details of condition imposed	Status of compliance
CIMB and InNature to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the IPO.	Complied

The SC has, via its letters dated 24 May 2019 and 9 August 2019 approved the reliefs sought by us from having to comply with certain requirements under Division 1, Part II of the Prospectus Guidelines, and Part III of the Prospectus Guidelines (Procedures for Registration). The details of the reliefs granted and corresponding conditions imposed by the SC are as follows:

Reference to Prospectus Guidelines	Details of reliefs sought	Conditions imposed (if any)	Status of compliance (if any)
Paragraphs 5.02(h) of Division 1, Part II	Relief from having to disclose in the Prospectus, the amount of franchise fees payable by the respective franchisees under InNature Group, in the Franchise Agreements and certain commercially sensitive and confidential salient terms of the Natura MOU and the Natura Consent Letters in the Prospectus.	-	N/A
Paragraph 13.01(b)(i) of Division 1, Part II	Relief from having to make available the complete Franchise Agreements, Franchise Framework Agreement, Natura MOU and the Natura Consent Letters for public inspection and to allow certain commercially sensitive and confidential terms in aforesaid documents to be redacted.	-	N/A

Reference to Prospectus Guidelines	Details of reliefs sought	Conditions imposed	Status of compliance (if any)
Paragraph 13.01(b)(v) of Division 1, Part II	Relief from having to submit the audited financial statements of the following companies for the purpose of prospectus registration and making available for public inspection: (i) Green Cosmetics for the FYE 2018; (ii) InNature for the FYE 2016 and FYE 2017; and (iii) Rampai-Niaga for the FYE 2016 and FYE 2017.	-	N/A
Paragraph 1.12(e) of Part III (Procedures for Registration)	Relief to submit the audited financial statements of the following companies for the purpose of prospectus registration: (i) Green Cosmetics for the FYE 2018; (ii) InNature for the FYE 2016 and FYE 2017; and (iii) Rampai-Niaga for the FYE 2016 and FYE 2017.	-	N/A

The SC, has also via its letter dated 30 August 2019, approved, under the equity requirements for public listed companies in relation to the resultant equity structure of InNature pursuant to the Listing. The effects of the Listing on the equity structure of our Company are as follows:

	As at 30 April 2019^		After the Internal Restructuring Exercise		After our Listing	
Category of shareholders	No. of Shares	% of issued share capital	No. of Shares	% of enlarged issue capital	No. of Shares	% of enlarged issued capital
Bumiputera						
- Malaysian public via balloting	-	-	-	-	7,065,800[(1)]	1.00
- Bumiputera investors to be approved by MITI	-	-	-	-	81,600,000[(1)]	11.56
Total Bumiputera			**-**	**-**	**88,665,800**	**12.56**
Non-Bumiputera	2,500,000[(2)]	100.00	631,807,488[(3)]	100.00	528,607,488[(3)]	74.89
Total Malaysian	**2,500,000**	**100.00**	**631,807,488**	**100.00**	**617,273,288**	**87.45**
Foreigners	-	-	-	-	88,608,200[(4)]	12.55
TOTAL	2,500,000	100.00	631,807,488	100.0	705,881,488	100.00

Notes:

^ Being the latest practicable date, prior to submission of our Listing application to the SC.

(1) Assumes all the IPO Shares allocated to Bumiputera investors under the Retail Offering and Bumiputera investors approved by MITI under the Institutional Offering are fully subscribed.

(2) Held by Dato' Simon and Datin Mina.

(3) Held by Etheco, BluPlanet, Pelagos and Primarium.

(4) Also includes non-Bumiputera Malaysian public, and Bumiputera and non-Bumiputera Directors and eligible employees under the pink form allocation. The shareholding breakdown can only be determined after the closing of the application period for the IPO Shares.

The SAC of the SC has, via its letter dated 18 November 2019, classified our Shares as Shariah-compliant securities based on our latest audited financial information for the FYE 2018.

8.1.2 Bursa Securities

Bursa Securities has, via its letter dated 15 November 2019, approved the Admission of our Company to the Official List and our listing of and quotation for the entire enlarged issued share capital of our Company of 705,881,488 Shares on the Main Market.

The conditions imposed by Bursa Securities and the status of the compliance with these conditions are as follows:

Details of conditions imposed	Status of compliance
InNature and its adviser shall make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements;	To be complied
InNature and its adviser to furnish Bursa Securities with a copy of the Constitution and letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements; and	Complied
InNature and its adviser to furnish Bursa Securities with a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued share capital of InNature on the first day of listing.	To be complied

8.1.3 MITI

MITI has, via its letter dated 13 December 2019, taken note of and has no objection to our Listing.

8.2 Moratorium on our Shares

In accordance with the Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign its or their entire shareholdings of 528,607,488 Shares in our Company, representing 74.89% of the enlarged issued share capital as at the date of our Listing, within 6 months from the date of Listing of our Company on the Main Market ("**Moratorium Period**").

Our Promoters have provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings under moratorium during the Moratorium Period, including all Shares, if any, issued to our Promoters during the Moratorium Period, in accordance with the Equity Guidelines.

The details of Shares to be held under moratorium are as follows:

	Direct		Indirect	
Name	No. of Shares held	% of enlarged share capital(1)	No. of Shares held	% of enlarged share capital(1)
Etheco	360,000,000	51.00	-	-
BluPlanet	126,249,600	17.89	-	-
Primarium	21,178,944	3.00	-	-
Pelagos	21,178,944	3.00	-	-
Datin Mina(2)	-	-	507,428,544	71.89
Dato' Simon(3)	-	-	507,428,544	71.89
Daryl Foong(4)	-	-	21,178,944	3.00
Dexter Foong(5)	-	-	21,178,944	3.00
Total	528,607,488	74.89		

Notes:

(1) Based on the enlarged issued share capital of 705,881,488 Shares.

(2) Deemed interested by virtue of Section 8(4) of the Act, through her shareholdings of more than 20.00% in Etheco, BluPlanet and Pelagos respectively.

(3) Deemed interested by virtue of Section 8(4) of the Act, through his shareholdings of more than 20.00% in Etheco, BluPlanet and Primarium respectively.

(4) Deemed interested by virtue of Section 8(4) of the Act, through his shareholdings of more than 20.00% in Pelagos.

(5) Deemed interested by virtue of Section 8(4) of the Act, through his shareholdings of more than 20.00% in Primarium.

The shareholders of Etheco, BluPlanet, Pelagos and Primarium, namely Datin Mina and Dato' Simon as well as the shareholders of Pelagos and Primarium, namely Daryl Foong and Dexter Foong respectively, have also provided undertaking letters to the SC that they will not sell, transfer or assign their respective shareholdings in Etheco, BluPlanet, Pelagos and Primarium during the Moratorium Period.

The above moratorium restriction is specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

9. RELATED PARTY TRANSACTIONS

9.1 Related party transactions

Under the Listing Requirements, a "**related party transaction**" is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A "**related party**" of a listed issuer (not being a special purpose acquisition company) is:

(i) a director, having the meaning given in subsection 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:

(a) 10% or more of all the voting shares in the corporation; or

(b) 5% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

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9. RELATED PARTY TRANSACTIONS *(cont'd)*

9.1.1 Material related party transactions

Save as disclosed below, there are no existing or potential material related party transactions that we have entered into or that are proposed to be entered into by our Group with related parties for the FYE 2016, FYE 2017, FYE 2018, FPE 2019 and for the period from 1 October 2019 up to the LPD:

				Transaction value				
				FYE 2016	FYE 2017	FYE 2018	FPE 2019	1 October 2019 up to the LPD
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	RM'000	RM'000	RM'000	RM'000
1.	Rampai-Niaga and Feliz Natur	Datin Mina and Dato' Simon are common directors and shareholders of Rampai-Niaga and Feliz Natur	Professional fee for management services provided by Feliz Natur through Datin Mina to Rampai-Niaga[(1)]	60 (0.2% of our Group's FYE 2016 PAT)	60 (0.2% of our Group's FYE 2017 PAT)	-	-	-
2.	InNature and Feliz Natur	Datin Mina and Dato' Simon are common directors and shareholders of InNature and Feliz Natur	Acquisition of TBS Vietnam by InNature from Feliz Natur	-	-	1,447[(2)] (1.9% of our Group's FYE 2018 NA)	-	-
3.	InNature and Dato' Simon	Dato' Simon is a director and shareholder of InNature	Disposal of 9,181,857 shares in Graphene Nanochem PLC by InNature to Dato' Simon	-	-	Negligible[(3)]	-	-
4.	Rampai-Niaga and Steady Property	Datin Mina and Dato' Simon are common directors and shareholders of Rampai-Niaga and Steady Property	• Disposal of a unit of commercial shoplot known as Lot No. LG20J, Lower Ground Floor, Subang Parade, Selangor by Rampai-Niaga to Steady Property	-	-	950[(4)] (1.3% of our Group's FYE 2018 NA)	-	-

9. RELATED PARTY TRANSACTIONS *(cont'd)*

				Transaction value				
No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2019 RM'000	1 October 2019 up to the LPD RM'000
	Rampai-Niaga and Steady Property *(cont'd)*		• Disposal of a unit of commercial shoplot known as Lot No. G41, Ground Floor, Mahkota Parade, Melaka by Rampai-Niaga to Steady Property	-	-	1,160[(4)] (1.5% of our Group's FYE 2018 NA)	-	-
			• Disposal of a unit of commercial shoplot known as Lot No. LG03A, Summit City, Selangor by Rampai-Niaga to Steady Property.	-	-	1,250[(4)] (1.7% of our Group's FYE 2018 NA)	-	-
			• Disposal of a commercial parcel known as Unit 44, Ground Floor, Central Square, Sungai Petani, Kedah by Rampai-Niaga to Steady Property	-	-	360[(4)] (0.5% of our Group's FYE 2018 NA)	-	-
			• Disposal of a 3-storey shop office known as No.3, USJ 10/1C, UEP Subang Jaya, Selangor by Rampai-Niaga to Steady Property	-	-	4,900[(4)] (6.5% of our Group's FYE 2018 NA)	-	-
			• Disposal of a 3-storey shop office known as No.5, USJ 10/1C, UEP Subang Jaya, Selangor by Rampai-Niaga to Steady Property	-	-	4,900[(4)] (6.5% of our Group's FYE 2018 NA)	-	-

9. RELATED PARTY TRANSACTIONS *(cont'd)*

				Transaction value				
				FYE 2016	FYE 2017	FYE 2018	FPE 2019	1 October 2019 up to the LPD
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	RM'000	RM'000	RM'000	RM'000
			• Tenancy of ground, first and second floor of No.3, USJ 10/1C, UEP, Subang Jaya, Selangor by Steady Property to Rampai-Niaga as part of our HQ	-	-	-	92[5] (0.6% of our Group's FPE 2019 rental expense excluding MFRS 16 impact)	31 [5][6]
			• Tenancy of ground, first and second floor of No.5, USJ 10/1C, UEP Subang Jaya, Selangor by Steady Property to Rampai-Niaga as part of our HQ	-	-	-	74[5] (0.5% of our Group's FPE 2019 rental expense excluding MFRS 16 impact)	41[5][6]
			• Tenancy of a unit of commercial shoplot known as Lot No. G41, Ground Floor, Mahkota Parade, Melaka by Steady Property to Rampai-Niaga	-	-	-	71[5] (0.4% of our Group's FPE 2019 rental expense excluding MFRS 16 impact)	24[5][6]

9. RELATED PARTY TRANSACTIONS *(cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2019 RM'000	1 October 2019 up to the LPD RM'000
	Rampai-Niaga and Steady Property *(cont'd)*		• Tenancy of a unit of commercial shoplot known as Lot No. LG20J, Lower Ground Floor, Subang Parade, Selangor by Steady Property to Rampai-Niaga	-	-	-	109[(5)] (0.7% of our Group's FPE 2019 rental expense excluding MFRS 16 impact)	36[(5)(6)]
			• Tenancy of a commercial parcel known as Unit 44, Ground Floor, Central Square, Sungai Petani, Kedah by Steady Property to Rampai-Niaga	-	-	-	25[(5)] (0.2% of our Group's FPE 2019 rental expense excluding MFRS 16 impact)	8[(5)(6)]
5.	InNature and BluPlanet, Pelagos, Primarium respectively	Datin Mina and Dato' Simon are common directors and shareholders of InNature and BluPlanet. Dato' Simon is a common director and shareholder of InNature and Primarium. Dexter Foong is a director and shareholder of Primarium.	The Promoters' Share Issuance as set out in Section 4.1.2 of this Prospectus.	-	-	-	-	1,888 [(6)]

9. RELATED PARTY TRANSACTIONS *(cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2019 RM'000	1 October 2019 up to the LPD RM'000
		Datin Mina and Daryl Foong are common directors of InNature and Pelagos. Datin Mina and Daryl Foong are also shareholders of Pelagos. Dato' Simon and Datin Mina are spouses to each other. Dexter Foong and Daryl Foong are the children of Dato' Simon and Datin Mina.						

Notes:

(1) The fee is in relation to the consultancy service provided by Feliz Natur to Rampai-Niaga. The scope of the consultancy services includes negotiating with TBSI in respect of the franchise agreements between Rampai-Niaga and TBSI as and when required and overseeing the day-to-day operations of Rampai-Niaga during the tenure of the consultancy contract which commenced since 1 January 2013. Datin Mina is not the chief executive officer or managing director of Feliz Natur but a director of Feliz Natur. The consultancy service has been terminated since FYE 2018 and hence this related party transaction will not recur in the future.

(2) On 24 September 2018, as part of our Internal Restructuring Exercise, InNature had acquired the entire charter capital of TBS Vietnam (VND 5.6 billion) equivalent to USD 350,000) for a purchase consideration of USD 350,000 (equivalent to VND5.6 billion or RM1.4 million) from Feliz Natur. Subsequent to the TBS Vietnam Acquisition, TBS Vietnam had become a wholly-owned subsidiary of our Group. Please refer to Section 4.1.2 of this Prospectus for further details of the TBS Vietnam Acquisition and Section 13.5(i) of this Prospectus for further details of the share sale agreement for the TBS Vietnam Acquisition.

(3) The investment shares held by our Company in Graphene NanoChem PLC, a company previously listed on London Stock Exchange, were disposed to Dato' Simon for a nominal value of RM1.00 on 29 March 2018 to concentrate on the Group's core business. In the FYE 2017, our Company had impaired the cost of investment of these shares. Please refer to Section 11.3.1(xii) and 12 (Accountants' Report) of this Prospectus for further details of the impairment.

(4) These properties were transferred to Steady Property pursuant to a distribution-in-specie under the Rampai-Niaga 2018 Dividend (defined in Section 4.1.2(b) of this Prospectus) under our Internal Restructuring Exercise, further details of which are set out in Section 4.1.2 of this Prospectus.

9. RELATED PARTY TRANSACTIONS *(cont'd)*

(5) These tenancies have a tenure of 2 years with an option to renew for a further extension of 2 years subject to the tenant giving the landlord 3 months' notice in advance. The rental rate for the renewal term is subject to the prevailing market rates at the time of renewal. Either party may terminate the tenancy by giving the other 3 months' notice in advance. The rental rates are based on a third party valuation on the market rental carried out by a registered property valuer.

(6) The percentage is unable to be ascertained as at the LPD as the Group's audited financial statements for 1 October 2019 up to LPD is not available.

(7) Please refer to Section 4.1.2 of this Prospectus for further details of the purchase consideration payable by Bluplanet, Pelagos and Primarium for the Promoters' Share Issuance. The Promoters' Share Issuance under the pre-listing Internal Restructuring Exercise was completed on 20 December 2019.

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In addition to the above, our Directors also confirm that our Group has not entered into other material related party transactions which were effected after the LPD, or were entered into but yet to be effected up to the date of this Prospectus.

Our Directors confirm that the above related party transactions were conducted at market value and on an arm's length basis and are based on terms and conditions which are not detrimental to us nor our minority shareholders.

After Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In this regard, our Company, after Listing, will seek for our shareholders' ratification and mandate at the next annual general meeting for the tenancies in Item 4 of Section 9.1.1 above which are recurrent related party transactions, unless otherwise exempted under the Listing Requirements. By virtue of Dato' Simon and Datin Mina's common shareholdings in InNature and Steady Property, they are deemed interested in the said tenancy arrangements. In this respect, Dato' Simon and Datin Mina as well as any person connected to them are required to abstain from voting on any resolution with regards to such related party transactions. As at the LPD, Dato' Simon and Datin Mina as well as the persons connected to them comprise all the shareholders of InNature. As such, no prior shareholders' approvals were able to be obtained in respect of the said tenancy arrangements.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Directors through our Audit and Risk Management Committee will, among others:

(i) supervise and monitor any recurrent transaction and review the terms of all related party transactions before the transactions are being entered into;

(ii) ensure that all related party transactions are carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length, and are not to the detriment of our Group or our minority shareholders; and

(iii) make appropriate disclosure in our annual report with regard to any recurrent related party transaction entered into by our Group.

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

There were no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our Subsidiaries was a party for the FYE 2016, FYE 2017, FYE 2018, FPE 2019 and for the subsequent period up to the LPD.

9. RELATED PARTY TRANSACTIONS *(cont'd)*

9.1.3 Loans made to or for the benefit of related parties

Save as disclosed below, there were no outstanding loans (including guarantees of any kind) or financial assistance made by our Group to or for the benefit of any related parties for the FYE 2016, FYE 2017, FYE 2018, FPE 2019 and for the subsequent period from 1 October 2019 up to the LPD:

No.	Interested related party and nature of relationship	Nature of transaction and purpose	Outstanding amount				
			As at 31 December			As at 30 September	As at the LPD
			2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	RM'000
			Total	Total	Total	Total	Total
	Malaysia						
1.	InNature and Steady Property Dato' Simon and Datin Mina are common directors and shareholders of both companies.	Advances from InNature to Steady Property to fund capital and operating requirements of Steady Property[(1)]	62,165 (33.7% of our Group's FYE 2016 NA)	78,481 (40.0% of our Group's FYE 2017 NA)	-	-	-
2.	InNature and Versatrad Agencies Sdn Bhd Dato' Simon and Datin Mina are common directors and shareholders of both companies. Molly Fong is also a director of Versatrad Agencies Sdn Bhd.	Advances from InNature to Versatrad Agencies Sdn Bhd to fund capital and operating requirements of Versatrad Agencies Sdn Bhd[(1)]	1,378 (0.7% of our Group's FYE 2016 NA)	1,382 (0.7% of our Group's FYE 2017 NA)	-	-	-

9. RELATED PARTY TRANSACTIONS *(cont'd)*

			Outstanding amount				
			As at 31 December			As at 30 September	As at the LPD
			2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	RM'000
No.	**Interested related party and nature of relationship**	**Nature of transaction and purpose**	**Total**	**Total**	**Total**	**Total**	**Total**
3.	InNature and Feliz Natur Dato' Simon and Datin Mina are common directors and shareholders of both companies.	Advances from InNature to Feliz Natur to fund capital and operating requirements of Feliz Natur[1]	33,662 (18.2% of our Group's FYE 2016 NA)	32,473 (16.6% of our Group's FYE 2017 NA)	-	-	-
4.	Rampai-Niaga and Steady Property Dato' Simon and Datin Mina are common directors and shareholders of both companies.	2 corporate guarantees given by Rampai-Niaga to HSBC Amanah Malaysia Berhad (**"HSBC Amanah"**) for credit facilities granted to Steady Property[2]	4,697 (2.5% of our Group's FYE 2016 NA)	4,697 (2.4% of our Group's FYE 2017 NA)	-	-	-
5.	InNature and Dato Simon & Datin Mina	Advances from Dato Simon and Datin Mina to InNature	2,429 (1.3% of our Group's FYE 2016 NA)	1,035 (0.5% of our Group's FYE 2017 NA)	-	-	-

9. RELATED PARTY TRANSACTIONS *(cont'd)*

			Outstanding amount				
			As at 31 December			As at 30 September	As at the LPD
			2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	RM'000
No.	Interested related party and nature of relationship	Nature of transaction and purpose	Total	Total	Total	Total	Total
	Vietnam						
6.	TBS Vietnam and Feliz Natur Dato' Simon and Datin Mina are indirect shareholders of TBS Vietnam. Datin Mina is also the general director of TBS Vietnam. Dato' Simon and Datin Mina are directors and equal shareholders of Feliz Natur.	Loan granted by Feliz Natur to TBS Vietnam for the operating expenses of TBS Vietnam[3]	2,169 (USD 485) (1.2% of our Group's FYE 2016 NA)	1,967 (USD 485) (1.0% of our Group's FYE 2017 NA)	2,009 (USD 485) (2.7% of our Group's FYE 2018 NA)	1,936 (USD 461) (2.2% of our Group's FPE 2019 NA)	-[4]

Notes:

(1) The interest free, repayable on demand advances were given by InNature as a private-exempt company to assist Steady Property, Versatrad Agencies Sdn Bhd and Feliz Natur respectively. Dato' Simon and Datin Mina are equal shareholders in Steady Property and Feliz Natur, whilst in Versatrad Agencies Sdn Bhd, Dato' Simon holds 70.0% shareholdings and Datin Mina holds 30.0% shareholdings. Dato' Simon and Datin Mina are common directors in all 3 companies whilst Molly Fong, our CEO is also a director in Versatrad Agencies Sdn Bhd. The advances were made by InNature for the benefit of these companies and as such were not carried out on an arm's length basis. Nonetheless, as a private-exempt company, InNature is not prohibited under section 225 of the Act (previously section 133A of the Companies Act 1965) to give loans to Steady Property, Versatrad Agencies Sdn Bhd and Feliz Natur, being persons connected with its directors, Dato' Simon and Datin Mina at the time the advances were made. As of 31 December 2018, all outstanding amounts due from Steady Property, Versatrad Agencies Sdn Bhd and Feliz Natur had been fully repaid. Moving forward, InNature as a public company, will ensure that no such guarantees will be given by our Group to any third parties in the future.

9. RELATED PARTY TRANSACTIONS *(cont'd)*

(2) The above corporate guarantees were given by Rampai-Niaga as security for Steady Property's banking facility ("**Guarantees**"). The Guarantees were given pursuant to a condition set out in the letter of offer from HSBC Amanah. Under section 225 of the Act, a company, other than a private exempt company, shall not enter into a guarantee or provide any security in connection with a loan made to any person connected with the director of the company or its holding company, by another person. Any director who authorises the entering into any guarantee in contravention of section 225 commits an offence under the Act and shall on conviction be liable to imprisonment for a term not exceeding 5 years or to a fine not exceeding RM3 million or both.

At the relevant time of the provision of the Guarantees, both Dato' Simon and Datin Mina were common directors and shareholders in InNature (which is the holding company of Rampai-Niaga) and Steady Property, and also the directors of Rampai-Niaga. They each held 50.0% shareholdings in Steady Property at the relevant time when the guarantees were provided. As such, pursuant to section 225 of the Act (previously section 133A of the Companies Act 1965), any guarantee given by Rampai-Niaga (not being a private-exempt company), in connection with a loan made to Steady Property, being a person connected to Dato' Simon and Datin Mina, the directors of Rampai-Niaga, would be in contravention of section 225 of the Act. The transaction of providing security for the benefit of a person connected with the director of Rampai-Niaga as such would not have been carried out on an arm's length basis.

The breach was inadvertent as Rampai-Niaga was not advised by the relevant advisers handling the loan transaction that the entry into the Guarantees by Rampai-Niaga would amount to a breach of Section 255 of the Act.

Notwithstanding the above, Guarantees have since been released effective from 29 November 2018 and no action has been brought against Datin Mina or Dato' Simon under the Act to-date and neither Datin Mina nor Dato' Simon expects any action to be brought.

Moving forward, InNature has put in place strict internal control and compliance procedures and amongst others, all related party transactions entered into by the Group will need to be brought to the Audit and Risk Management Committee and the Board for approval.

(3) TBS Vietnam was a wholly-owned subsidiary of Feliz Natur since its incorporation on 15 January 2009 up to 24 September 2018. On 24 September 2018, InNature acquired the entire charter capital of TBS Vietnam as part of our Internal Restructuring Exercise and TBS Vietnam became our wholly-owned subsidiary. The loan was granted by Feliz Natur to TBS Vietnam when it was the parent company of TBS Vietnam to facilitate the operating expenses of TBS Vietnam. The loan is interest free and repayable on demand. The loan was advanced in 2009 and 2010. Dato' Simon and Datin Mina are directors and equal shareholders of Feliz Natur. Datin Mina is the general director of TBS Vietnam. As the loan was given by Feliz Natur as the then parent company for the benefit of TBS Vietnam to facilitate its operating expense and is interest free, these terms are not to our detriment and not to the detriment of our minority shareholders. Pursuant to the loan agreement, the tenure of the loan is 1 year, and has been subject to annual renewal since 2009/2010. Accordingly, the loan is treated as short-term.

Out of the total outstanding loan amount of USD485,000, USD461,000 has been registered with the State Bank of Vietnam and the remaining amount of USD24,000 was waived. The waived amount represents the portion of the loan which was unable to be substantiated by bank statements for the purpose of the foreign loan registration with the State Bank of Vietnam since the loan was disbursed a few years back. The loan has been repaid to Feliz Natur on 26 November 2019. Accordingly, upon repayment, the loan has been cancelled. As at the LPD, there are no outstanding loan amounts due from TBS Vietnam to Feliz Natur.

(4) The percentage is unable to be ascertained as at the LPD as the Group's audited financial statements for 1 October 2019 up to the LPD is not available.

(5) All outstanding amounts as at the FYE 2016, FYE 2017, FYE 2018, FPE 2019 and as at the LPD as disclosed above are short-term in nature.

9. RELATED PARTY TRANSACTIONS

9.2 Monitoring and oversight of related party transactions

9.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situations that may arise within the Company or Group including any transactions, procedures or course of conducts that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of the Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of the Group will be required to abstain from deliberations on the transactions.

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

9.2.2 Our Group's policy on related party transactions

Some of the Directors and/or Substantial Shareholders of our Group are also directors and/or shareholders of related parties of our Group or persons connected. It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by the interested Directors or Substantial Shareholders to the management for reporting to the Audit and Risk Management Committee. Such transactions must be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of the Company on an arm's length basis, and are based on normal commercial terms and not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

In addition, in line with the MCCG, our Directors are required to make an annual disclosure of any related party transactions and conflicts of interest with the Group and the Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and/or conflicts of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

10. CONFLICTS OF INTEREST

10.1. Conflict of interest

10.1.1. Interest in similar businesses or in customers or suppliers of our Group

As at the LPD, none of our Directors and Substantial Shareholders have any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group or which are our customers or suppliers.

Details of the interests, shareholdings and directorships in other businesses of our Directors and Substantial Shareholders are disclosed in Section 3.1.4 of this Prospectus.

10.2. Declaration by advisers on conflicts of interest

10.2.1. CIMB

CIMB has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Managing Underwriter, Joint Underwriter and Sole Bookrunner in respect of our IPO.

10.2.2. Chooi & Company + Cheang & Ariff

Chooi & Company + Cheang & Ariff has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors as to Malaysian laws in respect of our IPO.

10.2.3. RHTLaw Vietnam (formerly known as RHTLaw Taylor Wessing Vietnam)

RHTLaw Vietnam (formerly known as RHTLaw Taylor Wessing Vietnam) has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors as to laws of Vietnam in respect of our IPO.

10.2.4. R&T Sok & Heng Law Office

R&T Sok & Heng Law Office has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors as to laws of Cambodia in respect of our IPO.

10.2.5. KPMG PLT

KPMG PLT has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

10.2.6. Frost & Sullivan GIC Malaysia Sdn Bhd

Frost & Sullivan GIC Malaysia Sdn Bhd has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Independent Market Research Consultants in respect of our IPO.

10.2.7. Malaysian Issuing House Sdn Bhd and Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd)

Malaysian Issuing House Sdn Bhd and Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) respectively have given their confirmation that they do not have existing or potential interest in the Company and there are no existing or potential conflicts of interest in their respective capacities as the Issuing House and Share Registrar in respect of our IPO.

10.2.8. Zul Rafique & Partners

Zul Rafique & Partners has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors to the Managing Underwriter, Joint Underwriters and Sole Bookrunner in respect of our IPO.

10.2.9. MIDF Amanah Investment Bank Berhad

MIDF Amanah Investment Bank Berhad has given its confirmation that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Joint Underwriter in respect of our IPO.

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11. FINANCIAL INFORMATION

Our Company is principally involved in investment holding. Presently, our Company has 5 wholly-owned Subsidiaries.

For the purposes of presenting our Group's financial information in this section and elsewhere in this Prospectus, the financial information of the following entities were used in the preparation of our consolidated financial information:

Financial information of entity	FYE			9 months period ended 30 September ("FPE")		Note
	2016	2017	2018	2018	2019	
InNature	✓	✓	✓	✓	✓	-
Rampai-Niaga	✓	✓	✓	✓	✓	-
TBS Vietnam	✓	✓	✓	✓	✓	(i)
Green Cosmetics	-	-	-	-	✓	(ii)
Hello Natural	-	-	-	-	✓	(iii)
Ola Beleza	-	-	-	-	✓	(iii)

Prior to FYE 2017, InNature and Rampai-Niaga's accounts were prepared under Malaysian Private Entities Reporting Standard. For the purpose of this IPO, the financial information provided in this Prospectus is based on the Accountants' Report covering the FYE 2016, FYE 2017, FYE 2018 and FPE 2019 which have been audited by KPMG PLT under MFRS. The financial information for the FPE 2018 has not been audited but are presented for comparison purposes.

Notes:

✓ Denotes the financial information of the relevant entities for the respective year/period being used in the preparation of our consolidated financial information

\- Denotes that the financial information of the relevant entitites for the respective year/period are not being used in the preparation of our consolidated financial information

(i) Although TBS Vietnam only became our Subsidiary on 24 September 2018, our Company and TBS Vietnam were under the common control of Datin Mina and Dato' Simon during the relevant years/periods under review. As such, the financial information of TBS Vietnam has been accounted for in our Group as if the acquisition had occurred at the beginning of the FYE 2016;

(ii) Green Cosmetics was incorporated on 4 October 2018 in Cambodia. As at the LPD, Green Cosmetics has commenced operations in Cambodia with the opening of its first point-of-sale in November 2019. For the FPE 2019, the financial statements of Green Cosmetics mainly comprise initial capital, set-up costs and minor administration expenses. In addition, Green Cosmetics is not required to conduct a statutory audit and prepare audited financial statements. For the FYE 2018, the financial information of Green Cosmetics is immaterial to the financial information of our Group;

(iii) Hello Natural and Ola Beleza were incorporated on 15 February 2019 and 21 February 2019 respectively. As such, our Group's financial information for the FYE 2016, FYE 2017, FYE 2018 and FPE 2018 do not contain the financial information of Hello Natural and Ola Beleza. The e-commerce website of Ola Beleza went live on 23 August 2019 and the first transaction occurred on the 10 September 2019. As at the LPD, Hello Natural is dormant.

Following the above, the management's discussion and analysis of our Group's financial condition and results of operation for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 as set out in Section 11.3 of this Prospectus excludes those relating to Green Cosmetics, Hello Natural and Ola Beleza. Unless otherwise stated, our Group's financial information for the financial years/periods under review, reflect mainly the financial information of our The Body Shop® business in Malaysia and Vietnam.

The financial statements used in the preparation of our consolidated financial statements were prepared in accordance with MFRS and IFRS. Any adjustments which were dealt with when preparing our consolidated financial statements have been highlighted and disclosed in Section 11.3 of this Prospectus. There has been no audit qualification on our audited financial statements for the FYE 2016, FYE 2017, FYE 2018 and FPE 2019.

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11.1 Historical Consolidated Financial Information

The following historical audited consolidated financial information for the FYE 2016, FYE 2017, FYE 2018 and FPE 2019 and the unaudited consolidated financial information for the FPE 2018 have been extracted from the Accountants' Report as set out in Section 12 of this Prospectus.

The historical consolidated financial information presented below should be read in conjunction with the *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in Section 11.3 of this Prospectus and our historical consolidated financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus. Our historical consolidated financial statements have been prepared in accordance with MFRS and IFRS.

11.1.1 Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2016	2017	2018	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	159,902	171,919	184,474	132,322	138,195
Other operating income	2,011	1,011	1,606	944	1,233
Total operating revenue	**161,913**	**172,930**	**186,080**	**133,266**	**139,428**
Operating expenses					
Changes in inventories	(53,598)	(56,424)	(62,488)	(44,014)	(44,966)
Rental expenses	(1,341)	(1,878)	(1,629)	(1,142)	(2,664)
Employee related expenses	(31,854)	(36,778)	(36,453)	(27,125)	(29,762)
Selling and distribution expenses	(4,029)	(4,274)	(4,744)	(3,230)	(3,200)
Advertising and promotion expenses	(3,504)	(3,794)	(4,716)	(3,289)	(3,470)
Depreciation and amortisation expenses	(21,042)	(20,808)	(20,860)	(15,660)	(15,672)
Other operating expenses	(7,469)	(6,097)	(6,138)	(4,182)	(5,576)
Total operating expenses	**(122,837)**	**(130,053)**	**(137,028)**	**(98,642)**	**(105,310)**
Profit from operations	**39,076**	**42,877**	**49,052**	**34,624**	**34,118**
Finance income	617	742	1,277	1,100	356
Finance costs	(2,686)	(2,866)	(1,809)	(1,331)	(1,650)
Listing-related expenses	-	-	-	-	(2,683)
Fair value loss on other investments	(234)	(4,230)	-	-	-
Impairment loss on other investments	-	(2,239)	-	-	-
Fair value gain arising from distribution of non-cash assets to owners	-	-	10,030	-	-
Profit before tax	**36,773**	**34,284**	**58,550**	**34,393**	**30,141**
Tax expense	(9,960)	(10,184)	(12,925)	(8,534)	(7,900)
Profit for the year/period	**26,813**	**24,100**	**45,625**	**25,859**	**22,241**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2016	2017	2018	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss), net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation, representing other comprehensive income/(loss) for the year/period	430	(1,496)	(349)	(83)	116
Total comprehensive income for the year/period	**27,243**	**22,604**	**45,276**	**25,776**	**22,357**
Profit attributable to:					
Owners of the Company	26,813	24,100	45,625	25,859	22,241
Non-controlling interests	-	-	-	-	-
Profit for the year/period	**26,813**	**24,100**	**45,625**	**25,859**	**22,241**
Total comprehensive income attributable to:					
Owners of the Company	27,243	22,604	45,276	25,776	22,357
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the year/period	**27,243**	**22,604**	**45,276**	**25,776**	**22,357**
Other selected financial data:					
Gross profit(1)	106,304	115,495	121,986	88,308	93,229
Adjusted EBITDA(2)	60,118	63,685	69,912	50,284	49,790
Gross profit margin (%)(3)	66.5	67.2	66.1	66.7	67.5
Profit before tax margin (%)(4)	23.1	23.7	26.3	26.0	23.8
Profit after tax margin (%)(5)	16.9	17.8	19.6	19.5	18.0
Basic and diluted EPS(6) (sen)	4.24	3.81	7.22	4.09	3.52

Notes:

(1) Gross profit is computed based on revenue less changes in inventories (cost of goods sold).

(2) Adjusted EBITDA represents earnings before interest, taxation, depreciation and amortisation, after excluding our non-core earnings, which comprise listing-related expenses, fair value loss on other investments, impairment loss on other investments and fair value gain arising from distribution of non-cash assets to owners ("**Non-core Earnings**").

The table below sets out the reconciliation of our profit after taxation to EBITDA and adjusted EBITDA for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019.

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit after tax	**26,813**	**24,100**	**45,625**	**25,859**	**22,241**
Tax expense	9,960	10,184	12,925	8,534	7,900
Profit before tax	**36,773**	**34,284**	**58,550**	**34,393**	**30,141**
Interest*	2,069	2,124	532	231	1,294
Depreciation and amortisation	21,042	20,808	20,860	15,660	15,672
EBITDA	**59,884**	**57,216**	**79,942**	**50,284**	**47,107**
Non-core Earnings:					
Listing-related expenses	-	-	-	-	2,683
Fair value loss on other investments	234	4,230	-	-	-
Impairment loss on other investments	-	2,239	-	-	-
Fair value gain arising from distribution of non-cash assets to owners	-	-	(10,030)	-	-
Total Non-core Earnings	234	6,469	(10,030)	-	2,683
Adjusted EBITDA	60,118	63,685	69,912	50,284	49,790

* Interest in the above table represents finance income less finance expenses for the financial years/periods.

EBITDA/adjusted EBITDA and their related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with MFRS and IFRS. They are not measurements of financial performance or liquidity under MFRS and IFRS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with MFRS and IFRS or as alternatives to cash flows from operating activities or as measures of liquidity.

The EBITDA/adjusted EBITDA presented here may not be comparable to similar terms or measures presented by other companies because not all companies use the same definitions or methodology to derive their EBITDA/Adjusted EBITDA.

(3) Gross profit margin is computed based on gross profit divided by revenue.

(4) Profit before tax margin is computed based on profit before tax (after excluding our Non-core Earnings, which comprise listing-related expenses, fair value loss on other investments, impairment loss on other investments and fair value gain arising from distribution of non-cash assets to owners) divided by revenue.

(5) Profit after tax margin is computed based on profit after tax (excluding our Non-core Earnings, which comprise listing-related expenses, fair value loss on other investments, impairment loss on other investments as well as fair value gain and its tax impact arising from distribution of non-cash assets to owners) divided by revenue.

(6) Basic and diluted EPS (sen) is calculated by dividing the profit for the year attributable to the equity holders of our Company by 631,807,488 Shares being the number of shares after the completion of the pre-listing Internal Restructuring Exercise as set out in Section 4.1.2 of this Prospectus.

11.1.2 Consolidated Statements of Financial Position

The table below sets out the summary of our audited historical consolidated statements of financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 which have been extracted from the Accountants' Report in Section 12 of this Prospectus.

	Audited			
	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total non-current assets	106,851	94,399	87,680	95,122
Total current assets	146,208	164,701	56,527	53,431
TOTAL ASSETS	253,059	259,100	144,207	148,553
TOTAL EQUITY[(1)]	184,569	195,173	75,441	87,798
Total non-current liabilities	19,213	13,241	13,546	13,507
Total current liabilities	49,277	50,686	55,220	47,248
TOTAL LIABILITIES	68,490	63,927	68,766	60,755
Net current assets	96,931	114,015	1,307[(2)]	6,183
Net assets	184,569	195,173	75,441	87,798

Notes:

(1) Total equity represents issued share capital and reserves balances at the end of the financial years/periods under review.

(2) Please refer to Section 4.1.2 of this Prospectus for further details on our pre-listing Internal Restructuring Exercise.

11.1.3 Adoption of MFRS 16, *Leases*

At the beginning of the FPE 2019, the Group has adopted MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019 using the full retrospective approach.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("**ROU**") representing its right to use the underlying assets and lease liability representing its obligations to make lease payments. The Group has a number of operating leases which are tenancies for its retail operations.

The ROU assets will be depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. Please refer to Note 30 of the Accountants' Report in Section 12 of this Prospectus for further details on the adoption of MFRS 16, *Leases*.

The impact following the adoption of MFRS 16 are set out below:

(a) To the consolidated statements of financial position

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ROU assets				
As previously stated	-	-	-	-
Effects of MFRS 16	30,101	25,608	23,759	23,597
Changes after the adoption	30,101	25,608	23,759	23,597
Lease liabilities				
As previously stated	-	-	-	-
Effects of MFRS 16	31,143	26,565	24,121	24,457
Changes after the adoption	31,143	26,565	24,121	24,457
Reserves				
As previously stated	168,371	178,890	68,667	81,522
Effects of MFRS 16	(1,042)	(957)	(362)	(860)
Changes after the adoption	167,329	177,933	68,305	80,662

(b) To the consolidated statements of profit or loss and other comprehensive income

	FYE 2016	**FYE 2017**	**FYE 2018**	**FPE 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental expenses				
As previously stated	(18,005)	(20,311)	(20,855)	(16,292)
Effects of MFRS 16	16,664	18,433	19,226	13,628
Changes after the adoption	(1,341)	(1,878)	(1,629)	(2,664)
Depreciation and Amortisation				
As previously stated	(6,211)	(4,894)	(3,926)	(2,997)
Effects of MFRS 16	(14,831)	(15,914)	(16,934)	(12,675)
Changes after the adoption	(21,042)	(20,808)	(20,860)	(15,672)
Finance costs				
As previously stated	(77)	(380)	(112)	(204)
Effects of MFRS 16	(2,609)	(2,486)	(1,697)	(1,446)
Changes after the adoption	(2,686)	(2,866)	(1,809)	(1,650)
Profit after tax				
As previously stated	27,589	24,067	45,030	22,734
Effects of MFRS 16	(776)	33	595	(493)
Changes after the adoption	26,813	24,100	45,625	22,241

11.2 Capitalisation and Indebtedness

The table below sets forth our Group's capitalisation and indebtedness information based on the management accounts of our Group as at 30 November 2019. The pro forma capitalisation and indebtedness information has been adjusted to reflect the completion of our pre-listing Internal Restructuring Exercise, our IPO and the utilisation of the IPO proceeds.

	Unaudited	**Pro Forma**
	30 November 2019	**After pre-listing Internal Restructuring, IPO and utilisation of IPO proceeds**
	RM'000	**RM'000**
Indebtedness:		
Loans and borrowings		
Current		
Revolving credit - secured	12,000	12,000
Other borrowings	329	329
Lease liabilities[(1)]	13,513	13,513
Non-current		
Other borrowings	290	290
Lease liabilities[(1)]	12,133	12,133
Total indebtedness[(2)]	38,265	38,265
Capitalisation:		
Total equity attributable to the owners of the Company	80,324	113,378
Non-controlling interest	-	-
Total equity/capitalisation[(3)]	80,324	113,378
Total capitalisation and indebtedness	118,589	151,643[(3)]
Gearing ratio (times)[(4)]	0.48	0.34

Notes:

(1) The Group adopted MFRS 16, *Leases* on 1 January 2019 which supersedes MFRS 117, *Leases*. Lease liabilities of the Group primarily comprise of tenancy agreements entered with the landlords in relation to the lease of retail stores.

(2) Total indebtedness includes current revolving credit, current and non-current other borrowings as well as current and non-current lease liabilities.

(3) For the purposes of presenting the Group's total equity, the pro forma capitalisation and indebtedness are illustrated after the effects of the transactions below:

(i) a dividend amounting to RM10,000,000 for the FYE 2019 declared by the Company on 26 November 2019 which was paid on 27 December 2019, as set out in Section 4.1.2(h) of this Prospectus;

(ii) the InNature Acquisition, Promoters Share Issuance and Subdivision, as set out in Sections 4.1.2(e), 4.1.2(f) and 4.1.2(g), respectively;

(iii) the Public Issue pursuant to our IPO;

(iv) The total listing expenses to be borne by the Company is estimated to be RM6,370,000. As of 30 November 2019, RM2,866,000 has been charged to the profit or loss of the Group and RM2,325,000 has been paid. Upon completion of the IPO, the estimated listing expenses of RM1,550,000 directly attributable to the Public Issue will be debited against the share capital of the Company and the remaining estimated listing expenses of RM1,954,000 will be charged to the profit or loss of the Group; and

(v) The business development cost for Natura in Malaysia is estimated to be RM5,700,000 which is directly attributable to the development of the new Natura business in Malaysia within 36 months from the date of Listing. These expenses are mainly in relation to the marketing expenses budgeted for the initial launch and introduction of the brand to the market. The expenses comprise the cost of organising launch events, cost of printing and distributing promotional materials and cost of digital marketing that will be charged to the profit or loss of the Group.

(4) Computed based on total indebtedness (as computed above) divided by total equity attributable to the owners of the Company.

11.3 Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis on our Group's financial condition and results of operations for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 should be read in conjunction with the historical consolidated financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus.

This discussion and analysis contains data derived from our historical consolidated financial statements as well as forward-looking statements reflecting our current views with respect to future events and our financial performance. Our actual results may differ significantly from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under Section 7, Risk Factors of this Prospectus.

11.3.1 Results of operations

Overview

Our Company is principally involved in investment holding. The TBS Franchisees are principally involved in the retailing and distribution of TBS products.

Through the TBS Franchisees, our Group holds the TBS franchises to establish and operate TBS points-of-sale in West Malaysia, Sabah and Labuan, Vietnam, and Cambodia. As at the LPD, we have 89 points-of-sale in West Malaysia, Sabah and Labuan; 34 points-of sale in Vietnam, 1 point-of-sale in Cambodia as well as online platforms.

Please refer to Section 5 of this Prospectus for further information on our business. Please also refer to Section 11.3.2 of this Prospectus for significant factors affecting our financial position and results of operation.

The analysis of the results of operations of our Group are as follows:

(i) Revenue

Our Group generates revenue from the retailing and distribution of TBS products to customers in most part of Malaysia (namely West Malaysia, Sabah and Labuan) and Vietnam. We also hold the TBS franchise for Cambodia, and we opened our first point-of-sale in Cambodia in November 2019.

Our products

Generally, the products distributed by us under "The Body Shop®" brand comprise personal grooming, and personal care products from head to toe, for both women and men. The products mainly include skincare, bodycare, fragrance, make-up, hair care and men's personal grooming.

Our principal markets and distribution channels

Currently, our TBS products are distributed to the end customers in Malaysia and Vietnam through our retail channel and online channel. Our retail channel include mall stores, high-street stores, standalone airport stores and third-party airport operators, departments stores (shop-in-shop), and also temporary promotional kiosks in which details of each of the retail channel are as set out in Section 5.3.4 of this Prospectus. Additionally, we have also opened our first point-of-sale in Cambodia in November 2019.

In the online channel, we distribute TBS products via TBS's websites at "www.thebodyshop.com.my" and "www.thebodyshop.com.vn", as well as through third-party online marketplaces such as Hermo in Malaysia, Tiki in Vietnam, and Lazada in both markets. We have also launched TBS's website in Cambodia at "www.thebodyshop.com.kh"in November 2019 and we plan to commence our e-commerce transactions in Cambodia by first half of 2020. Further details on our online channel is as set out in Section 5.3.4.5 of this Prospectus.

Revenue composition and recognition

Our Group's revenue is recognised from the sales of TBS products at our retail channel and online channel. Sales of TBS products at our retail channel and online channel are recognised upon the transfer of control over TBS products to our customers.

Currencies

Our sales in Malaysia are transacted in RM whilst our sales in Vietnam are transacted in VND. For the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019, approximately 89.6%, 89.3%, 88.3%, 88.6% and 85.3% of our total sales are transacted in RM with the remaining sales being transacted in VND.

(a) Revenue by geographical locations

The following table sets out our Group's revenue by geographical locations for the financial years/periods under review:

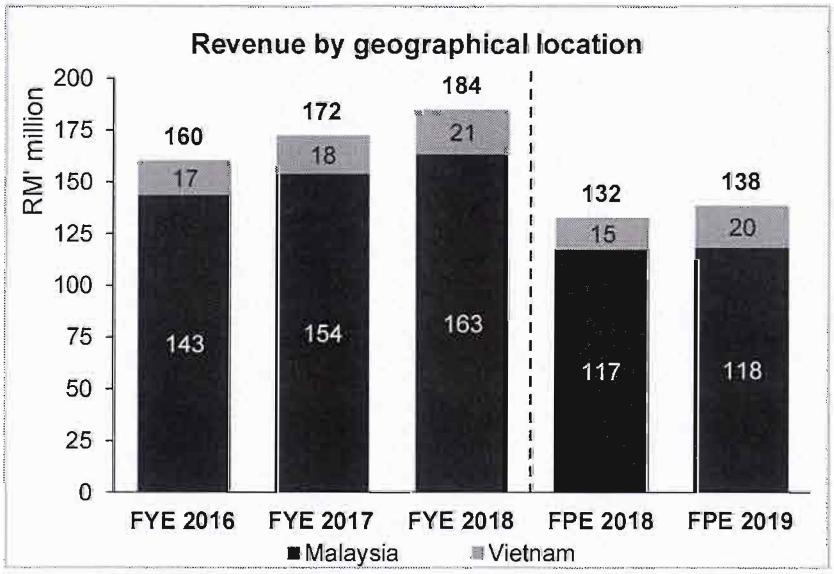
	FYE 2016	FYE 2017		FYE 2018		FPE 2018	FPE 2019	
	RM'000	RM'000	Growth %	RM'000	Growth %	RM'000	RM'000	Growth %
Revenue								
From retailing and distribution of TBS products								
Malaysia	143,278	153,483	7.1	162,927	6.2	117,289	117,829	0.5
% of contribution	*89.6*	*89.3*		*88.3*		*88.6*	85.3	
Vietnam[1]	16,544	18,404	11.2	21,523	16.9	15,018	20,321	35.3
% of contribution	*10.3*	*10.7*		*11.7*		*11.4*	*14.7*	
	159,822	171,887	7.5	184,450	7.3	132,307	138,150	4.4
From consultancy services[2]								
Vietnam	80	32	(60.0)	24	(25.0)	15	45	200.0
% of contribution	*0.1*	*0.0*		*0.0*		*0.0*	*0.0*	
Group	159,902	171,919	7.5	184,474	7.3	132,322	138,195	4.4

Notes:

(1) Inclusive of revenue from retailing and distribution of TBS products through points-of-sale under GC Vietnam which we directly recognise as our sales.

(2) Revenue from consultancy services represent fees earned from managing GC Vietnam, a local entity established pursuant to a business agency arrangement for our Vietnam operations, which is discussed in Section 5.3.4.1(ii) of this Prospectus.

The revenue contributed by our Malaysia and Vietnam operations for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 are as set out in the chart below:



The revenue from our Malaysia operations and Vietnam operations have been growing from the FYE 2016 to FYE 2018 and from FPE 2018 to FPE 2019.

Sales from our Malaysia operations experienced a year-on-year/period-on-period growth of 7.1%, 6.2% and 0.5% in the FYE 2017, FYE 2018 and FPE 2019 respectively.

On the other hand, the sales from our Vietnam operations recorded a year-on-year/period-on-period growth of 11.2%, 16.9% and 35.3% in the FYE 2017, FYE 2018 and FPE 2019 respectively. The faster growth experienced by our Vietnam operations is reflective of the growing Vietnamese market. Further analysis on the revenue of each market is as discussed below.

(b) Revenue by channel

Our revenue is derived from 2 main distribution channels:

- Retail channel; and
- Online channel.

The breakdown of our revenue by each channel for both markets are as set out below.

Malaysia

The retail channel remains as the largest contributor to our total revenue in Malaysia. For the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019, the retail channel contributed 99.0%, 98.6%, 98.2%, 98.2% and 98.4% of our total revenue in Malaysia respectively. The sales from the retail channel have also registered a year-on-year/period-on-period growth of 6.7%, 5.8% and 0.7% for the FYE 2017, FYE 2018 and FPE 2019 respectively. The lower sales growth for the FPE 2019 was mainly due to challenging market conditions and poor consumer sentiments during the period.

On the other hand, the sales from the online channel have grown at a faster rate of 53.0% in the FYE 2017 and 32.6% in the FYE 2018 respectively. The lower growth rate in the FYE 2018 is a result of the higher comparison base (i.e. total sales) as denominator. As a result, the online sales' contribution to total revenue in Malaysia increased from 1.0% in FYE 2016 to 1.8% in the FYE 2018.

Similar to the retail channel sales, the online channel sales for the FPE 2019 recorded a period-on-period decline of 14.1% amid challenging market conditions and poor consumer sentiments. Additionally, we have also been selective in our promotional approach during this period in order to maintain the profitability of our business.

	FYE 2016	FYE 2017		FYE 2018		FPE 2018	FPE 2019	
	RM'000	RM'000	Growth %	RM'000	Growth %	RM'000	RM'000	Growth %
Malaysia								
Retail channel sales	141,864	151,320	6.7	160,059	5.8	115,137	115,981	0.7
% of contribution	*99.0*	*98.6*		*98.2*		*98.2*	*98.4*	
Online channel sales	1,414	2,163	53.0	2,868	32.6	2,152	1,848	(14.1)
% of contribution	*1.0*	*1.4*		*1.8*		*1.8*	*1.6*	
Total sales	**143,278**	**153,483**	**7.1**	**162,927**	**6.2**	**117,289**	**117,829**	**0.5**

Vietnam

Similarly in Vietnam, the retail channel is the main contributor to our total revenue. For the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019, the retail channel contributed 96.4%, 94.1%, 91.6%, 91.8% and 91.9% to our total revenue in Vietnam respectively. The sales from the retail channel have also registered a year-on–year/period-on-period growth of 8.6%, 13.9% and 35.4% for the FYE 2017, FYE 2018 and FPE 2019 respectively.

Due to the local market conditions (as elaborated in paragraph 3 of Section 5.3.4.5 of the Prospectus), sales from the online channel have been growing at a faster rate of 83.0% and 66.2% for the FYE 2017 and FYE 2018 respectively as compared to the sales from the retail channel. This has resulted in the increase of the online sales contribution to total revenue in Vietnam from 3.6% in the FYE 2016 to 8.4% in the FYE 2018.

As for the FPE 2019, the online channel sales registered another period of growth of 34.5% as compared to the FPE 2018.

	FYE 2016	FYE 2017		FYE 2018		FPE 2018	FPE 2019	
	RM'000	RM'000	Growth %	RM'000	Growth %	RM'000	RM'000	Growth %
Vietnam								
Retail channel sales	15,950	17,317	8.6	19,716	13.9	13,789	18,668	35.4
% of contribution	*96.4*	*94.1*		*91.6*		*91.8*	*91.9*	
Online channel sales	594	1,087	83.0	1,807	66.2	1,229	1,653	34.5
% of contribution	*3.6*	*5.9*		*8.4*		*8.2*	*8.1*	
Total sales	**16,544**	**18,404**	**11.2**	**21,523**	**16.9**	**15,018**	**20,321**	**35.3**

(c) Revenue growth drivers and key performance indicators

The revenue growth for each channel and for each market are attributable to a few key factors. Firstly, productivity of existing points-of-sale can generate continued growth in an established market like Malaysia. Therefore, Same Store Sales Growth is analysed below to derive like-for-like comparison in terms of the performance of existing points-of-sale. Secondly, the total growth of our retail channel is also heavily influenced by the opening of new points-of-sale, particularly for our developing business in Vietnam, which is further discussed in Section 11.3.1(c)(ii) of this Prospectus. In addition, the growth of our online channel has been a main driver of the total growth of both markets during the past years/periods under review – the discussion on this factor is as set out below.

(i) Same Stores Sales Growth ("SSSG")

SSSG is one of our operational performance measure used to analyse our sales performance. SSSG measures the growth of our revenue generated by our existing points-of-sale (including our online channel) over a certain period, as compared with the preceding corresponding period.

The following table sets out our SSSG for both markets for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019.

11. FINANCIAL INFORMATION *(cont'd)*

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	%	%	%	%	%
Malaysia					
Retail channel sales	(2.6)	5.5	5.5	3.5	0.3
Online channel sales[(1)]	37.2	53.0	32.6	39.2	(14.1)
Total[(2)]	(2.3)	5.9	5.9	4.0	0.05
Vietnam					
Retail channel sales	(15.6)	9.4	12.3	12.5	2.0
Online channel sales[(1)]	60.2	89.6	74.5	94.3	32.8
Total[(2)]	(14.0)	12.4	16.1	16.8	4.6

Notes:

(1) For the purpose of SSSG computation, the online channel sales are assumed to be derived from 1 point-of-sale.

(2) Sales made through HQ (such as corporate sales) are exclude from SSSG computation.

Malaysia

The retail sales recorded SSSG of (2.6)%, 5.5%, 5.5%, 3.5% and 0.3% respectively for the financial years/periods under review while the online sales recorded SSSG of 37.2%, 53.0%, 32.6%, 39.2% and (14.1)% in the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively.

Overall Malaysia operations recorded a negative SSSG in the FYE 2016 as sales were impacted by poor customer sentiments due to the implementation of the Goods and Services Tax ("**GST**") on 1 April 2015.

SSSG of our Malaysia operations subsequently improved to 5.9% for the FYE 2017 and achieved another year of growth of 5.9% for the FYE 2018. However, for the FPE 2019, overall SSSG decreased to 0.05% as compared to 4.0% in the FPE 2018 due to the challenging market conditions and poor consumer sentiments. Nonetheless, we continue to focus our efforts in driving traffic to our stores and thereafter, to convert potential customers walking into our stores, as further discussed below:

Combination of retail marketing efforts

Our continuous marketing efforts to increase walk-ins to our points-of-sale include digital advertising, social media marketing, influencer engagement, sampling activities, in-mall marketing as well as in-store marketing. These marketing strategies are a combination of long-term branding activities and tactical promotions designed according to the seasonalities of the market.

We also introduce new products regularly to draw interest of customers to visit our points-of-sale. New products which we have recently launched and are now bestsellers include our White Musk Flora eau de toilette, Recipes of Nature Masks, and Japanese Cherry Blossom Kiss eau de toilette.

Our learning and development programmes ensure that our consultants in our points-of-sale are equipped with the product knowledge and selling competencies to convert browsers to buyers. We also employ a combination of incentives and motivational programmes to maintain a high standard of in-store customer service.

We continue to enhance our in-store customer experience by investing in visual merchandising and refreshing various elements of our points-of-sale, from our product display to our staff uniform. This attracts window shoppers to walk into our points-of-sale. Please refer to Sections 5.10.2 and 5.10.3 of this Prospectus for more details on our retail marketing efforts.

Customer loyalty programme

Another key factor in driving SSSG is our CRM programme called Love Your Body™ ("**LYB**"). Through this programme, we incentivise members to return to the shops via purchase rebates, exclusive offers, birthday rewards and etc. Using data-mining to serve our members with relevant communications all year round helps to maintain the relationship with our customers, thereby increasing their visits as well as spend per visit. We grew our number of active members in Malaysia to 343,423 in FYE 2018 as compare to 324,766 in FYE 2016 and 324,024 in FYE 2017. Overall, total sales from our members increased approximately by 6.2% and 7.8% year-on-year in the FYE 2017 and FYE 2018 respectively.

During the FPE 2019, the number of active members declined from 338,421 in the FPE 2018 to 313,554 in the FPE 2019. This is mainly due to the reclassification of the Group's recruitment criteria for LYB members in Malaysia to cater for Malaysian only and therefore excluded foreign tourist who would have been previously recruited. This factor, together with the general decline in consumer sentiments, resulted in the total sales from our members being comparatively lower by 10.7% period-on-period in the FPE 2019.

Please refer to Section 5.10.1 of this Prospectus for more details on our customer loyalty programme.

Vietnam

The retail channel sales recorded SSSG of (15.6)%, 9.4%, 12.3%, 12.5% and 2.0% respectively for the financial years/periods under review while the online channel sales recorded SSSG of 60.2%, 89.6%, 74.5%, 94.3% and 32.8% for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019.

Overall Vietnam operations recorded a negative SSSG of 14.0% in the FYE 2016 mainly due to the effect of a price increment being implemented during the FYE 2015 as part of our effort to cope with escalating operational costs.

However, we managed to reverse the downtrend in SSSG in the FYE 2017 by conducting a review of our prices in the FYE 2016, whilst keeping our operational costs in check. The price review involved decreasing some of the prices, yet we were able to increase the quantity sold to compensate for the price reduction. As a result, our products are now priced at a more affordable level, which is important in a developing market like Vietnam.

SSSG increased to 16.1% in the FYE 2018 as the existing points-of-sale continued to grow well, and our online sales expanded its reach to customers outside of the main urban areas.

An accelerated expansion of new points-of-sale would normally reduce the SSSG of the existing points-of-sale as the customers have the option to purchase TBS products at new points-of-sale which may be nearer to their location. For the FPE 2019, we were able to achieve SSSG of 4.6% for our TBS business in Vietnam despite the opening of 8 new points-of-sale. The SSSG for the FPE 2019 was lower than the FPE 2018 as there was a higher net addition of points-of-sale of 5 points-of-sale in the FPE 2019 as compared to 1 point-of-sale in FPE 2018.

Please refer to Sections 5.10.2 and 5.10.3 of this Prospectus for more details on our retail marketing efforts.

Customer loyalty programme

As we gain customers over the years, one of the more important long-term marketing strategies to retain these customers is our customer loyalty programme. We grew our number of active members in Vietnam to 31,336 in the FYE 2018 as compared to 21,025 in the FYE 2016 and 25,954 in the FYE 2017. The number of active members in the FPE 2019 also increased to 39,459 as compared to 29,390 in the FPE 2018. As a result, the total sales from members increased approximately by 21.8%, 20.4% and 31.6% year-on-year/period-on-period in the FYE 2017, FYE 2018 and FPE 2019 respectively.

Please refer to Section 5.10.1 of this Prospectus for more details on our customer loyalty programme.

(ii) New Points-of-Sale ("POS") openings

Our total revenue is also influenced by the number of new points-of-sale openings, as well as closures. This is further discussed by analysing the movement in our number of points-of-sale during the respective year/period as stated in the table below.

11. FINANCIAL INFORMATION *(cont'd)*

The following tables show the number of new points-of-sale in the financial years/periods under review, the revenue from the date of opening of these new points-of-sale, the number of points-of-sale closed as well as the revenue until the date the points-of-sale were closed.

Malaysia

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS
Retail channel sales										
Existing points-of-sale	136,163	87	146,856	88	154,707	86	112,242	86	109,964	87
New points-of-sale	2,952	3	862	1	1,348	3	44	2	1,913	3
	139,115	90	147,718	89	156,055	89	112,286	88	111,877	90
Closed points-of-sale	164	(2)	733	(3)	993	(2)	598	(1)	1,223	(2)
Total[(1)]	139,279	88	148,451	86	157,048	87	112,884	87	113,100	88

Note:

(1) The total sales from the retail channel do not include the revenue from promotional kiosks.

Overall, our net total number of points-of-sale in Malaysia have remained stable throughout the financial years/periods under review. As per the IMR Report, the Malaysian retail market is saturated. Accordingly, retailers have to be careful when selecting their new store locations.

As the TBS brand is considered well-penetrated in Malaysia, with points-of-sale located in most of the major shopping malls throughout the main urban areas of Malaysia, we are now selective on where we choose to open more points-of-sale. We take into account factors such as shopper traffic movement, development of new townships, urban transport evolution, and of course, the ability of a new mall to generate traffic, in our decision to open new points-of-sale. In the past financial years/periods above, we opened a total of 10 new points-of-sale.

We also took the opportunity to consolidate our retail presence by closing underperforming points-of-sale, in order to increase our overall points-of-sale profitability. In addition, we are sometimes required to close a point-of-sale for reasons beyond our control, for example when leases are not renewed. In this respect, we have closed a total of 7 points-of-sale between the FYE 2016 and the FYE 2018. Despite maintaining the same number of points-of-sale between the FYE 2016 and the FYE 2018, we managed to increase overall total revenue from RM139.3 million in the FYE 2016 to RM157.1 million in the FYE 2018.

The Group also opened a total of 3 new points-of-sale and closed 2 points-of-sale during the FPE 2019, bringing the total number of points-of-sale to 88. Consequently, the Group managed to increase its total retail sales from RM112.9 million in the FPE 2018 to RM113.1 million in the FPE 2019.

We do not expect the number of points-of-sale to significantly grow in the next few years, as we will focus more on the productivity of each points-of-sale by growing SSSG through our Omnichannel strategy, which is further discussed in our future plans and strategies under Section 5.4 of this Prospectus.

Vietnam

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS	RM'000	No. of POS
Retail channel sales										
Existing points-of-sale	15,877	22	16,416	20	17,938	22	12,633	22	17,257	26
New points-of-sale	45	1	661	4	1,749	6	930	3	1,407	6
	15,922	23	17,077	24	19,687	28	13,563	25	18,664	32
Closed points-of-sale	28	(3)	240	(2)	29	(2)	226	(2)	4	(1)
Total	15,950	20	17,317	22	19,716	26	13,789	23	18,668	31

Overall, our total number of points-of-sale in Vietnam has grown steadily, in line with our expansion strategy in Vietnam. Since 2016, we have opened 17 new points-of-sale and closed 8 points-of-sale, mainly at the end of the lease, or when the mall or department store is closed, bringing our total number of points-of-sale to 31 in the FPE 2019 as compared to 20 in the FYE 2016. As a result, we have managed to increase our retail sales in Vietnam from RM16.0 million in the FYE 2016 to RM19.7 million in FYE 2018, and from RM13.8 million in FPE 2018 to RM18.7 million in the FPE 2019.

According to the IMR Report, shopping mall development will continue to increase in Vietnam. We have been able to open the new points-of-sale mainly due to the opening of new malls as property developers continue to build more malls across the country. We have also taken the opportunity to open shop-in-shop formats within popular department stores, as these are lower cost options to trial a new segment of the market. In addition, we identified under-penetrated areas within greater HCMC and Hanoi to open new points-of-sale in high street locations where shopping is popular.

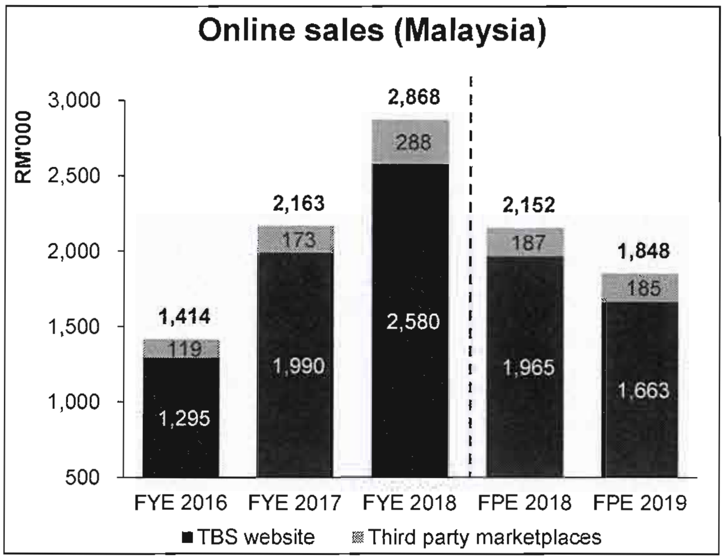
In tandem with the increased rate of new points-of-sale opening, we have also ensured that our retail operations expertise and store opening processes have improved. Thus, we now plan to continue to expand further in Vietnam by opening at least 6 points-of-sale per year from 2020-2022, as set out in Section 5.4.2 of this Prospectus.

(iii) Growth of online channel

The revenue from our online channel for both our Malaysia and Vietnam operations have been a key driver of our total revenue, as set out as below:

Malaysia

The following chart illustrates the year-on-year/period-on-period growth of our online sales in Malaysia:



Our total online sales grew by 53.0% and 32.6% in the FYE 2017 and FYE 2018 respectively, as we continuously implement digital marketing strategies to grow online traffic to our website, enhance user's online experience and increase online sales conversion.

As for the FPE 2019, our total online sales decrease period-on-period by 14.1% due to challenging market conditions and poor consumer sentiments. On the other hand, we have also been selective in our promotional approach for online channel in order to maintain the profitability of our business.

TBS website contributed 91.6%, 92.0%, 90.0%, 91.3% and 90.0% of the total online sales in Malaysia for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively.

We invest in digital advertising to continuously acquire and target new and existing online customers and generate traffic to our website through optimisation of our web and social display ads and improving search engine optimisation on our keywords. Our digital marketing strategies are executed in a collective and continuous manner and the results are achieved over the years. Hence, the result of each strategy cannot be separately analysed for each financial year/period under review. We revamped our website in 2017 to improve browsing experience on site and on mobile. Traffic to our website has grown from 1.6 million in the FYE 2016 to 1.9 million in the FYE 2017 and 2.8 million in the FYE 2018. In FPE 2019, the traffic to our website has also increased to 2.2 million as compared to 1.9 million in the FPE 2018.

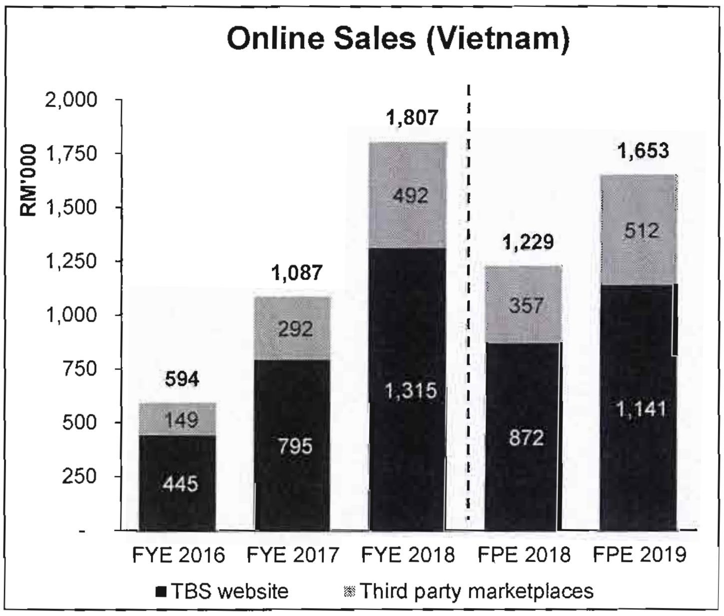
We also regularly conduct tactical commercial offers online and provide services such as free delivery with purchase and cash on delivery to promote the convenience of online shopping.

This has contributed to an increase in the number of our online transactions recorded from 11,286 in the FYE 2016 to 14,502 in FYE 2017 to 21,958 in FYE 2018.

As for FPE 2019, the number of online transaction decreased from 16,342 in FPE 2018 to 14,058 due to a challenging market condition and poor consumer sentiments.

Vietnam

The following chart illustrates our sales and the year-on-year/period-on-period growth of our sales from the online channel in Vietnam:



The online sales for our Vietnam operations grew year-on-year/period-on-period by 83.0%, 66.2% and 34.5% in the FYE 2017, FYE 2018 and FPE 2019 respectively mainly due to our continuous efforts to drive traffic to our website and improve our online sales experience for our customers in Vietnam. TBS website contributed 74.9%, 73.1%, 72.8%, 71.0% and 69.0% of the total online sales in Vietnam for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively.

Our digital marketing strategy in Vietnam focuses heavily on developing our brand presence and acquiring online customers through our search engine optimisation campaigns which helps to improve organic search and drive visitors to our website. Similar to our operations in Malaysia, our digital marketing strategies are executed in a collective and continuous manner and the results are achieved over the years. Hence, the result of each strategy cannot be separately analysed for each financial year/period under review.

Facebook remains as an important channel of reach with regular social advertising and postings to drive traffic to our website and in-store. Traffic to our website has increased from 1.0 million in the FYE 2016 to 1.4 million in the FYE 2017 to 1.6 million in the FYE 2018. As for the FPE 2019, the traffic to our website has also increased to 0.7 million as compared to 0.6 million in the FPE 2018.

We launched our revamped website in the FYE 2017 to enhance the user experience of our customers. We offer cash-on-delivery payment option which is preferred by Vietnamese consumers and constantly evaluate our logistics arrangement to provide faster delivery to our customers.

Marketplaces like Lazada and Tiki have helped us expand our online sales and capture new customers in the highly populated areas of Vietnam. We conduct tactical commercial events to drive sales conversion on both our website and marketplaces.

Further, based on the IMR Report, there is an increase in the internet and mobile devices penetration in Vietnam, and this has supported the rise of e-commerce in the country.

All the above collectively contributed to the increase in the number of transactions for Vietnam online sales from 5,569 in the FYE 2016 to 8,727 in the FYE 2017 and 14,797 in the FYE 2018. As compared to the FPE 2018, the number of online transactions has also increased from 9,998 to 11,906 in the FPE 2019.

We expect that our online sales in Vietnam will further improve in line with our continued investment in bolstering our IT infrastructure as well as Omnichannel capabilities as set out in our future plans in Section 5.4.1 of this Prospectus.

(ii) Changes in inventories (Cost of goods sold)

Changes in inventories, or cost of goods sold, include cost of products purchased from our Franchisor as well as local tariffs or taxes imposed on importation of products.

We aim to ensure optimal inventory levels via efficient systems and processes. The inventory control measures we have in place such as monthly stocktake, stock variances reviews and quarterly monitoring of stock shelf-life help to minimise stock losses and offer fresh supply of products to our customers.

The following table sets out our Group's cost of goods sold by geographical locations for the financial years/periods under review:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM '000	%	RM '000	%	RM'000	%	RM'000	%	RM'000	%
Changes in inventories										
Malaysia	48,307	90.1	50,521	89.5	55,510	88.8	39,205	89.1	38,378	85.3
Vietnam	5,291	9.9	5,903	10.5	6,978	11.2	4,809	10.9	6,588	14.7
Group	53,598	100.0	56,424	100.0	62,488	100.0	44,014	100.0	44,966	100.0

The factors affecting the changes in inventories for both our Malaysia and Vietnam operations are as set out as below:

Malaysia

In line with the increase in revenue as elaborated in Section 11.3.1(i) of this Prospectus, cost of goods sold for our Malaysia operations increased year-on-year by 4.6% to RM50.5 million for the FYE 2017, and by 9.9% to RM55.5 million for the FYE 2018.

The increase in cost of goods sold in the FYE 2018 was also in part due the reintroduction of sales tax which took effect on 1 September 2018. Generally, our products are subject to tax rates ranging from 5.0% to 10.0%. As sales tax is a single-stage tax charged at the point of product importation, this has therefore added to our cost of inventories and subsequently, cost of goods sold. Nevertheless, the strengthening of RM against GBP had partially mitigated the increase in cost of goods sold, as evidenced in the lower average GBP/RM spot rate of our purchases of TBS product in the FYE 2017 and the FYE 2018 as compared to the FYE 2016.

For the FPE 2019, cost of goods sold decreased period-on-period by 2.1% to RM38.4 million due to the strengthening of RM against GBP in 2019.

Vietnam

In line with the increase in revenue as elaborated in Section 11.3.1(i) of this Prospectus, cost of goods sold for our Vietnam operations increased year-on-year by 11.6% and 18.2% for the FYE 2017 and the FYE 2018 respectively.

For the FYE 2017, the increase in the cost of goods sold is also due to the increase in average cost price of TBS products (in GBP).

As for the FPE 2019, the cost of goods sold for our Vietnam operations increased period-on-period by 37.0% which is in line with our revenue growth during the same period.

(iii) Gross profit and gross profit margin

The following table sets out our Group's gross profit and gross profit margin by geographical locations for the financial years/periods under review:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gross profit										
Malaysia	94,971	89.3	102,962	89.1	107,417	88.1	78,084	88.4	79,451	85.2
Vietnam	11,333	10.7	12,533	10.9	14,569	11.9	10,224	11.6	13,778	14.8
Group	106,304	100.0	115,495	100.0	121,986	100.0	88,308	100.0	93,229	100.0
Gross profit margin (%)										
Malaysia	66.3		67.1		65.9		66.6		67.4	
Vietnam	68.2		68.0		67.6		68.0		67.7	
Group	66.5		67.2		66.1		66.7		67.5	

The gross profit derived from both our Malaysia and Vietnam operations increased from the FYE 2016 to the FYE 2018, as well as from the FPE 2018 to the FPE 2019, in tandem with the growth trend of our revenue.

Malaysia

The gross profit margin for our Malaysian operations in the FYE 2017 improved by approximately 0.8% from the FYE 2016, mainly due to favourable exchange rate, whereby RM had strengthened against GBP reducing our cost of sales for the FYE 2017. As an illustration, the cost of goods sold for the FYE 2017 would have been RM2.6 million higher if the inventory purchases in GBP for the FYE 2017 were translated using the average GBP/RM inventory purchases spot rate in the FYE 2016.

The gross profit margin declined by approximately 1.2% in the FYE 2018, attributable to the re-introduction of SST during the year, as explained in our earlier discussion on changes in inventories in Section 11.3.1(ii) of this Prospectus.

For the FPE 2019, the gross profit margin increased to 67.4%, in part due to the strengthening of RM against GBP during the financial period. As an illustration, cost of goods sold for the FPE 2019 would have been higher by approximately RM0.4 million if the inventory purchases in GBP for the FPE 2019 were translated using the average GBP/RM inventory purchases spot rate in the FPE 2018.

Vietnam

The decline in the gross profit margin for our Vietnam operations from the FYE 2016 to the FYE 2018 can be attributable to an average price reduction of approximately 25% for the selected SKUs which was implemented in mid-2016 as set out in Section 11.3.1(i)(c)(i) of this Prospectus. In addition, the weakening of VND against GBP in the FYE 2018 resulted in a higher cost of sale. As an illustration, the cost of goods sold for the FYE 2018 would have been lower by approximately RM0.3 million (VND1.7 billion) if the inventory purchases in GBP for the FYE 2018 were translated using the average GBP/VND inventory purchases spot rate in FYE 2017. For the FPE 2019, the gross profit margin decreased slightly to 67.7% as compared to 68.0% in the FPE 2018.

(iv) Other operating income

The following table sets out our Group's other operating income during the financial years/periods under review:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income	239	11.9	158	15.6	216	13.5	159	16.9	27	2.2
Gain on disposal of property, plant and equipment	-	-	-	-	735	45.8	185	19.6	260	21.1
Gains on foreign exchange										
- Realised	1,434	71.3	539	53.3	631	39.3	596	63.1	479	38.8
- Unrealised	-	-	185	18.3	20	1.2	-	-	26	2.1
Others	338	16.8	129	12.8	4	0.2	4	0.4	441	35.8
Total	2,011	100.0	1,011	100.0	1,606	100.0	944	100.0	1,233	100.0

Our Group derived rental income primarily from the letting out of our investment properties and shop lots in Malaysia, which was wholly from external parties. On 31 December 2018, we disposed all our investment properties and shop lots as part of our pre-listing Internal Restructuring Exercise which was set out in Section 4.1.2 of this Prospectus. Consequently, the Group recorded a lower rental income in the FPE 2019.

Gains on foreign exchange mainly arise from our trade purchases in GBP. Please refer to Note 19 of the Accountants' Report as set out in Section 12 of this Prospectus.

Other operating income for the FYE 2017 recorded a year-on-year decline by approximately 49.7% to RM1.0 million. This is mainly attributable to the lower gains on foreign exchange by RM0.7 million. The comparative FYE 2016 benefited from higher foreign exchange gains following the weakening of GBP against RM by 14.2%.

For the FYE 2018, other operating income increased year-on-year by approximately RM0.6 million or 58.9%, mainly due to the gain on disposal of certain property, plant and equipment amounting to RM0.7 million.

Other operating income of the Group increased period-on-period by 30.6% to RM1.2 million for the FPE 2019, mainly driven by higher income from gain of disposal of property, plant and equipment.

Others mainly consist of (i) write-back of expired gift vouchers amounting to RM0.2 million in the FYE 2016; (ii) rebates from TBSI for digital and e-commerce initiatives amounting to approximately RM0.1 million for the FYE 2016, RM33,000 for the FYE 2017 and RM0.2 million for the FPE 2019; and (iii) partial loan waiver of RM0.1 million in respect of a loan granted by TBS Franchise to TBS Vietnam for working capital purposes. Please refer to Section 9.1.3 of the Prospectus for further details of the loan.

(v) Rental expenses

The Group's rental expenses relate to our points-of-sale and HQ in both Malaysia and Vietnam, as well as the registered office in Cambodia. Following the distribution of dividend-in-specie in the form of properties on 31 December 2018, the Group no longer owns the 5 premises that served as our HQ and our points-of-sale in Malaysia. As such, the Group has been renting the said premises from Steady Property, the new owner. Please refer to Section 9.1.1 of this Prospectus for further details. The Group's rental expenses are as follows:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental expenses										
Malaysia	16,073	89.3	17,411	85.7	17,454	83.7	12,869	83.5	13,405	82.3
Vietnam	1,932	10.7	2,900	14.3	3,401	16.3	2,541	16.5	2,883	17.7
Cambodia[1]	-	-	-	-	-	-	-	-	4	-
Rental expenses pre adoption of MFRS 16	18,005	100.0	20,311	100.0	20,855	100.0	15,410	100.0	16,292	100.0
Effects of MFRS 16[2]	(16,664)		(18,433)		(19,226)		(14,268)		(13,628)	
Rental expenses post adoption of MFRS 16	1,341		1,878		1,629		1,142		2,664	

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
Rental expenses as a percentage to revenue[(3)]					
Malaysia	11.2%	11.3%	10.7%	11.0%	11.4%
Vietnam	11.6%	15.7%	15.8%	16.9%	14.2%
Cambodia[(4)]	-	-	-	-	-
Group	11.3%	11.8%	11.3%	11.6%	11.8%

Notes:

(1) The rental expense in Cambodia is in relation to the registered office.

(2) Due to the adoption of MFRS 16 as explained in Section 11.1.3, a significant portion of the Group's rental obligations (other than variable lease payments that depend on sales) are recognised on the balance sheet as ROU assets. The ROU asset is amortised over the shorter of the lease term and the useful life of the asset. As a result, the rental expenses have decreased with a corresponding increase in depreciation expense and finance cost. Please also refer to Note 30 of the Accountants' Report in Section 12 of this Prospectus.

(3) The MFRS 16 impact is excluded from the calculation of rental expenses as a percentage to revenue.

(4) As at 30 September 2019, the Group has yet to commence its sales operation in Cambodia.

Excluding the MFRS 16 impact, the rental expenses for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 make up approximately 14.7%, 15.6%, 15.2%, 15.6% and 15.5% of the Group's total operating expenses respectively.

Excluding the MFRS 16 impact, the Group experienced a year-on-year increase in rental expenses by approximately RM2.3 million or 12.8% for the FYE 2017, and by approximately RM0.5 million or 2.7% for the FYE 2018. For the FPE 2019, rental expenses were higher period-on-period by approximately RM0.9 million or 5.7%.

In the Group's experience, the rental expenses (excluding the MFRS 16 impact) as a percentage of revenue is higher for our operations in Vietnam as compared to Malaysia due to a generally higher rental rates in Vietnam. As a percentage of revenue, our Group's total rental expenses stood at 11.3%, 11.8%, 11.3%, 11.6% and 11.8% for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively.

The increase in rental expenses during the financial years/periods under review are mainly due to (i) annual rental rate adjustments, including new rates for renewal of existing leases; and (ii) additional rent arising from new points-of-sale in Vietnam (a net addition of 2 points-of-sale in the FYE 2017, 4 in the FYE 2018 and 5 in the FPE 2019).

(vi) Employee related expenses

Employee related expenses make up approximately 25.9%, 28.3%, 26.6%, 27.5% and 28.3% of total operating expenses for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. As a percentage of revenue, employee related expenses stood at 19.9% for the FYE 2016, 21.4% for the FYE 2017,19.8% for the FYE 2018, 20.5% for the FPE 2018 and 21.5% for the FPE 2019.

Employee related expenses include salaries, wages, bonuses, commissions, incentives, allowances and payments to statutory contribution plans for our employees at both points-of-sale and HQs.

The following table sets out the components of our employee related expenses during the financial years/periods under review:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Salaries, wages, bonuses, commissions, incentives and allowances	27,857	87.5	32,546	88.5	31,676	86.9	24,023	88.6	26,028	87.5
Statutory contribution plans	3,127	9.8	3,356	9.1	3,581	9.8	2,696	9.9	3,077	10.3
Others	870	2.7	876	2.4	1,196	3.3	406	1.5	657	2.2
Total	31,854	100.0	36,778	100.0	36,453	100.0	27,125	100.0	29,762	100.0

Our employee related expenses increased year-on-year by approximately RM4.9 million or 15.5% for the FYE 2017, but declined year-on-year by approximately RM0.3 million or 0.9% for the FYE 2018 due to a non-routine incentive for senior management in the FYE 2017. This non-routine incentive did not recur in the FYE 2018 and resulted in a decline in employee related expenses from the previous year. Excluding the non-routine incentive from the FYE 2017, the employee related expenses of the Group would have shown a year-on-year increase of 12.1% for the FYE 2017, and 2.1% for the FYE 2018. As for the FPE 2019, our employee related expenses increased period-on-period by RM2.6 million or 9.7%.

Aside from annual salary adjustments, these increases are largely in line with the headcount growth of the Group which increased from 625 in the FYE 2016 to 661 in the FYE 2017 and 668 in the FYE 2018. The headcount of the Group has also increased from 645 in the FPE 2018 to 736 in the FPE 2019.

Others mainly consist of contributions to Social Security Organisation and Human Resource Development Fund, uniforms, insurance, medical fees, refreshment, training and hostel.

(vii) Selling and distribution expenses

Our selling and distribution expenses mainly comprise logistics and transportation charges for distribution of goods. Other expenses included in selling and distribution expenses are packing materials and bank commission for credit cards and e-commerce sales.

Selling and distribution expenses of the Group increased year-on-year by 6.1% and 11.0% for the FYE 2017 and FYE 2018. The selling and distribution expenses of Group decreased period-on-period by 0.9% for the FPE 2019. As a percentage of revenue, selling and distribution expenses remain largely stable at 2.5%, 2.5%, 2.6%, 2.4% and 2.3% for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. This indicates that selling and distribution expenses move largely in tandem with the Group's revenue during the financial years/periods under review.

Higher logistics and transportation charges were incurred as higher volume of products were transported during the FYE 2017 and FYE 2018 to meet the increase in sales demand at our points-of-sale as well as increase in orders for products for our online sales.

(viii) Advertising and promotion expenses

Advertising and promotion expenses are spending incurred on our marketing programmes, both online and offline, in engaging our current and potential customers. This includes our Love Your Body™ loyalty programme, as well as promotional and display merchandises at our points-of-sale. Please refer to Section 5.10 of this Prospectus for details of the Group's marketing and promotion activities.

Advertising and promotion expenses of the Group increased year-on-year/ period-on-period by approximately RM0.3 million or 8.3% for the FYE 2017, RM0.9 million or 24.3% for the FYE 2018 and RM0.2 million or 5.5% for the FPE 2019. As a percentage of revenue, advertising and promotion expenses stood at 2.2%, 2.2%, 2.6%, 2.5% and 2.5% for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. The higher percentage in FYE 2018 can be attributed to additional promotional activities undertaken during the financial year.

(ix) Depreciation and amortisation expenses

Depreciation and amortisation expenses comprise depreciation of our property, plant and equipment, investment properties, as well as amortisation of franchise rights arising from (i) acquisition of our TBS business in West Malaysia (2006), Sabah and Labuan (2015), (ii) renewal of franchise agreements for TBS business in West Malaysia, Sabah, Labuan and Vietnam (2019), and (iii) new franchise agreement for TBS business in Cambodia (2019). The Group's depreciation and amortisation expenses are as follows:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation and amortisation expenses										
Malaysia	5,581	89.9	4,537	92.7	3,576	91.1	2,845	91.7	2,408	80.3
Vietnam	630	10.1	357	7.3	350	8.9	256	8.3	581	19.4
Cambodia	-	-	-	-	-	-	-	-	8	0.3
Depreciation and amortisation expenses pre adoption of MFRS 16	6,211	100.0	4,894	100.0	3,926	100.0	3,101	100.0	2,997	100.0
Effects of MFRS 16[(1)]	14,831		15,914		16,934		12,559		12,675	
Depreciation and amortisation expenses post adoption of MFRS 16	21,042		20,808		20,860		15,660		15,672	

Note:

(1) Due to the adoption of MFRS 16 as explained in Section 11.1.3, a significant portion of the Group's rental obligations (other than variable lease payments that depend on sales) are recognised on the balance sheet as ROU assets. The ROU asset is amortised over the shorter of the lease term and the useful life of the asset. As a result, the rental expenses have decreased with a corresponding increase in depreciation expense and finance cost. Please also refer to Note 30 of the Accountants' Report in Section 12 of this Prospectus.

Excluding the effect of MFRS 16, depreciation and amortisation expenses of the Group declined year-on-year/period-on-period by approximately RM1.3 million or 21.2% for the FYE 2017, RM1.0 million or 19.8% for the FYE 2018 and RM0.1 million or 3.4% for the FPE 2019. As a percentage of revenue, depreciation and amortisation expenses had declined from 3.9% in the FYE 2016 to 2.8% in the FYE 2017, and 2.1% in the FYE 2018. As for the FPE 2019, as a percentage of revenue, depreciation and amortisation has also declined to 2.2% as compared to 2.3% in the FPE 2018.

The decline in the FYE 2017 is mainly due to the full and final amortisation of intangible asset arising from the acquisition of West Malaysia operations in the comparative FYE 2016. The said acquisition took place in 2006, where we acquired our West Malaysia operations from Kejora Harta, a then public listed company, for a cash consideration of RM80.0 million. Following the acquisition, our Group recognised intangible asset amounting to RM8.2 million which was amortised for 10 years at RM0.8 million per annum.

For the FYE 2018, the decrease in depreciation and amortisation is mainly due to the full depreciation of certain property, plant and equipment of existing points-of-sale, whilst additional depreciation from new points-of-sale only took place towards the end of the financial year.

For the FPE 2019, the decrease in depreciation and amortisation expenses (excluding MFRS 16 impact) is mainly due to the full depreciation of certain property, plant and equipment of existing points-of-sale, particularly in Malaysia.

The Group has adopted MFRS 16, *Leases,* which is effective for annual periods beginning on or after 1 January 2019. Please refer to Section 11.1.3 of this Prospectus for further details on the new accounting standards and the impact to our Group's depreciation and amortisation expense assuming the adoption of MFRS 16.

(x) Other operating expenses

Other operating expenses mainly comprise repair and maintenance, commission to GC Vietnam, professional fees, utilities and other general and administrative expenses. Commission to GC Vietnam relates to the business agency arrangement for our Vietnam operations, where selected new points-of-sale will be operated under GC Vietnam initially before transferring to us. We incur commission for the tenure of which a point-of-sale is operated under GC Vietnam. As at the LPD, out of the of 34 points-of-sale in Vietnam, 14 points-of-sale are operated by GC Vietnam. Please refer to Section 5.3.4.1(ii) of this Prospectus for further details of the business agency arrangement.

Other operating expenses of the Group declined year-on-year/period-on-period by 18.4% to RM6.1 million for the FYE 2017, remained largely at the same position of RM6.1 million for the FYE 2018 and increased by 33.3% to RM5.6 million for the FPE 2019 as compared to RM4.2 million for the FPE 2018. As a percentage of revenue, other operating expenses stood at 4.7%, 3.5%, 3.3%, 3.2% and 4.0% for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively.

The decline in the FYE 2017 is mainly due to lower commission paid to GC Vietnam by approximately RM0.8 million following the lesser number of points-of-sale operated under GC Vietnam during that financial year. This is due to the fact that not all of the newly opened points-of-sale are initially operated under GC Vietnam.

For the FPE 2019, the higher other operating expenses is mainly due to (i) higher commission paid to GC Vietnam of approximately RM1.0 million, following the increase in number of points-of-sale operated under GC Vietnam during the financial period; (ii) additional operating expenses incurred for the purpose of setting up our TBS business in Cambodia and Natura business in Malaysia amounting to RM0.3 million.

(xi) Finance income and finance costs

Finance income represents interest earned from the placement of short-term deposits with licensed banks and financial institutions. Finance costs comprise interest charges on revolving credit and hire purchase for motor vehicles, and interest expense on lease liabilities arising from the adoption of MFRS 16, as illustrated in Section 11.1.3 of this Prospectus. The breakdown of our finance income and finance costs for the financial years/periods under review are as follows:

	FYE 2016		FYE 2017		FYE 2018		FPE 2018		FPE 2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Finance income										
Short-term deposits	617	100.0	742	100.0	1,277	100.0	1,100	100.0	356	100.0
Finance costs										
Revolving credits	(71)	92.2	(379)	99.7	(97)	86.6	(86)	90.5	(191)	93.6
Hire purchase	(6)	7.8	(1)	0.3	(15)	13.4	(9)	9.5	(13)	6.4
Finance costs pre adoption of MFRS 16	(77)	100.0	(380)	100.0	(112)	100.0	(95)	100.0	(204)	100.0
Effects of MFRS 16[1]	(2,609)		(2,486)		(1,697)		(1,236)		(1,446)	
Finance costs post adoption of MFRS 16	(2,686)		(2,866)		(1,809)		(1,331)		(1,650)	

Note:

(1) Due to the adoption of MFRS 16 as explained in Section 11.1.3, a significant portion of the Group's rental obligations (other than variable lease payments that depend on sales) are recognised on the balance sheet as ROU assets. The ROU asset is amortised over the shorter of the lease term and the useful life of the asset. As a result, the rental expenses have decreased with a corresponding increase in depreciation expense and finance cost. Please also refer to Note 30 of the Accountants' Report in Section 12 of this Prospectus.

Finance income of the Group increased year-on-year/period-on-period to RM0.7 million for the FYE 2017, and RM1.3 million for the FYE 2018. The increase in finance income is mainly due to higher amount of placement in short-term deposits. As for the FPE 2019, the finance income decreased to RM0.4 million due to a reduction in short-term deposits resulting from the payment of approximately RM12.6 million dividend from TBS Vietnam to the Promoters in the FYE 2018.

Excluding MFRS 16, finance costs increased year-on-year to RM0.4 million for FYE 2017, but decreased to RM0.1 million for the FYE 2018. For the FPE 2019, the finance costs increased period-on-period to RM0.2 million. The fluctuations in finance costs are impacted mainly by the drawdown period of revolving credit, which are interest-bearing.

The Group has adopted MFRS 16, *Leases,* which is effective for annual periods beginning on or after 1 January 2019. Please refer to Section 11.1.3 of this Prospectus for further details on the new accounting standard and the impact to our Group's finance cost assuming the adoption of MFRS 16.

(xii) Profit before taxation ("PBT")

The following table sets out the analysis of our Group's PBT for the financial years/periods under review:

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group Core PBT[(1)]	37,007	40,753	48,520	34,393	32,824
Adjusted for Non-Core earnings:					
Listing-related expenses	-	-	-	-	(2,683)
Fair value loss on other investments	(234)	(4,230)	-	-	-
Impairment loss on other investments	-	(2,239)	-	-	-
Fair value gain arising from distribution of non-cash assets to owners	-	-	10,030	-	-
Group PBT	36,773	34,284	58,550	34,393	30,141
PBT margin (%)					
Group Core PBT margin	23.1	23.7	26.3	26.0	23.8
Group PBT margin	23.0	19.9	31.7	26.0	21.8

Notes:

(1) "**Core**" refers to the retail and distribution business of the Group which excludes one-off/non-recurring items such as listing-related expenses, fair value loss on other investments, impairment loss on other investments and fair value gain arising from the distribution of non-cash assets to owners.

As a result of the foregoing, our Group's core PBT increased year-on-year by approximately 10.1% to RM40.8 million for the FYE 2017, and by approximately 19.1% to RM48.5 million for the FYE 2018. For FPE 2019, the Group's core PBT decreased by approximately 4.6% to RM32.8 million as compared to RM 34.4 million in FPE 2018.

Core PBT margin has similarly shown improvement from 23.1% in the FYE 2016 to 23.7% in the FYE 2017, and 26.3% in the FYE 2018. Forthe FPE 2019, core PBT margin decreased period-on-period to 23.8%, mainly due to lesser interest income from Vietnam following a dividend payment of RM12.6 million by TBS Vietnam to the Promoters in the FYE 2018 as well as the additional operating cost incurred for the purpose of setting up our TBS business in Cambodia and Natura business in Malaysia.

The decrease in our Group's PBT and Group's PBT margin for the FYE 2017 is due to the fair value and impairment losses on other investments related to our investment in Graphene NanoChem PLC, a company previously listed on London Stock Exchange. Graphene Nanochem was delisted from the London stock exchange on 19 March 2018. We have since impaired our remaining cost of investment in the FYE 2017 in view of the uncertainties to recoup the cost of investment following the delisting, and have disposed our investment in this company in the FYE 2018.

Fair value gain arising from the distribution of non-cash asset to owners relates to the valuation gain of the Group's shop lots and investment properties following the granting of these assets to the owners as part of the dividend-in-specie declared and paid out during the the FYE 2018.

The fair value gain was determined by comparing the market value of the properties based on the valuation reports produced by independent property valuer to their net book value as at the date of distribution.

(xiii) Taxation

The following table sets out a summary of our tax expenses and the relevant statutory tax rates by country where our Group operates for the financial years/periods under review:

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax					
Malaysia	9,744	10,208	11,799[2]	7,843	7,493
Vietnam	313	448	862	503	654
Cambodia[1]	-	-	-	-	-
	10,057	10,656	12,661	8,346	8,147
Deferred tax					
Malaysia	(86)	(474)	264	188	(209)
Vietnam	(11)	2	-	-	(38)
Cambodia[1]	-	-	-	-	-
	(97)	(472)	264	188	(247)
Tax expenses	**9,960**	**10,184**	**12,925**	**8,534**	**7,900**
Statutory tax rates					
Malaysia	24.0%	24.0%	24.0%	24.0%	24.0%
Vietnam	20.0%	20.0%	20.0%	20.0%	20.0%
Cambodia[1]	N/A	N/A	N/A	N/A	20.0%

Notes:

(1) We have not commenced operations in Cambodia during the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019.

(2) Includes real property gains tax ("**RPGT**") of RM502,000 arising from the disposal of investment properties and shop lots in Malaysia.

The following table sets out the effective tax rate ("**ETR**") of our Group for the financial years/periods under review:

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
Effective tax rate (%)	27.1	29.7	22.1	24.8	26.2

ETR is computed by dividing the tax expense for the financial year/period by the profit before taxation for the same financial year/period. ETR of our Group reflects largely the position of our Malaysia operations by virtue of it being the largest profit contributor to the Group. Group ETR is higher than the statutory tax rate, mainly because of certain expenses which are not tax deductible.

There was an increase in the ETR to 29.7% in the FYE 2017 as the fair value and impairment losses on other investments which amounted to RM6.5 million in aggregate were not tax deductible.

ETR for the FYE 2018 was lower than the statutory tax rate, mainly due to non-taxable income arising from the fair value gain on distribution of non-cash assets to owners of RM10.0 million, and gain on disposal of property, plant and equipment of RM0.7 million.

ETR for the FPE 2019 was higher period-on-period at 26.2% as the listing-related expenses amounting to RM2.7 million were not tax deductible.

We assume responsibility for the withholding of tax on payment of our service providers who are not resident in Malaysia where the services are rendered for IT and digital consultancy. We remit such withheld tax to the relevant tax authorities.

(xiv) Profit after taxation ("PAT")

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group Core PAT[(1)]	27,047	30,569	36,097	25,859	24,924
Adjusted for the non-core items:					
Listing-related expenses	-	-	-	-	(2,683)
Fair value loss on other investments	(234)	(4,230)	-	-	-
Impairment loss on other investments	-	(2,239)	-	-	-
Fair value gain arising from distribution of non-cash assets to owners[(2)]	-	-	10,030	-	-
RPGT	-	-	(502)	-	-
Group PAT	26,813	24,100	45,625	25,859	22,241
PAT margin (%)					
Group Core PAT margin	16.9	17.8	19.6	19.5	18.0
Group PAT margin	16.8	14.0	24.7	19.5	16.1

Note:

(1) "**Core**" refers to the retail and distribution business of the Group which excludes one-off/non-recurring items such as listing-related expenses, fair value loss on other investments, impairment loss on other investments and fair value gain and its tax impact arising from the distribution of non-cash assets to owners.

(2) The fair value gain was determined by comparing the market value of the properties based on the valuation reports produced by independent property valuer to their net book value as at the date of distribution.

Consistent with the Group's core PBT, our Group's core PAT increased year-on-year by 13.0% and 18.1% for FYE 2017 and FYE 2018 respectively. As for the FPE 2019, our Group's core PAT decreased period-on-period by 3.6%.

Core PAT margin has shown improvement from 16.9% in the FYE 2016 to 17.8% in the FYE 2017 and 19.6% in the FYE 2018. For the FPE 2019, Core PAT margin decreased period-on-period from 19.5% to 18.0%, mainly due to lesser interest income from our Vietnam operations following a dividend payment of RM12.6 million by TBS Vietnam to the Promoters in the FYE 2018 as well as the additional operating cost incurred for the purpose of setting up our TBS business in Cambodia and Natura business in Malaysia.

The decrease in our Group's PAT and Group's PAT margin for the FYE 2017 is due to the fair value and impairment losses on other investments relating to our investment in Graphene NanoChem PLC, a company previously listed on London Stock Exchange. Graphene Nanochem was delisted from the London stock exchange on 19 March 2018. We have since impaired our remaining cost of investment in the FYE 2017 in view of the uncertainties to recoup the cost of investment following the delisting, and have disposed our investment in this company in FYE 2018.

11.3.2 Significant factors affecting our Group's operating and financial results

Our Group's operations and financial performance may be affected by various key factors, primarily the risk factors as discussed in Section 7 of this Prospectus and other significant factors, which include the following:

(i) Growth in our Group's number of points-of-sale

Our ability to generate and grow our revenue from the retail channel is dependent on our ability to continuously improve and/or increase the number of our points-of-sale as it enables us to expand our geographical coverage and hence reach a larger base of potential customers. This factor is particularly pertinent for the growth of our business in Vietnam, where the TBS brand is still at an early stage of market penetration and has plenty of room to grow in tandem with the country's development of its modern retail infrastructure.

Whereas in Malaysia, as at the LPD, we have the widest geographical coverage in Malaysia with 89 points-of-sale according to the IMR Report.

The following table sets out the breakdown of the number of our points-of-sale by geographical segments, as at 31 December 2016, 31 December 2017, 31 December 2018, 30 September 2018, 30 September 2019 as well as at the LPD:

	As at 31 December			As at 30 September		As at the LPD
	2016	2017	2018	2018	2019	
Malaysia	88	86	87	87	88	89
Vietnam	20	22	26	23	31	34
Cambodia	-	-	-	-	-	1
Total	108	108	113	110	119	124

Our Group expects an increase in the number of points-of-sale in the future, with up to 29 new points-of-sale across Malaysia, Vietnam and Cambodia to be opened within 36 months from the date of our Listing. Nevertheless, the pace of opening of new points-of-sale depends on our ability to secure strategic locations with good prospects. We may also close down non-performing points-of-sale from time to time to maintain our operational efficiency.

(ii) Growth in our Group's online sales

Other than the points-of-sale, we are also able to expand our customer base through TBS websites in Malaysia and Vietnam, as well as through third-party online stores. Online sales contributed to approximately 1.3%, 1.9% and 2.5% of total sales for the FYE 2016, FYE 2017 and FYE 2018 respectively. We have also managed to register a growth of 61.9% and 43.8% for our Group's overall online sales in the FYE 2017 and the FYE 2018 respectively.

As for the FPE 2018 and the FPE 2019, online sales contributed to approximately 2.6% and 2.5% to our Group's total sales respectively while registering a growth of 3.5% for our Group's overall online sales in the FPE 2019. Based on the growing online retailing trend of CPC products as outlined in the IMR, we expect the CPC industry to continue to grow in the future.

This is particularly pertinent for the growth of our business in Malaysia, where the country's retail development is considered at a mature stage. In this regard, our investment in Omnichannel capabilities as discussed in Section 5.4 of this Prospectus will be key in further boosting our online sales.

In Vietnam, our online channel enables us to reach customers in all the provinces throughout the country, as our physical points-of-sale are currently located only in the urban hub of HCMC and Hanoi. For the FYE 2018, approximately 41.0% of our e-commerce sales through our own website, are made to customers residing outside of these 2 main cities.

In tandem with the opening of our first Cambodia points-of-sale in November 2019, we have also launched TBS's website in Cambodia in the same month and we plan to commence e-commerce transactions by the first half of 2020. This will complement our efforts to expand our market share in Cambodia where modern retail development is at its infancy, and therefore, availability of suitable retail space is limited. Nonetheless, the success of the online channel in Cambodia is contingent upon the country's broadband infrastructure and online payment facilities, as well as the general economic development in Cambodia.

(iii) Tenancy expenses and capital expenditure

Our retail business requires volume, as such we prefer setting up points-of-sale at high-traffic locations in order to achieve maximum brand awareness. Accordingly, it follows that rental is one of our major operating expenses. Most of our tenancies are short term in nature, usually for 3 years term plus 2 years renewal option. Such tenancy agreements may be subject to review and revision by property owners, depending on the provisions and terms stipulated in the respective tenancy agreements. Furthermore, rental rates are also subject to prevailing property market conditions, location and the demand profile of particular retail lots within a locality. In our Group's experience, the rental expenses as a percentage of sales are generally higher in Vietnam as compared to Malaysia.

Our operating expenses may be affected if the property owners choose to significantly increase rental rates upon renewal, particularly for prime locations, or if property owners choose not to renew our tenancies. In such an event, we may not be able to operate the affected point-of-sale optimally, or may even need to relocate or terminate the tenancy.

Each new point-of-sale requires investment for in store fit-out. Fit-out costs include flooring, painting, lighting, and electrical works. The cost of these materials vary according to the design as prescribed by TBSI from time-to-time, as well as the fluctuation of the USD, which is the main currency quoted for the cost of these materials.

From time to time, we may also be required by property owners and TBSI to refurbish our points-of-sale to improve storefront appearance. Refurbishment cost, which is borne by us, may affect the performance of the affected point-of-sale temporarily due to (i) disruption to the operations during the renovation period; and (ii) depreciation of additional capital expenditures impacting profitability as we open up more new points-of-sale. Nonetheless, such periodic refurbishments are necessary to upkeep, or even elevate, the perception of the brand.

The Group has adopted MFRS 16, *Leases,* which is effective for annual periods beginning on or after 1 January 2019. Please refer to Section 11.1.3 of this Prospectus for further details on the new accounting standard and the impact to our Group's rental expenses upon the adoption of MFRS 16.

(iv) Staff costs

Staff costs include, among others, wages, salaries, bonuses, commissions, incentives, allowances and contributions to statutory contribution plans.

Staff costs may increase year-on-year. In addition, the rising competition in the retail industry has rendered experienced retail staff a valuable resource. Accordingly, we review our remuneration package from time to time to attract and retain the right talent in maintaining our competitive advantage.

(v) Competition

According to the IMR Report, we are a leading mono-brand beauty retailer in Malaysia with a market share of 11.0% based on the total market sales of RM1.48 billion as at 2018. Among the brands, we are also the largest in Malaysia by geographical coverage, with 89 points-of-sale as at the LPD. Our Group faces competition from various local and international players involved in the personal care and beauty industry at similar locations.

We believe that our Group would be able to stay competitive based on, among others, our brand, track record, quality and standards of our products, our ethical values and our ability to cope with the demands of our customers as well as to differentiate ourselves by being 100% vegetarian.

With the implementation of our future plans and strategies as disclosed in Section 5.4 of this Prospectus, we believe this will contribute towards our long-term growth and sustainability within the CPC industry.

(vi) Fluctuations in product pricing

Our Group sources TBS products from TBSI in accordance with the Franchise Agreements. Our Franchisor may increase the selling price of the TBS products to TBS Franchisees from time to time. In addition, increases in local tariffs or taxes will have an impact on our purchasing costs. In the event we are unable to pass on the abovementioned cost increases to customers, our gross margins and operating results will be affected.

(vii) Annual fee payable to our Franchisor

Under the Franchise Agreements, in addition to the franchise fee, TBS Franchisees are required to pay to TBSI, without demand and under a regular payment schedule as may be determined between the TBS Franchisees and TBSI from time to time, fees for the management, consultation, advice, service and training provided by TBSI in respect of the use of the System and the Proprietary Marks as TBSI may from time to time prescribe, calculated as a percentage of TBS Franchisees' respective turnover, and which is in accordance with TBSI's policy.

Pursuant to the paragraph above, by a letter dated 19 June 2019 entered into between TBSI with Dato' Simon and Datin Mina, Dato' Simon and Datin Mina jointly and severally undertake that TBSI will be paid fees equivalent to 1.0% of the total annual retail sales of each business line of the Group under the Franchise Agreements and any other agreements that InNature Group may enter into with TBSI or its related corporations from time to time ("**Annual Fee**"). The payment is to be made at the end of January each year, in accordance with TBSI's or its related corporations' retail calendar year, with the first payment to be made by end January 2020.

No Annual Fee was imposed by TBSI in the FYE 2016 to FYE 2018. An Annual Fee of RM0.5 million has been accrued for in respect of FPE 2019.

The franchise fee under the Rampai-Niaga Franchise Agreement, TBS Vietnam Franchise Agreement and the Green Cosmetic Franchise Agreement are payable within 14 days of execution of the respective Franchise Agreements. The Franchise Agreements do not stipulate when the renewal fees are payable.

(viii) Fluctuations in foreign currency exchange rates

Our Group's exposure to fluctuations in foreign currency exchange rates are mainly due to our purchases from TBSI in GBP. In this respect, our business is subjected to the risk relating to any unfavourable foreign currency exchange rate fluctuations which may affect our profitability. The impact on fluctuation in the foreign currency exchange rate of GBP against RM and VND on our purchases in the past financial years/periods under review are as set out in the table below.

Impact to amount of purchases	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FPE 2018 RM'000	FPE 2019 RM'000
Malaysia					
Total purchase amount in GBP: In RM'000 equivalents[1]	49,708	46,280	56,021	42,207	43,400
Sensitivity analysis (RM'000):					
GBP/RM – strengthened by 1%	(497)	(463)	(560)	(422)	(434)
GBP/RM – weakened by 1%	497	463	560	422	434
Vietnam					
Total purchase amount in GBP: In RM'000 equivalents [2]	3,544	4,337	6,834	4,767	6,100
Sensitivity analysis (RM '000): in RM equivalents					
GBP/VND – strengthened by 1%	(35)	(43)	(68)	(48)	(61)
GBP/VND – weakened by 1%	35	43	68	48	61

Notes:

(1) The total purchase amounts in GBP are translated to RM using the average transaction spot rates for the respective periods.

(2) The total purchase amount in GBP is translated to VND using the average transaction spot rate for the respective periods. For comparison purposes, the total purchase amounts are expressed in RM terms.

The Group's net foreign exchange gain for the FYE 2016, FYE 2017, FYE 2018, FPE 2018 and FPE 2019 are RM1.4 million, RM0.7 million, RM0.7 million, RM0.6 million and RM0.5 million respectively.

The decreasing net foreign exchange gain is mainly due to the higher appreciation of RM against GBP in FYE 2016 as compared to the FYE 2017 and the FYE 2018. Similarly, the Group's net foreign exchange gain decrease from RM0.6 million in the FPE 2018 to RM0.5 million in the FPE 2019 due to the higher appreciation of RM against GBP in the FPE 2018 as compared to the FPE 2019. Please refer to Note 19 of the Accountants' Report in Section 12 of this Prospectus for more details on the realised and unrealised foreign exchange gains for the financial years/periods under review.

For hedging purposes, we purchase 1-month forward exchange contracts on a monthly basis for the purchases of our inventories from TBSI. The outstanding forward exchange contracts for each of the financial years/periods under review are as shown below.

	As at 31 December			As at 30 September
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Forward exchange contracts with				
- HSBC Bank Malaysia Bhd	551	-	3,162	-

In addition to the above, our Group's presentation currency is RM while the functional currency of our material foreign operation in Vietnam is VND. Fluctuations of RM against VND may impact the reporting of Vietnam's financial results in the Group's presentation currency. For the financial years/periods under review, there is no significant fluctuation of RM against VND.

(ix) Changes in political, economic and regulatory conditions

Risks relating to political, economic and regulatory conditions which may materially affect our operations are set out in Section 7 of this Prospectus. Although we will continue to comply with the legal and regulatory frameworks in the countries which we and our customers operate, there is no assurance that the introduction of new laws or other economic, political and regulatory conditions in future will not have adverse effect on our business, results of operations or financial performance.

11.4 Liquidity and Capital Resources

11.4.1 Working capital

Our Group has been financing our operations through a combination of cash generated from our operations and external borrowings from financial institutions. The principal utilisation of these funds are to finance our working capital requirements, which include, among others, the purchases of products as well as payments to landlords, employees and other suppliers and service providers.

As at 30 September 2019, our Group has cash and cash equivalents as well as other fixed deposits placements totaling RM11.7 million, total borrowing of approximately RM5.7 million and a debt to equity ratio of 0.06 times. As at 30 September 2019, we have an amount of RM55.0 million undrawn secured credit facilities available for future use.

On 10 April 2019, the Company declared a dividend of RM10.0 million which was paid on 30 August 2019 and is reflected in the consolidated financial position of the Group.

On 26 November 2019, the Company declared an interim dividend of RM10.0 million which was paid on 27 December 2019. The dividend was paid via our internally-generated fund.

Taking into consideration the existing cash and cash equivalent of the Group, the interim dividend of RM10.0 million that was paid on 27 December 2019, the expected collection to be generated from our operations, amounts available under our existing financing facilities and new financing facilities that may be granted to our Group as well as the estimated proceeds to be raised from our IPO, our Board is of the opinion that we will have sufficient working capital for at least 12 months from the date of this Prospectus.

Our subsidiary, i.e. Rampai-Niaga, is required to comply with the following bank covenants:-

(i) to maintain a gearing ratio (defined as total external borrowings divided by the sum of tangible net worth, where tangible net worth represents equity attributable to owners of the company less intangibles) not more than 1 time; and

(ii) not to declare or pay dividends in excess of 50% of its profit after tax in any financial year.

Further details on the covenants are as set out in Section 11.4.3 of this Prospectus. In addition, our Group is also required to comply with certain obligations in maintaining debt levels under the Franchise Framework Agreement.

Save as disclosed above, and in Section 11.10 of this Prospectus in relation to Dividend Policy, there are no other legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances to meet our cash obligations, subject to availability of distributable reserves and/or loans or advances and compliance with legal requirements and financial covenants.

11.4.2 Cash flows

The following table sets out the summary of the historical consolidated statement of cash flows for our Group for the financial years/periods under review:

	FYE 2016	FYE 2017	FYE 2018	FPE 2018	FPE 2019
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net cash generated from operating activities	31,696	40,043	32,005	19,910	19,015
Net cash (used in)/from investing activities	(27,356)	(31,118)	13,144	(925)	(4,648)
Net cash used in financing activities	(5,692)	(14,455)	(32,379)	(10,222)	(26,543)
Net changes in cash and cash equivalents	(1,352)	(5,530)	12,770	8,763	(12,176)
Effects on exchange rate fluctuations on cash held	337	(667)	3	(81)	38
Cash and cash equivalents at the beginning of the year/period	18,263	17,248	11,051	11,051	23,824
Cash and cash equivalents at the end of the year/period	**17,248**	**11,051**	**23,824**	**19,733**	**11,686**
Cash and cash equivalents comprise the following:					
Cash and bank balances	8,051	10,695	23,824	19,733	11,686
Deposits placed with licensed banks less than 3 months	9,605	777	434	434	-
	17,656	**11,472**	**24,258**	**20,167**	**11,686**
Less:					
Pledged deposits	(408)	(421)	(434)	(434)	-
	17,248	**11,051**	**23,824**	**19,733**	**11,686**

Commentaries on cash flows

(i) Net cash generated from operating activities

<u>FYE 2016</u>

For the FYE 2016, our operating cash flow comes primarily from operating profit before changes in working capital of RM60.3 million. After accounting for key items below, the Group generated a cash flow from operating activities of RM31.7 million:

(a) RM1.8 million increase in inventories balances, as a result of our product stock-up initiatives, primarily to replenish the inventory balances of our newly acquired Sabah and Labuan operations;

(b) RM0.3 million increase in the receivables, deposits and prepayments, mainly due to the higher tenancy deposits by RM1.1 million in tandem with the increase in the number of points-of-sale resulting from the acquisition of our Sabah and Labuan TBS business, being offset by lower trade receivables of RM0.3 million as a result of prompt repayment made by GC Vietnam, and lower prepayment of RM0.5 million mainly due to lesser prepaid expenses incurred in the FYE 2016.

(c) RM1.3 million decrease in payables and accruals as a result of timely settlements of invoices for our purchases from the Franchisor; and

(d) RM16.7 million lease liabilities payments mainly for our points-of-sale and HQ; and

(e) RM8.7 million payments for taxation.

FYE 2017

For the FYE 2017, we generated operating cash flows before working capital changes of RM63.6 million. We derived our net cash generated from operations after taking into account the key items below:

(a) RM1.4 million decrease in inventories balances, as we have made higher sales, and cleared through inventories in our Vietnam points-of-sale during the year as compared to the prior year;

(b) RM0.2 million increase in the receivables, deposits and prepayments mainly due to the the delay in repayment of the credit or debit card sales by the banks;

(c) RM4.1 million increase in payables and accruals is mainly due to the slower repayment made by us to TBSI. Nonetheless, these payables were within the credit terms granted by TBSI to us;

(d) RM18.4 million lease liabilities payments mainly for our points-of-sale and HQ; and

(e) RM10.6 million as tax payments.

FYE 2018

For the FYE 2018, we generated operating cash flows before working capital changes of RM69.2 million. The Group's net cash flow from operating activities was RM32.0 million after taking into account the key items below:

(a) RM2.3 million increase in inventories balances at year end, attributable to the opening of new points-of-sale in Vietnam;

(b) RM0.4 million increase in the receivables, deposits and prepayments, increase in deposits in relation to the opening of our new points-of-sale by RM0.3 million, offset by the decline in the trade receivables by RM0.5 million and prepayment increase by RM0.6 million;

(c) RM3.2 million decrease in payables and accruals as a result of the settlement of invoices for our purchases from the Franchisor; and

(d) RM19.2 million lease liabilities payments mainly for our points-of-sale and HQ; and

(e) RM12.2 million tax payments.

FPE 2018

For the FPE 2018, we generated operating cash flows before working capital changes of RM50.1 million. The Group's net cash flow from operating activities was RM19.9 million after taking into account the following key items:

(a) RM5.5 million increase in inventories balances, mainly due to stock-up for year end holiday sales as well as to cater for the opening of new points-of-sale in Vietnam;

(b) RM0.9 million increase in receivables, deposits and prepayments, mainly due to mainly due to higher prepayments by RM0.4 million during the financial period and an increase of RM0.3 million in rental deposits in respect of new points-of-sale opened during the current financial period;

(c) RM1.4 million decrease in payables and accruals, mainly due to payment of RM0.9 million to trade creditors, settlement of other payables amounting to RM0.3 million and RM0.2 million decrease in accruals;

(d) RM14.3 million lease liabilities payments for our points-of-sale and HQ; and

(e) RM8.4 million tax payments.

FPE 2019

For the FPE 2019, we generated operating cash flows before working capital changes of RM49.6 million. The Group's net cash flow from operating activities was RM19.0 million after taking into account the following key items:

(a) RM9.7 million increase in inventories balances, mainly due to increase in inventory level in anticipation of the opening of new TBS points-of-sale in Vietnam, stocking up for year end holiday sales as well as the commencement of our Natura business in Malaysia in the following months;

(b) RM1.9 million increase in receivables, deposits and prepayments, mainly due to (i) higher trade receivables by RM0.8 million as we made more sales from our new points-of-sale; and (ii) higher prepayment of RM0.8 million;

(c) RM3.6 million increase in payables and accruals, mainly the effect of (i) the additional operating cost incurred for the purpose of setting up our TBS business in Cambodia and Natura business in Malaysia; and (ii) accrued franchise fee amounting to RM1.8 million;

(d) RM13.6 million lease liabilities payments for our points-of-sale and HQ; and; and

(e) RM9.2 million tax payments.

(ii) **Net cash (used in)/from investing activities**

FYE 2016

In the FYE 2016, our net cash used in investing activities amounted to RM27.4 million, mainly in relation to advances made to companies in which certain Directors have interest in as set out in Section 9.1.3 of this Prospectus, of RM23.8 million, and acquisition of plant and equipment, mainly on renovations of our points-of-sale, furniture and fittings as well as motor vehicles amounting to RM3.0 million in which RM0.7 million were acquired by hire purchase. We have also made placement of short-term deposits amounting to RM3.6 million.

This is partly offset by the receipts of advances from certain Directors of RM2.4 million and interest received amounting to RM0.6 million during the financial year.

FYE 2017

In the FYE 2017, our net cash used in investing activities was RM31.1 million, mainly in relation to advances made to companies in which certain Directors have interest in as set out in Section 9.1.3, of RM15.5 million, acquisition of plant and equipment, mainly on renovations and furniture and fittings for our points-of-sale, amounting to RM3.2 million, and repayment of advances from certain Directors of RM1.4 million. We have also made a placement of short-term deposits amounting to RM11.8 million.

The cash outflows are being offset by the interest received amounting to RM0.7 million on our short-term placements during the year.

FYE 2018

In the FYE 2018, net cash generated from investing activities was RM13.1 million. The cash generated is mainly derived from the withdrawal from our short-term deposits amounting to RM12.3 million for the purpose of payment of dividend to our Promoters during the year, repayment of advances from companies in which certain Directors have interest in as set out in Section 9.1.3 of this Prospectus, amounting to RM1.8 million, as well as proceeds from disposal of investment properties, property, plant and equipment amounting to RM0.7 million. We have also received interest on our short-term placements amounting to RM1.3 million.

The cash inflows are being offset by the renovation and furniture and fittings incurred during the year amounting to RM2.0 million, and repayment of advances from certain Directors of RM1.0 million.

FPE 2018

For FPE 2018, net cash used in investing activities was RM0.9 million, mainly on net advances to companies in which certain Directors have interest totaling RM5.3 million, and acquisition of plant and equipment amounting to RM1.1 million.

The cash outflows are partly offset by the withdrawal of short-term placements amounting to RM4.7 million, interest received of RM0.6 million as well as proceeds from disposal of investment properties and property, plant and equipment of RM0.2 million.

FPE 2019

For the FPE 2019, net cash used in investing activities was RM4.6 million, mainly on acquisition of plant and equipment amounting to RM7.4 million.

The cash outflow is partly offset by the withdrawal of short-term placements amounting to RM2.2 million, and interest received of RM0.4 million

(iii) Net cash used in financing activities

FYE 2016

In the FYE 2016, our net cash outflows in financing activities amounted to RM5.7 million. The cash outflows mainly relate to an interim dividend paid to our shareholders amounting to RM12.0 million. This is offset by the additional revolving credit drawn down of approximately RM6.5 million.

FYE 2017

In the FYE 2017, our net cash outflows in financing activities amounted to RM14.5 million. The cash outflows mainly relate to an interim dividend paid to our shareholders amounting to RM12.0 million, and the repayment of revolving credit of approximately RM2.0 million.

FYE 2018

In the FYE 2018, our net cash used in financing activities amounted to RM32.4 million, mainly as a result of a cash dividend distribution to our shareholders during the financial year amounting to RM42.1 million, as part of our pre-listing Internal Restructuring Exercise. This was offset by the additional drawdown of revolving credit amounting to RM10.0 million to finance our working capital during the financial year.

FPE 2018

For the FPE 2018, net cash used in financing activities was RM10.2 million, mainly on repayment of revolving credit amounting to RM10.0 million as well as repayment of other borrowings and interest amounting to RM0.2 million.

FPE 2019

For the FPE 2019, net cash used in financing activities was RM26.5 million, mainly on repayment of revolving credit of RM15.0 million, dividend payment of RM10.0 million and payment of listing-related expenses amounting to RM1.5 million.

11.4.3 Borrowings

As at 30 September 2019, our Group has a total outstanding borrowings of RM5.7 million, all denominated in RM. The details of our Group's total outstanding borrowings are as follows:

			Maturity profile As at 30 September 2019		
	Purpose	**Interest rate (per annum)**	**Total**	**Within 1 year**	**Within 1-5 years**
			RM'000	**RM'000**	**RM'000**
Short term					
Other borrowings	Purchase of motor vehicle	Fixed rate between 1.22% to 4.47%	389	389	-
Revolving credit-secured	Working capital	1.60% + 1 month KLIBOR	5,000	5,000	-
			5,389	5,389	-
Long Term					
Other borrowings	Purchase of motor vehicle	Fixed rate between 1.22% to 4.47%	314	-	314
Total borrowings			5,703	5,389	314

There has been no default on payments of either interest or principal for any of our borrowings in the FPE 2019 as at the LPD.
Rampai-Niaga, is required to comply with the following covenants:-

(i) to maintain a gearing ratio (defined as total external borrowings divided by the sum of tangible net worth, where tangible net worth represents equity attributable to owners of the company less intangibles) not more than 1 time; and

(ii) not to declare or pay dividends in excess of 50% of its profit after tax in any financial year.

In respect of (i), the gearing ratios of Rampai-Niaga as at 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016 are 0.67 times, 2.38 times, 0.54 times and 0.61 times respectively. Rampai-Niaga exceeded its gearing ratio as at 31 December 2018, and has obtained a waiver to comply with the covenant from the bank on 19 March 2019.

In respect of (ii), Rampai-Niaga declared dividends in excess of 50% of its profit after tax for 2018 and 2017. Waivers have been obtained from the bank on 17 December 2018 and 12 March 2018 respectively.

Other than as disclosed above, as at the LPD, we are not in breach of any terms and conditions or covenants associated with credit arrangements or bank loans which may materially affect our financial position and results of our business operations, or the investment holdings of our securities.

11.4.4 Material commitments

Save as disclosed below, our Group does not have any other capital commitments as at the LPD:

	Source of Funding	Total
		RM'000
Approved but not contracted for:		
Office facility	IPO proceeds	1,600
Renovation of existing points-of-sale	IPO proceeds	8,400
IT network, infrastructure and website	IPO proceeds	5,200
Expansion of number of points-of-sale	IPO proceeds	19,300
Total commitments		34,500

Office facility

We plan to use approximately RM0.7 million from our IPO proceeds in expanding and upgrading our HQ in HCMC. Additionally, we plan to spend approximately RM0.9 million in expanding and upgrading our HQ in Subang Jaya, Malaysia for the purpose of developing the new Natura business in Malaysia.

Renovation of existing points-of-sale

We plan to spend approximately RM8.4 million in renovating 15 TBS points-of-sale in Malaysia and 6 TBS points-of-sale in Vietnam. The cost of renovation amongst other includes, the cost of:

- purchasing and installing new fixtures, fittings, lighting and flooring;
- renovation works; and
- new merchandising and display tools.

IT network, infrastructure and website

In line with our plan to drive Same Store Sales Growth in Malaysia and to open up to 18 new points-of-sale in Vietnam, we plan to utilise approximately RM2.0 million and RM1.3 million of our IPO proceeds respectively to improve our IT network and capabilities for our TBS business operations in Malaysia and Vietnam.

Additionally, we also plan to use RM0.4 million and RM 1.5 million respectively to set-up the IT infrastructure for the TBS business in Cambodia and the new Natura business in Malaysia.

Expansion of number of points-of-sale

We plan to spend approximately RM14.5 million from our IPO proceeds to open up to 29 new TBS points-of-sale across 3 markets in tandem with our business development plan. Additionally, we have also allocated RM4.8 million to open up to 6 new points-of-sale for the new Natura business in Malaysia.

For further details of the above material capital commitments in relation to usage of the IPO proceeds, please refer to Section 2.8 of this Prospectus.

11.4.5 Contingent liabilities

As at 30 September 2019, we have provided financial guarantees for the benefit of Rampai-Niaga amounting to RM2.0 million. These financial guarantees consist of a corporate guarantee of RM1.0 million for revolving credit facility granted to Rampai-Niaga as well as bank guarantees of RM1.0 million granted for the benefit of Rampai-Niaga in relation to our airport points-of-sale in Malaysia.

Save as disclosed above, as at the LPD, our Board, having made all reasonable enquiries, confirms that there are no contingent liabilities that, upon becoming enforceable, may have a material adverse impact on our results of operations or financial condition.

11.4.6 Material litigation or arbitration proceedings

As at the LPD, neither our Company nor our Subsidiaries is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

11.5 Key Financial Ratios

The key financial ratios of our Group for the FYE 2016, FYE 2017, FYE 2018 and FPE 2019 have been computed based on the historical audited consolidated financial statements for the respective year/period. The key financial ratios of our Group are as set out below:

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Trade receivables turnover period (days)(1)(8)	5.56	5.07	4.40	4.65
Trade payables turnover period (days)(2)(8)	65.48	64.51	57.23	63.37
Inventory turnover period (days)(3)(8)	171.49	163.68	149.49	191.84
Current ratio (times)(4)	2.97	3.25	1.02	1.13
Gearing ratio (times)(5)	0.07	0.05	0.27	0.06
Net gearing ratio (times)(6)	(0.05)(7)	(0.08)(7)	(0.08)(7)	(0.07)(7)

Notes:

(1) Computed based on the average closing balance of trade receivables divided by revenue for the respective financial year/period multiplied by number of days in the respective financial year/period.

(2) Computed based on the average closing balance of trade payables divided by changes in inventories (cost of goods sold) for the respective financial year/period multiplied by number of days in the respective financial year/period.

(3) Computed based on the average closing balance of inventory divided by changes in inventories (cost of goods sold) multiplied by number of days in the respective financial year/period.

(4) Computed based on total current assets over total current liabilities as at the respective financial year/period end.

(5) Computed based on bank borrowings over total equity as the respective financial year/period end.

(6) Computed based on net borrowings (total bank borrowings less cash and cash equivalents and other investments) divided by total equity.

(7) Negative net gearing ratio denotes a net cash position.

(8) Average closing balance is derived based on the sum of the closing balance of the previous financial year/period and the closing balance of the current financial year/period, divided by 2.

11.5.1 Trade receivables turnover period

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Trade receivables (RM'000)	2,297	2,480	1,964	2,745
Revenue (RM'000)	159,902	171,919	184,474	138,195
Trade receivables turnover period (days)(1)	5.56	5.07	4.40	4.65

Note:

(1) Trade receivables turnover period is computed based on the average closing balance of trade receivables divided by revenue for the respective financial year/period multiplied by number of days in the respective financial year/period. Average closing balance is derived based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year, divided by 2.

Our trade receivables mainly comprise amounts due from banks for credit or debit card transactions, as well as amounts due from department stores and other third-party retail space providers in relation to sales generated from these distribution channels. The amounts due from banks for credit or debit card transactions arise from (i) retail sales from physical points-of-sale and (ii) online sales from TBS website. The amounts due from banks for credit or debit card transaction does not include online sales from third party marketplaces.

The decline in trade receivables turnover period from FYE 2016 to FYE 2018 was mainly due to the declining contribution from our points-of-sale in Parkson department stores to Vietnam sales from 3.9% in FYE 2016 to 3.3% in FYE 2018. A total of 4 Parkson department stores which we were operating in were closed during the financial years/periods under review, 3 in FYE 2016 and 1 in FYE 2018.

Trade receivables turnover period increased slightly to 4.65 days for FPE 2019, mainly due to higher amounts due from department stores and other third-party retail space providers following the opening of new points-of-sale in Malaysia and Vietnam during FPE 2019.

11.5.2 Trade payables turnover period

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Trade payables (RM'000)	8,927	11,019	8,577	12,297
Changes in inventories (RM'000)	53,598	56,424	62,488	44,966
Trade payables turnover period (days) (1)	65.48	64.51	57.23	63.37

Note:

(1) Trade payables turnover period is computed based on the average closing balance of trade payables divided by change in inventories (cost of goods) sold for the respective financial year/period multiplied by number of days in the respective financial year/period. Average closing balance is derived based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year, divided by 2.

Our trade payables mainly relate to the purchases of products from our Franchisor. To maintain good relationship with our supplier, we normally make payments on a timely basis.

The trade payables turnover period for the FYE 2016, FYE 2017, FYE 2018 and FPE 2019 have been within the credit terms granted by our supplier and there has not been any significant change in our payment and settlement trends in the financial years/periods under review. The trade payables turnover period in the FYE 2018 improved from FYE 2017 mainly due to a deferment of a shipment of the TBS products to post FYE 2018. For FPE 2019, trade payables turnover period was approximately 64 days.

Our Group has not been involved in any dispute with any of the suppliers, and no legal actions have been initiated by any of our suppliers during the financial years/periods under review up to the LPD. As at 30 September 2019, the trade payables of our Group amounted to RM12.3 million.

The ageing analysis of the trade payables as at 30 September 2019 is as set out below:

	0 – 30 days		31 - 60 days		> 60 days	
	RM'000	% Total	RM'000	% Total	RM'000	% Total
Malaysia	9,634	98.2	1,065	53.7	499	98.2
Vietnam	174	1.8	916	46.3	9	1.8
Total	9,808	100.0	1,981	100.0	508	100.0

As at the LPD, save for RM8,000, all of the overdue payables above have been fully paid.

11.5.3 Inventory turnover period

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Inventories (RM'000)	26,154	24,451	26,734	36,463
Changes in inventories (RM'000)	53,598	56,424	62,488	44,966
Inventory turnover period (days) (1)	171.49	163.68	149.49	191.84

Note:

(1) Inventory turnover period is computed based on the average closing balance of inventory divided by total changes in inventories (cost of goods sold) for the respective financial year/period multiplied by number of days in the respective financial year/period. Average closing balance is derived based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year, divided by 2.

Our inventories consist of products that we purchase from our Franchisor. Generally, TBS products' shelf life are within the 36 months validity period, hence we conduct regular review of the stockholding level and inventory ageing analysis of all products in hand to ensure the quality of TBS products remain at a high level and safe for our customers.

Our stock turnover period has improved from approximately 172 days in the FYE 2016 to approximately 150 days in the FYE 2018. Our stock turnover period improved by approximately 8 days from the FYE 2016 to FYE 2017 and by 14 days for the FYE 2018. This is attributable to the higher sales and demand of TBS products during the FYE 2017 and the FYE 2018 respectively. The continued improvement in our inventory turnover days for the years under review is also reflective of our continued monitoring effort as elaborated below, to enhance our inventory management and system in demand forecasting, stock ordering and stock replenishment to our points-of-sale.

For the FPE 2019, the higher inventory turnover period of approximately 192 days was mainly due to the increase in inventory level in anticipation of the opening of new TBS points-of-sale in Vietnam, as well as the commencement of our Natura business in Malaysia in the following months.

Our demand forecasting process calculates the right volume of stock to order in anticipation of future demand for each product identification codes, or SKUs and it also ensures adequate inventory cover based on SKU productivity. Stocks are replenished to the points-of-sale via an automated process based on stock balance, historical sales, forecasted sales and model stock quantity set for every point-of-sale based on their sales trend. The complete supply chain management allows us to have the right volume in stock to fulfil our customer demand, ensures our points-of-sale are well merchandised and at its optimum level of stockholding to maximise sales while minimizing any excess or obsolete inventory. As a result, no impairment on the products was recorded for the financial years/periods under review.

11.5.4 Current ratio

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Current assets (RM'000)	146,208	164,701	56,527	53,431
Current liabilities (RM'000)	49,277	50,686	55,220	47,248
Current ratio (times)(1)	2.97	3.25	1.02	1.13

Note:

(1) Current ratio is computed based on total current assets over total current liabilities as at the respective financial year/period end.

For the FYE 2017, our current ratio increased year-on-year to 3.25 times, mainly due to higher amounts due from companies in which certain Directors have interests in, by approximately RM15.2 million.

For the FYE 2018, our current ratio reduced year-on-year to 1.02 times following the declaration of dividends amounting to RM165.0 million of which RM151.5 million was settled in cash and through off-setting with existing amounts due from companies in which certain Directors have interests on 31 December 2018. Our current ratio has improved from 1.02 times as at FYE 2018 to 1.13 times as at FPE 2019, mainly as a result of the repayment of borrowings during the current financial period.

11.5.5 Gearing and net gearing ratio

	FYE 2016	FYE 2017	FYE 2018	FPE 2019
Bank borrowings	12,062	10,000	20,505	5,703
Cash and cash equivalents	17,656	11,472	24,258	11,686
Other investments	3,638	14,554	2,241	47
Total equity	184,569	195,173	75,441	87,798
Gearing ratio (times)(1)	0.07	0.05	0.27	0.06
Net gearing ratio (times)(2)	(0.05)(3)	(0.08)(3)	(0.08)(3)	(0.07)(3)

Notes:

(1) Computed based on bank borrowings over total equity as at the respective financial year/period end.

(2) Computed based on net borrowings (total bank borrowings less cash and cash equivalents and other investments) divided by total equity.

(3) Negative net gearing ratio denotes a net cash position.

Our total borrowings decreased by RM2.1 million in the FYE 2017, mainly due to the repayment of borrowings during the year while total equity increased in tandem with the PAT recorded during the year.

These movements in our borrowings and total equity have resulted in an improvement of our Group's gearing ratio from 0.07 times as for the FYE 2016 to 0.05 times for the FYE 2017.

Our cash and cash equivalents and other investments increased by a total of RM4.7 million in the FYE 2017 as compared to the the FYE 2016. This has contributed to the improvement in our net cash position in the the FYE 2016 and the FYE 2017.

In the FYE 2018, our total borrowings increased to RM20.5 million mainly due to the additional drawdown of revolving credit for the purpose of financing our working capital. In addition, we have also utilised hire purchase for the acquisition of motor vehicles.

During the year we have also declared a total dividend of RM165.0 million to our owners. The dividend was settled through a combination of cash, offsetting of amounts due from companies in which certain Directors have interest in, and transfer of investment properties and shop lots.

The declaration of dividend as well as the increase in borrowings have resulted in a higher gearing ratio at 0.27 times for the FYE 2018. However, we were able to maintain our net cash position as at FYE 2018. Our cash and cash equivalents and other investments stood at RM26.5 million as at the FYE 2018.

For the FPE 2019, our bank borrowings reduced to RM5.7 million following the repayment of borrowings during the period. Consequently, we were able to reduce our gearing ratio to 0.06 times as compared to 0.27 times for the FYE 2018.

Further details on the dividend payments are set out in Note 22 of the Accountants' Report in Section 12 of this Prospectus.

11.5.6 Treasury policies and objectives

We have been financing our operations through a combination of shareholder equity, cash generated from our operations and external source of funds. Our external source of funds comprise credit terms granted by our supplier as well as credit facilities from a financial institution.

We have short-term bank borrowings facilities available to our Group. Our short-term bank borrowings are mainly revolving credit to finance working capital and purchases. We also utilised hire purchase for acquisition of motor vehicles. Please refer to Section 11.4.3 of this Prospectus for interest rates of the revolving credit and hire purchases.

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our cash and cash equivalents and other investments are primarily maintained in RM, VND, GBP and USD. As at 30 September 2019, the cash and cash equivalents and other investments of our Group were held in the following currencies:

Currency	RM'000
RM	7,931
VND	2,830
GBP	951
USD	22

Our revenue generated from Malaysia and Vietnam operations are typically denominated in RM and VND respectively. We also purchase goods from the Franchisor in GBP, which is partially hedged with 1-month forward exchange contracts, when necessary.

11.5.7 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the financial periods presented. However, inflation may affect our financial performance by increasing the cost of our operating expenses, including expenses relating to labour costs, selling and administrative expenses and other operating expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenues.

11.5.8 Seasonality

Our business, financial condition or results of operations are impacted by seasonality as disclosed in Section 5.11 of this Prospectus.

11.6 Order Book

As at the LPD, due to the nature of our business which is primarily a retailer of TBS products, an order book is not applicable to us.

11.7 Trend Information

As at the LPD, our Board confirms that there are no:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations other than those disclosed in this section, Sections 5 and 7 of this Prospectus;

(ii) material commitments for capital expenditure save as disclosed in Section 11.4.4 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and Section 7 of this Prospectus;

(iv) known trends, demands, commitments, events, or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section, and in Sections 5 and 7 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that have had, or that are reasonably likely to have a material favourable or unfavourable impact on our liquidity and capital resources, other than those discussed in this section, Sections 5 and 7 of this Prospectus; and

(vi) known trends, demands, commitments, events, or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and Sections 5 and 7 of this Prospectus.

Based on the outlook of the CPC industry in Malaysia, Vietnam and Cambodia as set out in Section 6 of this Prospectus, our competitive advantages and key strengths as well as our future plans and strategies as set out in Section 5 of this Prospectus, our Board is optimistic about the future prospects of our Group.

11.8 Significant changes

Save as disclosed in Section 4.1.2 of this Prospectus on our pre-listing Internal Restructuring Exercise, and the RM10.0 million dividend declared on 26 November 2019 which was paid on 27 December 2019, there are no other significant changes that have occurred which may have a material effect on the financial position and results of our Group since 30 September 2019 up to the date of this Prospectus.

11.9 Accounting standards issued that are not yet effective

The Malaysian Accounting Standards Board ("**MASB**") has issued new accounting standards, amendments and interpretations of the MFRSs which have not been adopted by the Group in the FPE 2019. Further details of the aforementioned new accounting standards, amendments and interpretations of the MFRSs are set out in Note 1(a) of the Accountants' Report in Section 12 of this Prospectus.

11.10 Dividend history/policy

Dividend History

Please refer to Note 22 of the Accountants' Report in Section 12 of this Prospectus for the details of the dividend history of the Group for FYE 2016 to FPE 2019.

The interim dividend of RM10.0 million declared on 26 November 2019 has been paid on 27 December 2019. Such payment has resulted in a decrease to the Group's cash and cash equivalents and net current assets of such amount. The effects of the dividend payment are as illustrated in Attachment A of the Pro Forma Financial Position in Section 11.11 of this Prospectus.

Dividend policy

It is the intention of our Board to recommend and distribute dividend of at least 30.0% of our annual audited PAT attributable to the shareholders of our Group. This will allow our shareholders to participate in our Group's profit. Any dividend declared will be subject to the approval of our Board.

Notwithstanding our intentions above, as a holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions we receive from our subsidiaries. The payment of dividends by our subsidiaries is subject to their profitability and financial condition and shall have regard to their working capital needs, capital expenditure plans, availability of cash to fund such dividends or other distributions, the covenants in their existing loan agreements (if any), which restrict the payment of dividends or other distributions until such loans are fully settled (or unless the prior approval of the lenders is obtained), and/or other agreements to which any of our subsidiaries are parties to and any other relevant factors that their respective boards of directors deem relevant.

Under the Franchise Framework Agreement, in determining the dividend policies of InNature and the TBS Franchisees, our Board shall take into account InNature's and the TBS Franchisees' annual business plan in respect of each of the TBS Franchisees and the anticipated funding needs of each entity for the purposes of meeting the agreed targets set out within the relevant Franchise Agreements. The dividend policies of InNature and the TBS Franchisees should be provided to TBSI and TBSI should be notified of any changes to the dividend policies. Please see Section 5.15.2(m) of this Prospectus for the relevant provision under the Franchise Framework Agreement.

In respect of our Vietnam subsidiary, there are no restrictions on the repatriation of capital and remittance of profits by TBS Vietnam so long as all financial obligations owed to the government of Vietnam have been satisfied.

Whereas in respect of our subsidiary in Cambodia, the Law on Foreign Exchange (No. CS/RKM/0897/03 dated 22 August 1997) which governs foreign exchange operations in Cambodia imposes no restrictions on remittances of dividends in foreign currency to their foreign shareholders overseas and repatriation of fund or investment back to home country provided that all relevant applicable taxes are cleared first. However, Cambodian law requires that such operations to be undertaken only through authorised intermediaries, which are banks permanently established and licensed in Cambodia; and a prior declaration be made to the National Bank of Cambodia for any investment of an amount equalling or exceeding USD100,000 made abroad by a Cambodian resident, if any. There is no restriction on Green Cosmetics, after paying necessary withholding taxes at a rate of 14% for the remittance of dividends and interest payment to InNature, so long as such remittance is performed only through authorised intermediaries as mentioned above.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, our Board will also take into consideration, among others, the following factors in recommending dividends for the year:

(i) our results of operations and cash flow;

(ii) our expected financial performance and working capital needs;

(iii) our future prospects;

(iv) our capital expenditures and other investment plans;

(v) other investment and growth plans;

(vi) any material impact of tax laws and other regulatory requirements; and

(vii) the general economic and business conditions and other factors deemed relevant by our Board.

You should note that this dividend policy merely describes our Company's present intention and shall not constitute a legally binding obligation on our Company or legally binding statement in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. Investors should not treat the statement as an indication of our Group's future dividend policy.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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11.11 Reporting Accountants' Report on the Pro Forma Consolidated Financial Position

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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The Board of Directors
InNature Berhad
5, Jalan USJ 10/1C
47620 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia

10 January 2020

Dear Sirs,

InNature Berhad ("InNature" or the "Company") and its subsidiaries (collectively, the "Group")

Report on the compilation of pro forma consolidated statement of financial position for inclusion in the Company's prospectus in connection with the initial public offering of 177,274,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Prospectus") ("IPO")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of the Group as at 30 September 2019 ("Pro Forma Financial Position") prepared by the management of the Company. The Pro Forma Financial Position and the related notes as set out in Attachment A have been stamped by us for identification purposes. The applicable criteria in the preparation of the Pro Forma Financial Position is in accordance with Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines"). The basis on which the Board of Directors of the Company (the "Directors") has compiled the Pro Forma Financial Position is described in the notes of Attachment A to the Pro Forma Financial Position.

The Pro Forma Financial Position has been compiled by the Directors for inclusion in the Prospectus solely to illustrate the impact of the transactions as set out in the notes of Attachment A on the Group's consolidated statement of financial position as at 30 September 2019, as if the transactions had taken place as at 30 September 2019. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's audited consolidated interim financial statements for the period ended 30 September 2019, on which an auditors' report dated 27 November 2019 has been issued.

KPMG

Directors' Responsibility for the Pro Forma Financial Position

The Directors are responsible for compiling the Pro Forma Financial Position on the basis described in the notes of Attachment A as required by the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors has compiled, in all material respects, the Pro Forma Financial Position on the basis described in the notes of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Position.

Reporting Accountants' Responsibilities (continued)

The purpose of the Pro Forma Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Financial Position has been compiled, in all material respects, on the basis described in the notes to the Pro Forma Financial Position in Attachment A.

KPMG

Other Matters

Our report on the Pro Forma Financial Position has been prepared for inclusion in the Company's Prospectus in connection with the IPO and should not be relied upon for any other purposes.

KPMG PLT	**Foong Mun Kong**
(LLP0010081-LCA & AF 0758)	Approval Number: 02613/12/2020 J
Chartered Accountants	Chartered Accountant

Attachment A

InNature Berhad (the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Financial Position

The pro forma consolidated statement of financial position of the Group as at 30 September 2019 ("Pro Forma Financial Position") as set out below has been prepared for illustrative purposes only to show the effects of the transactions referred to in Note 2 had these transactions been effected on 30 September 2019, and should be read in conjunction with the said notes to the Pro Forma Financial Position.

	Notes	As at 30 September 2019* RM'000	Subsequent events RM'000	Initial Public Offering ("IPO") RM'000	Pro Forma I After subsequent events and the IPO RM'000
Assets					
Property, plant and equipment	3(a)	11,679	-	34,500	46,179
Right-of-use assets		23,597	-	-	23,597
Intangible assets		52,973	-	-	52,973
Deferred tax assets		687	-	-	687
Receivables and deposits		6,186	-	-	6,186
Total non-current assets		95,122	-	34,500	129,622
Inventories		36,463	-	-	36,463
Receivables, deposits and prepayments		5,204	-	-	5,204
Current tax assets		31	-	-	31
Other investments		47	-	-	47
Cash and cash equivalents	3(b)	11,686	(8,112)	5,755	9,329
Total current assets		53,431	(8,112)	5,755	51,074
Total assets		148,553	(8,112)	40,255	180,696
Equity					
Share capital	3(c)	2,500	1,888	48,820	53,208
Reserves	3(d)	85,298	(10,000)	(7,837)	67,461
Total equity		87,798	(8,112)	40,983	120,669
Liabilities					
Provision for restoration costs		2,225	-	-	2,225
Loans and borrowings		314	-	-	314
Lease liabilities		10,968	-	-	10,968
Total non-current liabilities		13,507	-	-	13,507
Provision for restoration costs		181	-	-	181
Loans and borrowings		5,389	-	-	5,389
Lease liabilities		13,489	-	-	13,489
Contract liabilities		1,401	-	-	1,401
Payables and accruals		23,512	-	(728)	22,784
Current tax liabilities		3,276	-	-	3,276
Total current liabilities		47,248	-	(728)	46,520
Total liabilities		60,755	-	(728)	60,027
Total equity and liabilities		148,553	(8,112)	40,255	180,696
No. of ordinary shares ('000)		2,500	631,807	705,881	705,881

* *Extracted from the Group's audited consolidated interim financial statements for the financial period ended 30 September 2019*

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Attachment A

InNature Berhad (the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

Notes to the Pro Forma Financial Position

The pro forma consolidated statement of financial position of the Group as at 30 September 2019 ("Pro Forma Financial Position") has been prepared for inclusion in the prospectus of the Company to be issued in connection with the initial public offering of up to 177,274,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Prospectus") ("IPO") and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria in the preparation of the Pro Forma Financial Position is in accordance with Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC").

The Pro Forma Financial Position has been prepared based on the Group's audited consolidated interim financial statements for the period ended 30 September 2019, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 2.

The auditors' report dated 27 November 2019 on the Group's audited consolidated interim financial statements for the period ended 30 September 2019 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Financial Position is not necessarily indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. The Pro Forma Financial Position has been prepared for illustrative purposes only.

2. Pro forma adjustments to the Pro Forma Financial Position

The Pro Forma Financial Position illustrates the effects of the following events or transactions:

<u>Subsequent events</u>

(i) Dividend declaration

On 26 November 2019, the Company declared a dividend amounting to RM10,000,000 for the financial year ended 31 December 2019 in cash. The dividends were paid to the entitled shareholders of the Company on 27 December 2019.

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Attachment A

InNature Berhad (the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Financial Position (continued)

Subsequent events (continued)

(ii) Internal restructuring

On 15 May 2019, Etheco Sdn Bhd ("Etheco") had entered into a share sale agreement with Dato' Foong Choong Heng ("Dato' Simon") and Datin Cheah Kim Choo ("Datin Mina") to acquire their entire shareholdings in the Company, which is in aggregate the entire issued share capital of InNature of RM2,500,000 comprising 2,500,000 ordinary shares ("InNature Acquisition"). The purchase consideration for the InNature Acquisition was based on the consolidated net asset value of the Group as at 31 December 2018 of RM75,803,000. The purchase consideration was satisfied entirely by the issuance of 2,500,000 ordinary shares in Etheco to Dato' Simon and Datin Mina in equal proportion. The InNature Acquisition shares were transferred to Etheco by share transfer forms dated 25 October 2019, and was completed on 13 December 2019 upon the completion of the stamping and registration of the share transfer pursuant to the Companies Act 2016.

Further to the InNature Acquisition, the Company issued new ordinary shares to BluPlanet Sdn Bhd, Pelagos Sdn Bhd and Primarium Sdn Bhd (totalling 1,887,552 ordinary shares) in the following proportions ("Promoters Share Issuance") of 1,593,400 ordinary shares (36.32%), 147,076 ordinary shares (3.35%) and 147,076 ordinary shares (3.35%) respectively at a nominal price of RM1.00 per ordinary share on 20 December 2019.

(iii) Subdivision of ordinary shares

On 24 December 2019, the Company had carried out a subdivision of the entire issued share capital of RM4,387,552 comprising 4,387,552 ordinary shares into RM4,387,552 comprising 631,807,488 ordinary shares.

Pro Forma I – Initial Public Offering ("IPO")

(i) Public Issue

The Public Issue of 74,074,000 new ordinary shares in the Company ("Issue Shares") at a price of RM0.68 per Issue Share.

Upon completion of the IPO, the Company's enlarged issued share capital will increase to RM53,208,000 comprising 705,881,488 ordinary shares.

(ii) Offer for Sale

The Offer for Sale by BluPlanet Sdn Bhd ("Selling Shareholder") of 103,200,000 ordinary shares in the Company ("Offer Shares") at a price of RM0.68 per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The Offer for Sale is anticipated to raise gross proceeds of approximately RM70,176,000 which will accrue entirely to the Selling Shareholder.

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Attachment A

InNature Berhad (the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Financial Position (continued)

Pro Forma I – Initial Public Offering ("IPO") (continued)

(iii) Use of proceeds

The estimated gross proceeds from the Public Issue of approximately RM50,370,000 is intended to be used as follows:

	RM'000
Capital expenditure[(1)]	*34,500*
Working capital	*3,800*
New business development[(1)]	*5,700*
Estimated listing expenses[(2)]	*6,370*
	50,370

Notes:

[(1)] *Paragraph 9.18(a)(ii) of the Prospectus Guidelines issued by the SC requires that the Pro Forma Financial Position to be adjusted for the use of proceeds to be raised from the Public Issue. As at the latest practicable date of 31 December 2019, the use of proceeds for capital expenditure and new business development are not factually supportable by any purchase orders, sales and purchase agreements or contractual binding arrangements. However, in accordance with Paragraph 9.18(a)(ii) of the Prospectus Guidelines issued by the SC, the Group has illustrated the use of proceeds for capital expenditure and new business development to be raised from the Public Issue in the Pro Forma Financial Position.*

[(2)] *The breakdown of estimated listing expenses comprises the following:*

	RM'000
Professional fees	*4,162*
Fees to authorities	*595*
Brokerage, underwriting and placement fees	*908*
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the Public Issue	*705*
	6,370

The total listing expenses to be borne by the Company is estimated to be RM6,370,000. As of 30 September 2019, RM2,683,000 has been charged to the profit or loss of the Group and RM1,955,000 has been paid.

Upon completion of the IPO, the estimated listing expenses of RM1,550,000 directly attributable to the Public Issue will be debited against the share capital of the Company and the remaining estimated listing expenses of RM2,137,000 will be charged to the profit or loss of the Group.

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Attachment A

InNature Berhad (the "Company") and its subsidiaries (the "Group")
Pro Forma Financial Position and the notes thereon

3. Effects on the Pro Forma Financial Position

(a) Movement in property, plant and equipment

	RM'000
Balance as at 30 September 2019	11,679
Effect of the IPO:	
- Capital expenditure	34,500
Pro Forma I	46,179

(b) Movement in cash and cash equivalents

	RM'000
Balance as at 30 September 2019	11,686
Effects of subsequent events:	
- Dividend payment	(10,000)
- Promoters Share Issuance	1,888
Effects of the IPO:	
- Gross proceeds from the Public Issue	50,370
- Use of proceeds, capital expenditure	(34,500)
- Use of proceeds, new business development	(5,700)
- Use of proceeds, estimated listing expenses	(4,415)
Pro Forma I	9,329

(c) Movement in share capital

	RM'000
Balance as at 30 September 2019	2,500
Effect of subsequent event:	
- Promoters Share Issuance	1,888
Effects of the IPO:	
- Shares issued under the Public Issue	50,370
- Estimated listing expenses	(1,550)
Pro Forma I	53,208

(d) Movement in reserves

	Business combination reserve RM'000	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total reserves RM'000**
Balance as at 30 September 2019	4,636	329	80,333	85,298
Effect of subsequent event:				
- Dividend payment	-	-	(10,000)	(10,000)
Effects of the IPO:				
- New business development	-	-	(5,700)	(5,700)
- Estimated listing expenses	-	-	(2,137)	(2,137)
Pro Forma I	4,636	329	62,496	67,461

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PETALING JAYA

InNature Berhad

(Registration No. 199401034915 (320598-X))
(Incorporated in Malaysia)

and its subsidiaries

Accountants' Report on the Consolidated Financial Statements

InNature Berhad

(Registration No. 199401034915 (320598-X))
(Incorporated in Malaysia)

and its subsidiaries

Consolidated statements of financial position

	Note	30.9.2019 Audited RM'000	31.12.2018 Audited RM'000	31.12.2017 Audited RM'000	31.12.2016 Audited RM'000
Assets					
Property, plant and equipment	3	11,679	6,398	10,186	11,873
Right-of-use assets	4	23,597	23,759	25,608	30,101
Investment properties	5	-	-	833	867
Intangible assets	6	52,973	51,275	51,395	51,515
Other investments	7	-	-	-	6,469
Deferred tax assets	8	687	440	704	232
Receivables and deposits	10	6,186	5,808	5,673	5,794
Total non-current assets		95,122	87,680	94,399	106,851
Inventories	9	36,463	26,734	24,451	26,154
Receivables, deposits and prepayments	10	5,204	3,271	114,224	98,760
Current tax assets		31	23	-	-
Other investments	7	47	2,241	14,554	3,638
Cash and cash equivalents	11	11,686	24,258	11,472	17,656
Total current assets		53,431	56,527	164,701	146,208
Total assets		148,553	144,207	259,100	253,059
Equity					
Share capital		2,500	2,500	#	#
Reserves		85,298	72,941	195,173	184,569
Total equity	12	87,798	75,441	195,173	184,569
Liabilities					
Provision for restoration costs	13	2,225	2,105	2,030	1,898
Loans and borrowings	14	314	151	-	-
Lease liabilities	15	10,968	11,290	11,211	17,315
Total non-current liabilities		13,507	13,546	13,241	19,213
Provision for restoration costs	13	181	125	18	-
Loans and borrowings	14	5,389	20,354	10,000	12,062
Lease liabilities	15	13,489	12,831	15,354	13,828
Contract liabilities	16	1,401	1,938	1,568	1,531
Payables and accruals	17	23,512	15,688	19,945	18,130
Current tax liabilities		3,276	4,284	3,801	3,726
Total current liabilities		47,248	55,220	50,686	49,277
Total liabilities		60,755	68,766	63,927	68,490
Total equity and liabilities		148,553	144,207	259,100	253,059

# denotes RM2 of issued and fully paid ordinary shares in the consolidated financial statements.

InNature Berhad

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Consolidated statements of profit or loss and other comprehensive income

	Note	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Revenue	18	138,195	132,322	184,474	171,919	159,902
Other operating income	19	1,233	944	1,606	1,011	2,011
Total operating revenue		139,428	133,266	186,080	172,930	161,913
Operating expenses						
Changes in inventories		(44,966)	(44,014)	(62,488)	(56,424)	(53,598)
Rental expenses		(2,664)	(1,142)	(1,629)	(1,878)	(1,341)
Employee related expenses		(29,762)	(27,125)	(36,453)	(36,778)	(31,854)
Selling and distribution expenses		(3,200)	(3,230)	(4,744)	(4,274)	(4,029)
Advertising and promotion expenses		(3,470)	(3,289)	(4,716)	(3,794)	(3,504)
Depreciation and amortisation expenses		(15,672)	(15,660)	(20,860)	(20,808)	(21,042)
Other operating expenses		(5,576)	(4,182)	(6,138)	(6,097)	(7,469)
Total operating expenses		(105,310)	(98,642)	(137,028)	(130,053)	(122,837)
Profit from operations		34,118	34,624	49,052	42,877	39,076
Finance income		356	1,100	1,277	742	617
Finance costs	20	(1,650)	(1,331)	(1,809)	(2,866)	(2,686)
Listing-related expenses		(2,683)	-	-	-	-
Fair value loss on other investments		-	-	-	(4,230)	(234)
Impairment loss on other investments		-	-	-	(2,239)	-
Fair value gain arising from distribution of non-cash assets to owners		-	-	10,030	-	-
Profit before tax		30,141	34,393	58,550	34,284	36,773
Tax expense	21	(7,900)	(8,534)	(12,925)	(10,184)	(9,960)
Profit for the period/year		22,241	25,859	45,625	24,100	26,813

Consolidated statements of profit or loss and other comprehensive income (continued)

	Note	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Other comprehensive income/ (loss), net of tax						
Item that is or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operation, representing other comprehensive income/(loss) for the period/year		116	(83)	(349)	(1,496)	430
Total comprehensive income for the period/year		22,357	25,776	45,276	22,604	27,243
Profit attributable to:						
Owners of the Company		22,241	25,859	45,625	24,100	26,813
Non-controlling interests		-	-	-	-	-
Profit for the period/year		22,241	25,859	45,625	24,100	26,813
Total comprehensive income attributable to:						
Owners of the Company		22,357	25,776	45,276	22,604	27,243
Non-controlling interests		-	-	-	-	-
Total comprehensive income for the period/year		22,357	25,776	45,276	22,604	27,243

InNature Berhad
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Consolidated statements of changes in equity

Audited	Note	Share capital RM'000	*Non-distributable* Business combination reserve RM'000	Translation reserve RM'000	*Distributable* Retained earnings RM'000	Total Equity RM'000
At 1 January 2016		#	17,240	1,668	152,451	171,359
Adjustments on initial application of:						
- MFRS 15		-	-	-	(1,780)	(1,780)
- MFRS 16		-	-	(40)	(213)	(253)
At 1 January 2016		#	17,240	1,628	150,458	169,326
Profit for the year		-	-	-	26,813	26,813
Foreign currency translation differences for foreign operation, representing total other comprehensive income for the year		-	-	430	-	430
Total comprehensive income for the year		-	-	430	26,813	27,243
Transaction with owners						
Dividends to owners of the Company	22	-	-	-	(12,000)	(12,000)
Total transaction with owners		-	-	-	(12,000)	(12,000)
At 31 December 2016/ 1 January 2017		#	17,240	2,058	165,271	184,569
Profit for the year		-	-	-	24,100	24,100
Foreign currency translation differences for foreign operation, representing total other comprehensive loss for the year		-	-	(1,496)	-	(1,496)
Total comprehensive income for the year		-	-	(1,496)	24,100	22,604
Transaction with owners						
Dividends to owners of the Company	22	-	-	-	(12,000)	(12,000)
Total transaction with owners		-	-	-	(12,000)	(12,000)
At 31 December 2017		#	17,240	562	177,371	195,173

Consolidated statements of changes in equity (continued)

Audited	Note	*Non-distributable* Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	*Distributable* Retained earnings RM'000	Total Equity RM'000
At 1 January 2018		#	17,240	562	177,371	195,173
Profit for the year		-	-	-	45,625	45,625
Foreign currency translation differences for foreign operation, representing total other comprehensive loss for the year		-	-	(349)	-	(349)
Total comprehensive income for the year		-	-	(349)	45,625	45,276
Transaction with owners						
Bonus issue		2,500	-	-	(2,500)	-
Dividends to owners of the Company	22	-	(12,604)	-	(152,404)	(165,008)
Total transaction with owners		2,500	(12,604)	-	(154,904)	(165,008)
At 31 December 2018/ 1 January 2019		2,500	4,636	213	68,092	75,441
Profit for the period		-	-	-	22,241	22,241
Foreign currency translation differences for foreign operation, representing total other comprehensive income for the period		-	-	116	-	116
Total comprehensive income for the period		-	-	116	22,241	22,357
Transaction with owners						
Dividends to owners of the Company	22	-	-	-	(10,000)	(10,000)
Total transaction with owners		-	-	-	(10,000)	(10,000)
At 30 September 2019		2,500	4,636	329	80,333	87,798
		Note 12.1	Note 12.2	Note 12.3		

Consolidated statements of changes in equity (continued)

Unaudited	Note	*Non-distributable* Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	*Distributable* Retained earnings RM'000	Total Equity RM'000
At 1 January 2018		#	17,240	562	177,371	195,173
Profit for the period		-	-	-	25,859	25,859
Foreign currency translation differences for foreign operation, representing total other comprehensive loss for the period		-	-	(83)	-	(83)
Total comprehensive income for the period		-	-	(83)	25,859	25,776
Transaction with owners						
Dividends to owners of the Company	22	-	(12,527)	-	-	(12,527)
Total transaction with owners		-	(12,527)	-	-	(12,527)
At 30 September 2018		#	4,713	479	203,230	208,422

# denotes RM2 of issued and fully paid ordinary shares in the consolidated financial statements.

InNature Berhad
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Consolidated statements of cash flows

	Note	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Cash flows from operating activities						
Profit before tax		30,141	34,393	58,550	34,284	36,773
Adjustments for:						
Depreciation of:						
- property, plant and equipment		2,856	2,986	3,772	4,740	5,237
- right-of-use assets		12,675	12,559	16,934	15,914	14,831
- investment properties		-	25	34	34	34
Amortisation of intangible assets		141	90	120	120	940
Fair value losses on other investments		-	-	-	4,230	234
Impairment loss on other investments		-	-	-	2,239	-
Fair value gain arising from distribution of non-cash assets to owners		-	-	(10,030)	-	-
Gain on disposal of property, plant and equipment		(260)	(185)	(735)	-	-
Write down of property, plant and equipment		72	-	-	90	-
Finance income		(356)	(1,100)	(1,277)	(742)	(617)
Finance costs		1,650	1,331	1,809	2,866	2,686
Unrealised losses/(gains) on foreign exchange		27	-	(19)	(180)	161
Listing-related expenses		2,683	-	-	-	-
Operating profit before changes in working capital		49,629	50,099	69,158	63,595	60,279
Changes in working capital:						
Inventories		(9,667)	(5,478)	(2,282)	1,385	(1,823)
Receivables, deposits and prepayments		(1,891)	(861)	(403)	(247)	(284)
Payables and accruals and contract liabilities		3,617	(1,383)	(3,222)	4,139	(1,256)
Provision for restoration costs		170	182	182	171	112
Lease liabilities		(13,628)	(14,267)	(19,226)	(18,433)	(16,664)
Cash generated from operations		28,230	28,292	44,207	50,610	40,364
Income tax paid		(9,215)	(8,382)	(12,202)	(10,567)	(8,668)
Net cash generated from operating activities		19,015	19,910	32,005	40,043	31,696

Consolidated statements of cash flows (continued)

	Note	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Cash flow from investing activities						
(Advances to)/Repayments from related parties		-	(5,274)	1,832	(15,451)	(23,795)
(Repayments to)/Advances from Directors		-	-	(1,035)	(1,394)	2,429
Acquisition of plant and equipment	(i)	(7,473)	(1,134)	(1,969)	(3,188)	(3,026)
Proceeds from disposal of investment properties and property, plant and equipment		260	185	734	-	-
Withdrawal/(Placement) of other investments		2,209	4,683	12,305	(11,827)	(3,581)
Interest received		356	615	1,277	742	617
Net cash (used in)/from investing activities		(4,648)	(925)	13,144	(31,118)	(27,356)
Cash flows from financing activities						
Repayment of other borrowings	(iii)	(262)	(114)	(200)	(62)	(102)
(Repayment of)/Drawdown from revolving credit	(iii)	(15,000)	(10,000)	10,000	(2,000)	6,500
Change in pledged deposits		434	(13)	(13)	(13)	(13)
Interest paid		(204)	(95)	(112)	(380)	(77)
Listing-related expenses		(1,511)	-	-	-	-
Dividend paid		(10,000)	-	(42,054)	(12,000)	(12,000)
Net cash used in financing activities		(26,543)	(10,222)	(32,379)	(14,455)	(5,692)
Net movement in cash and cash equivalents		(12,176)	8,763	12,770	(5,530)	(1,352)
Effect of exchange rate fluctuations on cash held		38	(81)	3	(667)	337
Cash and cash equivalents at the beginning of period/year		23,824	11,051	11,051	17,248	18,263
Cash and cash equivalents at the end of period/year	(ii)	11,686	19,733	23,824	11,051	17,248

Consolidated statements of cash flows (continued)

Notes to consolidated statements of cash flows

Cash outflows for leases as a lessee

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	(320)	(171)	(312)	(283)	(5)
Payment relating to variable lease payments not included in the measurement of lease liabilities	(1,286)	(1,117)	(1,696)	(1,474)	(848)
Interest paid in relation to lease liabilities	(1,446)	(1,236)	(1,697)	(2,486)	(2,609)
Payment of lease liabilities	(12,182)	(13,032)	(17,529)	(15,947)	(16,664)
Total cash outflows for leases	(15,234)	(15,556)	(21,234)	(20,190)	(20,126)

(i) *Acquisition of plant and equipment*

During the financial periods/years, the Group acquired plant and equipment with an aggregate cost of RM8,181,000 (30.9.2018 (Unaudited): RM1,839,000; 31.12.2018: RM2,674,000; 31.12.2017: RM3,188,000; 31.12.2016: RM3,026,000) of which RM460,000 (30.9.2018 (Unaudited): RM705,000; 31.12.2018: RM705,000; 31.12.2017: RM Nil; 31.12.2016: RM Nil) were acquired by means of hire purchase borrowings.

(ii) *Cash and cash equivalents*

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

	30.9.2019 Audited RM'000	30.9.2018 Unaudited RM'000	31.12.2018 Audited RM'000	31.12.2017 Audited RM'000	31.12.2016 Audited RM'000
Cash and bank balances	11,686	19,733	23,824	10,695	8,051
Deposits placed with licensed banks	-	434	434	777	9,605
	11,686	20,167	24,258	11,472	17,656
Less:					
Deposits pledged	-	(434)	(434)	(421)	(408)
	11,686	19,733	23,824	11,051	17,248

Consolidated statements of cash flows (continued)

Notes to consolidated statements of cash flows (continued)

(iii) Reconciliation of liabilities arising from financing activities

The following table illustrated the changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash charges during the financial period and years under review:

Audited	**At 1.1.2019 RM'000**	**Net changes from financing cash flows RM'000**	**New hire purchase borrowings RM'000**	**At 30.9.2019 RM'000**
Other borrowings	505	(262)	460	703
Revolving credit	20,000	(15,000)	-	5,000
	20,505	(15,262)	460	5,703

Unaudited	**At 1.1.2018 RM'000**	**Net changes from financing cash flows RM'000**	**New hire purchase borrowings RM'000**	**At 30.9.2018 RM'000**
Other borrowings	-	(114)	705	591
Revolving credit	10,000	(10,000)	-	-
	10,000	(10,114)	705	591

Audited	**At 1.1.2018 RM'000**	**Net changes from financing cash flows RM'000**	**New hire purchase borrowings RM'000**	**At 31.12.2018 RM'000**
Other borrowings	-	(200)	705	505
Revolving credit	10,000	10,000	-	20,000
	10,000	9,800	705	20,505

Consolidated statements of cash flows (continued)

Notes to consolidated statements of cash flows (continued)

(iii) Reconciliation of liabilities arising from financing activities (continued)

Audited	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	New hire purchase borrowings RM'000	At 31.12.2017 RM'000
Other borrowings	62	(62)	-	-
Revolving credit	12,000	(2,000)	-	10,000
	12,062	(2,062)	-	10,000

Audited	At 1.1.2016 RM'000	Net changes from financing cash flows RM'000	New hire purchase borrowings RM'000	At 31.12.2016 RM'000
Other borrowings	164	(102)	-	62
Revolving credit	5,500	6,500	-	12,000
	5,664	6,398	-	12,062

InNature Berhad
(Registration No. 199401034915 (320598-X))
(Incorporated in Malaysia)
and its subsidiaries

Notes to the consolidated financial statements

InNature Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
5, Jalan USJ 10/1C
47620 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia

Registered office
802, 8th Floor, Block C
Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

The Company is principally engaged in providing consultancy services and in investment holding, whilst the principal activities of the subsidiaries are set out in Note 28.

The consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") have been prepared in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

1. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group for the financial years ended 31 December 2018, 2017 and 2016, and for the financial period ended 30 September 2019, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia.

Changes in accounting policies

The Group has adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Changes in accounting policies (continued)

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards.

The adoption of MFRS 15 has a material financial impact to the consolidated financial statements of the Group. The consolidated comparative figures were restated and the cumulative impact arising from the adoption was recognised in the retained earnings as at 1 January 2016 as disclosed in Note 29.

(ii) MFRS 9, *Financial Instruments*

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The adoption of MFRS 9 does not have a material financial impact to the consolidated financial statements of the Group.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The adoption of MFRS 16 has a material financial impact to the consolidated financial statements of the Group. The consolidated comparative figures were restated and the cumulative impact arising from the adoption was recognised in the retained earnings as at 1 January 2016 as disclosed in Note 30.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Changes in accounting policies (continued)

The following are the accounting standards and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned amendments from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 4 Right-of-use Assets and Note 6 Intangible Assets.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers*, MFRS 9, *Financial Instruments*, and MFRS 16, *Leases,* there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition;
iii) impairment losses of financial instruments; and
iv) leases

as compared to those adopted in previous years' audited financial statements. The impacts arising from the changes are disclosed in Notes 29 and 30 respectively.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

2. Significant accounting policies (continued)

(c) Financial instruments

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments as follows:

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(a) Amortised cost (continued)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(k)(i)).

Financial liabilities

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets are recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets (continued)

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods of the assets are as follows:

Buildings	50 years
Furniture and fittings	2 – 5 years
Office equipment	2 – 5 years
Renovation	3 – 5 years
Electrical fittings	4 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leases

The Group has applied MFRS 16 using the full retrospective approach, under which the effect of initial application is recognised as an adjustment to retained earnings at 1 January 2016. Accordingly, the comparative information for 2016, 2017 and 2018 have been restated and the impact of the adoption of MFRS 16 has been disclosed in Note 30.

(i) Definition of a lease

A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

(c) the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer has designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

(a) fixed payments, including in-substance fixed payments;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable under a residual value guarantee;
(d) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period of the Group is reasonably certain to exercise an extension option; and
(e) penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less or leases of low-value assets less than RM20,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(f) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Depreciation for building is recognised in profit or loss on a straight-line basis over the estimated useful life of 50 years. Investment property under construction is measured at cost and is not depreciated until the assets are ready for their intended use.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(f) Investment property (continued)

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without involvement of independent valuers. In the absence of valuation report, the valuations for the investment properties will be prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Significant assumptions in arriving at the fair value of investment properties in use are disclosed in Note 5.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Franchise rights

Franchise rights have finite useful lives and are measured at cost less any accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Franchise rights are amortised from the date that they are available for use. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of franchise rights which is estimated to be 10 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method, and included expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Allowance is made for obsolete and slow-moving inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Contract liability

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received from the customers.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group generally applied the following accounting policies retrospectively.

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group applies the simplified approach for trade receivables that result from transactions that are within the scope of MFRS 15, *Revenue from Contracts with Customers*, where the Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain significant financing component in accordance with MFRS 15.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, current tax assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory contribution plans are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for restoration costs

Provision for restoration costs is included in the carrying amounts of renovation. This provision is recognised in respect of the Group's obligation to restore leased stores to its original state upon the end of the tenancy agreements. The restorations costs are recognised as part of the costs of property, plant and equipment.

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other operating income.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(p) Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

2. Significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Significant accounting policies (continued)

(t) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Note	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Capital work in progress RM'000	Electrical fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2016		3,816	12,999	4,536	21,171	-	1,211	5,459	49,192
Additions		-	559	234	1,687	-	122	424	3,026
Effect of movements in exchange rates		-	86	1	1	-	-	-	88
At 31 December 2016/1 January 2017		3,816	13,644	4,771	22,859	-	1,333	5,883	52,306
Additions		-	1,109	184	1,585	-	130	180	3,188
Write off		-	(58)	(14)	(179)	-	(13)	-	(264)
Effect of movements in exchange rates		-	(278)	(11)	(18)	-	-	-	(307)
At 31 December 2017/1 January 2018		3,816	14,417	4,930	24,247	-	1,450	6,063	54,923
Additions		-	498	307	1,092	-	3	774	2,674
Disposals		(3,816)	-	-	-	-	-	(2,890)	(6,706)
Effect of movements in exchange rates		-	2	-	-	-	-	-	2
At 31 December 2018/1 January 2019		-	14,917	5,237	25,339	-	1,453	3,947	50,893
Additions		-	4,657	719	1,695	284	175	651	8,181
Write off	3.2	-	(6,721)	(1,789)	(11,720)	-	(311)	-	(20,541)
Disposals		-	-	-	-	-	-	(1,313)	(1,313)
Utilisation of provision of restoration cost		-	-	-	(58)	-	-	-	(58)
Effect of movements in exchange rates		-	54	3	8	-	-	-	65
At 30 September 2019		-	12,907	4,170	15,264	284	1,317	3,285	37,227

3. Property, plant and equipment (continued)

	Note	Buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Capital work in progress RM'000	Electrical fittings RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2016		906	8,940	4,004	16,583	-	638	4,057	35,128
Depreciation for the year		76	1,652	347	2,236	-	247	679	5,237
Effect of movements in exchange rates		-	64	2	2	-	-	-	68
At 31 December 2016/1 January 2017		982	10,656	4,353	18,821	-	885	4,736	40,433
Depreciation for the year		77	1,357	262	2,243	-	240	561	4,740
Write off		-	(22)	(9)	(136)	-	(7)	-	(174)
Effect of movements in exchange rates		-	(252)	(5)	(5)	-	-	-	(262)
At 31 December 2017/1 January 2018		1,059	11,739	4,601	20,923	-	1,118	5,297	44,737
Depreciation for the year		70	1,135	210	1,734	-	165	458	3,772
Disposals		(1,129)	-	-	-	-	-	(2,886)	(4,015)
Effect of movements in exchange rates		-	1	-	-	-	-	-	1
At 31 December 2018/1 January 2019		-	12,875	4,811	22,657	-	1,283	2,869	44,495
Depreciation for the period		-	1,191	213	1,067	-	105	280	2,856
Write off	3.2	-	(6,682)	(1,788)	(11,688)	-	(311)	-	(20,469)
Disposals		-	-	-	-	-	-	(1,313)	(1,313)
Utilisation of provision of restoration cost		-	-	-	(58)	-	-	-	(58)
Effect of movements in exchange rates		-	32	1	4	-	-	-	37
At 30 September 2019		-	7,416	3,237	11,982	-	1,077	1,836	25,548
Carrying amounts									
At 31 December 2016/1 January 2017		2,834	2,988	418	4,038	-	448	1,147	11,873
At 31 December 2017/1 January 2018		2,757	2,678	329	3,324	-	332	766	10,186
At 31 December 2018/1 January 2019		-	2,042	426	2,682	-	170	1,078	6,398
At 30 September 2019		-	5,491	933	3,282	284	240	1,449	11,679

3. Property, plant and equipment (continued)

3.1 Property, plant and equipment acquired under hire purchase borrowings

Included in property, plant and equipment of the Group are motor vehicles acquired under hire purchase borrowing agreements with carrying amounts of RM1,208,000 (2018: RM684,000; 2017: RM Nil; 2016: RM Nil).

3.2 Property, plant and equipment written off

During the financial period ended 30 September 2019, the Group reassessed the use of some of its plant and equipment. Consequently, plant and equipment with a carrying amount of RM72,000 was written off. Included in the plant and equipment written off are fully depreciated plant and equipment with original cost of RM20,232,000.

4. Right-of-use assets

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Cost				
At the beginning of the financial period/year	33,266	32,929	30,741	22,994
Additions	12,449	15,081	11,997	21,795
Expiration of lease contracts	(18,576)	(14,746)	(9,328)	(14,171)
Effect of movement in exchange rates	184	2	(481)	123
At the end of the financial period/year	27,323	33,266	32,929	30,741
Accumulated depreciation				
At the beginning of the financial period/year	9,507	7,321	640	-
Depreciation for the period/year	12,675	16,934	15,914	14,831
Expiration of lease contracts	(18,576)	(14,746)	(9,328)	(14,171)
Effect of movement in exchange rates	120	(2)	95	(20)
At the end of the financial period/year	3,726	9,507	7,321	640
Carrying amounts	23,597	23,759	25,608	30,101

The Group leases buildings for its office spaces and retail stores. The lease typically run for a period of 1 to 7 years. The leases expire upon the expiry of the initial term.

4.1 Significant judgements and assumptions in relation to leases

The Group applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Investment properties

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Cost				
At the beginning of the financial period/year	-	1,678	1,678	1,678
Disposal	-	(1,678)	-	-
At the end of the financial period/year	-	-	1,678	1,678
Accumulated depreciation				
At the beginning of the financial period/year	-	845	811	777
Depreciation charge for the financial period/year	-	34	34	34
Disposal	-	(879)	-	-
At the end of the financial period/year	-	-	845	811
Carrying amounts	-	-	833	867

The following are recognised in profit or loss in respect of investment properties:

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Rental income	-	159	216	158	239
Direct operating expenses	-	(18)	(18)	(13)	(13)

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	30.9.2019 Level 3 RM'000	31.12.2018 Level 3 RM'000	31.12.2017 Level 3 RM'000	31.12.2016 Level 3 RM'000
Buildings	-	-	6,169	7,263

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

5. Investment properties (continued)

5.1 Fair value information (continued)

Level 3 fair value (continued)

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected annual rental to be received from the letting of the property. The expected net cash flows are discounted by applying a range of yields up to 50 years.	Rental yields (2019: Nil; 2018: Nil; 2017: 2.40% to 3.07%; 2016: 2.40% to 3.07%)	The estimated fair value would increase (decrease) if: • expected annual rental is higher (lower); • range of yield is higher (lower); or • number of years is longer (shorter).

6. Intangible assets

	Goodwill RM'000	Franchise rights RM'000	Total RM'000
Cost			
At 1 January 2016/31 December 2016/ 1 January 2017/31 December 2017/ 1 January 2018/31 December 2018/ 1 January 2019	50,435	9,400	59,835
Addition	-	1,831	1,831
Effect of movement in exchange rates	-	8	8
At 30 September 2019	50,435	11,239	61,674
Accumulated amortisation			
At 1 January 2016	-	7,380	7,380
Amortisation for the financial year	-	940	940
At 31 December 2016/1 January 2017	-	8,320	8,320
Amortisation for the financial year	-	120	120
At 31 December 2017/1 January 2018	-	8,440	8,440
Amortisation for the financial year	-	120	120
At 31 December 2018/1 January 2019	-	8,560	8,560
Amortisation for the financial period	-	141	141
Effect of movement in exchange rates	-	-	-
At 30 September 2019	-	8,701	8,701

6. Intangible assets (continued)

	Goodwill RM'000	Franchise rights RM'000	Total RM'000
Carrying amounts			
At 31 December 2016/1 January 2017	50,435	1,080	51,515
At 31 December 2017/1 January 2018	50,435	960	51,395
At 31 December 2018/1 January 2019	50,435	840	51,275
At 30 September 2019	50,435	2,538	52,973

Goodwill

Goodwill arose from the Group's acquisition of its operations in West Malaysia, Sabah and Labuan in the previous financial years.

Franchise rights

Franchise rights represent exclusive rights acquired by the Group through franchise agreements with The Body Shop International to market and distribute The Body Shop products. The amortisation period of 10 years is determined by the management based on the terms of the franchise agreement.

Franchise rights as at 1 January 2019 arise from the Group's previous franchise agreements with The Body Shop International on its distribution territories in West Malaysia, Sabah and Labuan. On 19 June 2019, the Group signed new franchise agreements with The Body Shop International in respect of its distribution territories in West Malaysia, Sabah, Labuan and Vietnam to replace the existing franchise agreements of the Group. Additionally, the Group entered into a franchise agreement with The Body Shop International in respect of its franchise right in Cambodia. These franchise agreements entail the payment of initial franchise fees amounting to RM1,831,000, and are amortised over the 10-year tenure of the franchise agreements.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to a subsidiary acquired at which the cash generating units ("CGUs") are identified and the goodwill is monitored for internal management purposes.

Goodwill impairment testing is based on value in use determined by the management. Value in use is derived from the subsidiary's future financial budgets. Key assumptions used in preparing the financial budgets represent management's assessment of future trends in the subsidiary's principal activity with certain reference made to internal sources (historical data).

6. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

Value in use is determined by discounting the pre-tax cash flows to be generated from the continuing use of the units and is based on the following key assumptions:

- 4% revenue growth per annum for the operation in West Malaysia;
- No revenue growth is expected for the operation in Sabah and Labuan;
- Discount rate of 7.5% per annum;
- Based on past experience and actual operating results attained in previous years, and an increase of 4% to 10% in operating expenses; and
- Projected profit margins based on historical profit margins achieved.

Based on the assessments, there was no indication of impairment on goodwill during the financial period and years under review. In addition, there were also assessments on the key assumptions used and sensitivity of such assumptions to impairment losses and the results are as follows:

(i) Change of discount rate from 7.5% to 10% would not result in impairment losses; or

(ii) Increase of operating expenses by 1% would not result in impairment losses.

7. Other investments

	Note	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Non-current					
Quoted equity investment outside of Malaysia					
At the beginning of the financial period/year		-	-	6,469	6,703
Less: Fair value loss		-	-	(4,230)	(234)
Less: Impairment loss		-	-	(2,239)	-
At the end of the financial period/year	7.1	-	-	-	6,469
Current					
Fixed deposits more than three months but less than twelve months	7.2	47	2,241	14,554	3,638

7. Other investments (continued)

7.1 Quoted equity investment outside of Malaysia is a financial asset measured at fair value through profit or loss. It was disposed of in March 2018 at a consideration/gain of RM1.

7.2 Fixed deposits placed with licensed banks more than three months but less than twelve months are financial assets measured at amortised costs.

8. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets			
	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Property, plant and equipment	-	-	41	-
Provisions	678	544	653	259
Other items	48	-	10	44
Net tax assets	726	544	704	303

	Liabilities			
	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Property, plant and equipment	(38)	(70)	-	(71)
Provisions	-	-	-	-
Other items	(1)	(34)	-	-
Net tax liabilities	(39)	(104)	-	(71)

	Net			
	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Property, plant and equipment	(38)	(70)	41	(71)
Provisions	678	544	653	259
Other items	47	(34)	10	44
Net tax assets	687	440	704	232

8. Deferred tax assets (continued)

Recognised deferred tax assets (continued)

Movement in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 21) RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss (Note 21) RM'000	At 30.9.2019 RM'000
Property, plant and equipment	(71)	-	(71)	112	41	(111)	(70)	32	(38)
Provisions	230	29	259	394	653	(109)	544	134	678
Other items	(24)	68	44	(34)	10	(44)	(34)	81	47
	135	97	232	472	704	(264)	440	247	687

9. Inventories

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Trading goods	36,463	26,734	24,451	26,154
Recognised in profit or loss:				
Inventories recognised as changes in inventories	44,966	62,488	56,424	53,598

10. Receivables, deposits and prepayments

	Note	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Non-current					
Other receivable		-	89	217	239
Deposits		6,186	5,719	5,456	5,555
		6,186	5,808	5,673	5,794
Current					
Trade receivables		2,745	1,964	2,480	2,297
Other receivables and deposits	10.1	705	407	111,395	96,193
		3,450	2,371	113,875	98,490
Prepayments		1,754	900	349	270
		5,204	3,271	114,224	98,760
		11,390	9,079	119,897	104,554

10.1 Included in other receivables and deposits of the Group are:

a) Amounts due from companies in which certain Directors have interests totalling RM Nil (2018: RM20,000; 2017: RM111,224,000; 2016: RM95,975,000). The amounts represent advances and payments made on behalf, which are unsecured, interest-free and repayable on demand.

b) Deposits totalling RM Nil (2018: RM188,000; 2017: RM22,000; 2016: RM107,000) were paid to suppliers for procurement of packaging materials.

11. Cash and cash equivalents

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Cash and bank balances	11,686	23,824	10,695	8,051
Deposits placed with licensed banks	-	434	777	9,605
	11,686	24,258	11,472	17,656

Included in cash and cash equivalents of the Group are deposits placed with licensed banks totalling RM Nil (2018: RM434,000; 2017: RM421,000; 2016: RM408,000) pledged to licensed banks for credit facilities granted to the Group.

12. Capital and reserve

12.1 Share capital

	Amount 30.9.2019 RM'000	Number of shares 30.9.2019 '000	Amount 31.12.2018 RM'000	Number of shares 31.12.2018 '000	Amount 31.12.2017 RM'000	Number of shares 31.12.2017 '000	Amount 31.12.2016 RM'000	Number of shares 31.12.2016 '000
Ordinary share of RM1 each:								
Authorised	-	-	-	-	-	-	#	*
Issued and fully paid:								
At the beginning of the financial period/year	2,500	2,500	#	*	#	*	#	*
Bonus issue	-	-	2,500	2,500	-	-	-	-
At the end of the financial period/year	2,500	2,500	2,500	2,500	#	*	#	*

# denotes RM2 of issued and fully paid ordinary shares in the consolidated financial statements.

* denotes 2 issued and fully paid ordinary shares in the consolidated financial statements.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

The Companies Act 2016 which came into effect on 31 January 2017 abolished the concept of authorised share capital and par value of share capital. There is no impact to the number of ordinary shares in the issue or entitlement of the member as a result of this transition.

In 2018, the Company issued 2,499,998 new ordinary shares on the basis of 1,249,999 new ordinary shares for each existing ordinary share at the issue price of RM1 per share, by way of capitalisation of retained earnings of the Company.

12.2 Business combination reserve

Business combination reserve represents the difference between the consideration paid and net assets acquired in the acquisition of a subsidiary under common control.

12.3 Translation reserve

Translation reserve represents foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

13. Provision for restoration costs

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
At the beginning of the financial period/year	2,230	2,048	1,898	1,779
Provisions made during the financial period/year	234	182	150	119
Utilisation during the financial period/year	(58)	-	-	-
At the end of the financial period/year	2,406	2,230	2,048	1,898
Non-current	2,225	2,105	2,030	1,898
Current	181	125	18	-
	2,406	2,230	2,048	1,898

Provisions were made during the financial period and years under review in respect of the Group's obligation to restore the leased stores at the end of their tenancy agreements.

14. Loans and borrowings

	Note	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Non-current					
Other borrowings		314	151	-	-
Current					
Other borrowings		389	354	-	62
Revolving credit	14.1	5,000	20,000	10,000	12,000
		5,389	20,354	10,000	12,062
		5,703	20,505	10,000	12,062

14.1 Security

The revolving credit is secured by way of:

i) letter of negative pledge issued by a subsidiary;

ii) letter of undertaking by certain Directors of the Group; and

iii) deposits placed with licensed banks amounting to RM Nil (2018: RM434,000, 2017: RM421,000; 2016: RM408,000).

15. Lease liabilities

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Non-current				
Lease liabilities	10,968	11,290	11,211	17,315
Current				
Lease liabilities	13,489	12,831	15,354	13,828
	24,457	24,121	26,565	31,143

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Amounts recognised in profit or loss:					
Interest expense on lease liabilities	1,446	1,236	1,697	2,486	2,609
Variable lease payments not included in the measurement of lease liabilities	3,895	2,734	4,414	2,557	848
Income from sub-leasing right-of-use asset	27	-	-	-	-
Expenses relating to short-term leases	320	171	312	283	5

16. Contract liabilities

The following table provides information about contract liabilities from contracts with customers:

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Contract liabilities	1,401	1,938	1,568	1,531

The contract liabilities are in relation to unredeemed discounts of eligible members who purchased goods at The Body Shop outlets in West Malaysia, Sabah, Labuan and Vietnam via the "Love Your Body" membership programme.

17. Payables and accruals

	Note	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Current					
Trade					
Trade payables		12,297	8,577	11,019	8,927
Non-trade					
Other payables	17.1	5,376	6,885	5,258	6,997
Accrued expenses		5,839	226	3,668	2,206
		11,215	7,111	8,926	9,203
		23,512	15,688	19,945	18,130

17.1 Included in other payables of the Group are:

a) Amounts due to companies in which certain Directors have interest totalling RM1,936,000 (2018: RM2,009,000; 2017: RM1,967,000; 2016: RM2,169,000) which are unsecured, interest-free and repayable on demand.

b) Amounts due to certain Directors totalling RM Nil (2018: RM Nil, 2017: RM1,035,000; 2016: RM2,429,000) which are unsecured, interest-free and repayable on demand.

18. Revenue

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Revenue from contracts with customers					
Sale of goods	138,150	132,307	184,450	171,887	159,822
Consultancy fees	45	15	24	32	80
	138,195	132,322	184,474	171,919	159,902

18. Revenue (continued)

18.1 Disaggregation of revenue

Disaggregation of the Group's revenue from contracts with customers:

	1.1.2019 - 30.9.2019 Audited		1.1.2018 - 30.9.2018 Unaudited		1.1.2018 - 31.12.2018 Audited		1.1.2017 - 31.12.2017 Audited		1.1.2016 - 31.12.2016 Audited	
	Malaysia RM'000	Vietnam RM'000	Malaysia RM'000	Vietnam RM'000	Malaysia RM'000	Vietnam RM'000	Malaysia RM'000	Vietnam RM'000	Malaysia RM'000	Vietnam RM'000
Sale of goods	117,829	20,321	117,289	15,018	162,927	21,523	153,483	18,404	143,278	16,544
Consultancy fees	-	45	-	15	-	24	-	32	-	80
Total revenue	117,829	20,366	117,289	15,033	162,927	21,547	153,483	18,436	143,278	16,624

18.2 Nature of goods sold and services

The following information reflects the typical transactions of the Group:

Nature of goods	Timing of recognition	Payment terms	Variable element in consideration	Obligations for returns or refunds
"The Body Shop" products	Revenue is recognised at a point in time when the goods are delivered to customers.	Due upon delivery of goods.	Discounts are given to eligible members of "Love Your Body" membership programme, and to all walk-in customers during promotional period.	The Group allows returns or refunds for a period of 14 days from the invoice date.
Consultancy services	Revenue is recognised over time as and when the consultancy services are performed using the cost incurred method.	Due upon invoice date.	Not applicable.	Not applicable.

19. Other operating income

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Gains on foreign exchange					
- realised	479	596	631	539	1,434
- unrealised	26	-	20	185	-
Rental income on buildings	27	159	216	158	239
Other income	441	4	4	129	338
Gain on disposal of property, plant and equipment	260	185	735	-	-
	1,233	944	1,606	1,011	2,011

20. Finance costs

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Interest expense					
- other borrowings	13	9	15	1	6
- revolving credit	191	86	97	379	71
- lease liabilities	1,446	1,236	1,697	2,486	2,609
	1,650	1,331	1,809	2,866	2,686

21. Tax expense

Recognised in profit or loss

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Income tax					
- current year expense	8,367	8,313	12,161	10,740	9,962
- (over)/under provision in prior years	(220)	33	(2)	(84)	95
Real property gain tax	-	-	502	-	-
	8,147	8,346	12,661	10,656	10,057
Deferred tax expense					
- origination and reversal of temporary differences	125	350	-	(508)	(416)
- (over)/under provision in prior years	(372)	(162)	264	36	319
	(247)	188	264	(472)	(97)
Tax expense	7,900	8,534	12,925	10,184	9,960

21. Tax expense (continued)

Recognised in profit or loss

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Reconciliation of tax expense					
Profit before tax	30,141	34,393	58,550	34,284	36,773
Income tax using Malaysian tax rate at 24%	7,234	8,254	14,052	8,228	8,825
Non-deductible expenses	1,407	608	657	2,213	974
Effect of foreign jurisdiction tax rates	(127)	(101)	(140)	(152)	(126)
Non-taxable income	(22)	(98)	(2,408)	(57)	(127)
Real property gain tax	-	-	502	-	-
Tax expense	8,492	8,663	12,663	10,232	9,546
(Over)/Under provision in prior years					
- current tax	(220)	33	(2)	(84)	95
- deferred tax	(372)	(162)	264	36	319
	(592)	(129)	262	(48)	414
Tax expense	7,900	8,534	12,925	10,184	9,960

22. Dividends

Dividends recognised by the Group:

	RM per share RM	Total amount RM'000	Date of payment
2019			
In respect of the financial year ended 31 December 2018:			
- Second single tier ordinary dividend	4.00	10,000	30 August 2019
2018			
In respect of the financial years prior to the acquisition of TBS Vietnam Company Limited:			
- First single tier ordinary dividend	@	4,582	22 November 2018
- Second single tier ordinary dividend	@	4,163	3 December 2018
- Third single tier ordinary dividend	@	3,859	6 December 2018
		12,604	

22. Dividends (continued)

	RM per share RM	Total amount RM'000	Date of payment
2018 (continued)			
In respect of the financial year ended 31 December 2018:			
- First single tier ordinary dividend	55,553*	138,884	31 December 2018
- Dividend-in-specie distributed	#	13,520	31 December 2018
		152,404	
2017			
In respect of the financial year ended 31 December 2017:			
- Interim single tier ordinary dividend	6,000,000	12,000	23 October 2017
2016			
In respect of the financial year ended 31 December 2016:			
- Interim single tier ordinary dividend	6,000,000	12,000	9 December 2016

@ A subsidiary acquired by the Group (see Note 27) declared and paid dividends totalling RM12,604,000 to its existing owner in relation to the financial years prior to the acquisition. Accordingly, the dividends were offset against the business combination reserve.

A portion of dividends totalling RM12,527,000 was declared and payable as at 30 September 2018.

* The declared dividends totalling RM29,450,000 was credited on 31 December 2018 and subsequently cleared on 28 January 2019. The remaining dividends totalling RM109,434,000 was settled in the form of offsetting with existing amounts due from companies in which certain Directors have interests on 31 December 2018.

\# The Group distributed the dividend-in-specie in the form of properties which was completed on 31 December 2018. A fair value gain of RM10,030,000 arising from the distribution of non-cash assets to owners is recognised in the consolidated statements of profit or loss.

23. Operating segments

The Group does not have reportable segments as the principal activities of entities within the Group are similar, and essentially relate to the marketing of products under the franchise of "The Body Shop" and products of "Natura". The internal management reports consist of performance from respective entities and classified into geographical segments of Malaysia, Vietnam and Cambodia. The Managing Director reviews internal management reports on a monthly basis.

The following summary describes the geographical segments results:

- Segment 1: Includes West Malaysia, Sabah and Labuan.
- Segment 2: Includes Vietnam.
- Segment 3: Includes Cambodia.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believes that such information is relevant in evaluating the results of certain segments relative to other entities that operate within the industry.

Segment assets

The total of segment assets is measured based on all assets (including intangible assets) of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total liabilities is used to measure the gearing of each segment.

Geographical segments

In presenting information on the basis of geographical segments, segment profit is based on geographical location of customers. Segment assets and liabilities are based on the geographical location of the assets and liabilities.

23. Operating segments (continued)

Geographical segments (continued)

	1.1.2019 -30.9.2019 Audited				1.1.2018 -30.9.2018 Unaudited			1.1.2018 -31.12.2018 Audited			1.1.2017 -31.12.2017 Audited			1.1.2016 -31.12.2016 Audited		
	Malaysia	Vietnam	Cambodia	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	117,829	20,366	-	138,195	117,289	15,033	132,322	162,927	21,547	184,474	153,483	18,436	171,919	143,278	16,624	159,902
Segment gross profit	79,451	13,778	-	93,229	78,084	10,224	88,308	107,417	14,569	121,986	102,962	12,533	115,495	94,971	11,333	106,304
Segment profit	30,253	3,395	(237)	33,411	32,255	2,541	34,796	45,552	3,537	49,089	37,852	2,491	40,343	35,669	1,694	37,363
Included in the measure of segment profit are:																
Finance income	277	79	-	356	178	922	1,100	294	983	1,277	206	536	742	182	435	617
Rental expenses	(2,208)	(452)	(4)	(2,664)	(862)	(280)	(1,142)	(1,308)	(321)	(1,629)	(1,652)	(226)	(1,878)	(1,175)	(166)	(1,341)
Employee related expenses	(24,905)	(4,309)	(8)	(29,222)	(23,380)	(3,424)	(26,804)	(31,588)	(4,437)	(36,025)	(32,134)	(4,201)	(36,335)	(28,102)	(3,302)	(31,404)
Depreciation and amortisation	(13,227)	(2,437)	(8)	(15,672)	(13,596)	(2,064)	(15,660)	(18,052)	(2,808)	(20,860)	(18,463)	(2,345)	(20,808)	(18,338)	(2,704)	(21,042)
Finance costs	(1,230)	(420)	-	(1,650)	(905)	(426)	(1,331)	(1,215)	(594)	(1,809)	(2,142)	(724)	(2,866)	(1,946)	(740)	(2,686)

23. Operating segments (continued)

Geographical segments (continued)

	1.1.2019 -30.9.2019 Audited				1.1.2018 -30.9.2018 Unaudited			1.1.2018 -31.12.2018 Audited			1.1.2017 -31.12.2017 Audited			1.1.2016 -31.12.2016 Audited		
	Malaysia	Vietnam	Cambodia	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total	Malaysia	Vietnam	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Not included in the measure of segment profit is:																
Tax expense	(7,284)	(616)	-	(7,900)	(8,033)	(503)	(8,536)	(12,567)	(862)	(13,429)	(9,653)	(450)	(10,103)	(9,565)	(302)	(9,867)
Segment assets	126,451	19,904	905	147,260	121,819	29,269	151,088	124,845	18,060	142,905	121,583	26,245	147,828	123,528	27,014	150,542
Included in the measure of segment assets are:																
Right-of-use assets	19,325	4,272	-	23,597	14,847	5,459	20,306	17,889	5,870	23,759	20,593	5,015	25,608	23,614	6,487	30,101
Goodwill	50,435	-	-	50,435	50,435	-	50,435	50,435	-	50,435	50,435	-	50,435	50,435	-	50,435
Other intangible asset	1,771	499	268	2,538	870	-	870	840	-	840	960	-	960	1,080	-	1,080
Segment liabilities	(48,499)	(10,704)	(356)	(59,559)	(35,432)	(23,528)	(58,960)	(57,061)	(11,668)	(68,729)	(52,910)	(9,925)	(62,835)	(54,869)	(11,124)	(65,993)
Included in the measure of segment liabilities is:																
Lease liabilities	(19,856)	(4,601)	-	(24,457)	(14,851)	(5,936)	(20,787)	(17,773)	(6,348)	(24,121)	(21,043)	(5,522)	(26,565)	(24,133)	(7,010)	(31,143)

23. Operating segments (continued)

Geographical segments (continued)

Major customers

There were no major customers with revenue equal or more than 10% of the Group's total revenue for the financial periods and years under review.

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	Revenue RM'000	Profit before tax RM'000	Profit after tax RM'000	Total assets RM'000	Total liabilities RM'000
30.9.2019 (Audited)					
Total reportable segments	138,195	33,411	25,511	147,260	(59,559)
Listing-related expenses	-	(2,683)	(2,683)	-	-
Other non-reportable segment	-	(587)	(587)	1,293	(1,196)
Consolidated total	138,195	30,141	22,241	148,553	(60,755)
30.9.2018 (Unaudited)					
Total reportable segments	132,322	34,796	26,260	151,088	(58,960)
Other non-reportable segment	-	(403)	(401)	117,370	(1,076)
Consolidated total	132,322	34,393	25,859	268,458	(60,036)
31.12.2018 (Audited)					
Total reportable segments	184,474	49,089	35,660	142,905	(68,729)
Fair value gain arising from distribution of non-cash assets to owners	-	10,030	10,030	-	-
Real property gain tax	-	-	502	-	-
Other non-reportable segment	-	(569)	(567)	1,302	(37)
Consolidated total	184,474	58,550	45,625	144,207	(68,766)
31.12.2017 (Audited)					
Total reportable segments	171,919	40,343	30,240	147,828	(62,835)
Other non-reportable segment	-	(6,059)	(6,140)	111,272	(1,092)
Consolidated total	171,919	34,284	24,100	259,100	(63,927)
31.12.2016 (Audited)					
Total reportable segments	159,902	37,363	27,496	150,542	(65,993)
Other non-reportable segment	-	(590)	(683)	102,517	(2,497)
Consolidated total	159,902	36,773	26,813	253,059	(68,490)

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC"); and
(b) Fair value through profit or loss ("FVTPL").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
30.9.2019			
Financial assets			
Other investments	47	47	-
Receivables and deposits	9,636	9,636	-
Cash and cash equivalents	11,686	11,686	-
	21,369	21,369	-
Financial liabilities			
Loans and borrowings	(5,703)	(5,703)	-
Payables and accruals	(23,512)	(23,512)	-
Lease liabilities	(24,457)	(24,457)	-
	(53,672)	(53,672)	-
31.12.2018			
Financial assets			
Other investments	2,241	2,241	-
Receivables and deposits	8,179	8,179	-
Cash and cash equivalents	24,258	24,258	-
	34,678	34,678	-
Financial liabilities			
Loans and borrowings	(20,505)	(20,505)	-
Payables and accruals	(15,688)	(15,688)	-
Lease liabilities	(24,121)	(24,121)	-
	(60,314)	(60,314)	-

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
31.12.2017			
Financial assets			
Other investments	14,554	14,554	-
Receivables and deposits	119,548	119,548	-
Cash and cash equivalents	11,472	11,472	-
	145,574	145,574	-
Financial liabilities			
Loans and borrowings	(10,000)	(10,000)	-
Payables and accruals	(19,945)	(19,945)	-
Lease liabilities	(26,565)	(26,565)	-
	(56,510)	(56,510)	-
31.12.2016			
Financial assets			
Other investments	10,107	3,638	6,469
Receivables and deposits	104,284	104,284	-
Cash and cash equivalents	17,656	17,656	-
	132,047	125,578	6,469
Financial liabilities			
Loans and borrowings	(12,062)	(12,062)	-
Payables and accruals	(18,130)	(18,130)	-
Lease liabilities	(31,143)	(31,143)	-
	(61,335)	(61,335)	-

24.2 Net gains and (losses) arising from financial instruments

	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Net (losses)/gains arising on:					
Finance assets at amortised cost	356	1,100	1,277	742	617
Fair value through profit or loss	-	-	-	(6,469)	(234)
Financial liabilities at amortised cost	(1,198)	(735)	(1,159)	(2,147)	(1,413)
	(842)	365	118	(7,874)	(1,030)

24. Financial instruments (continued)

24.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and amounts due from its related parties.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has an informal credit policy in place and the exposure to credit risk is monitored by the management on an ongoing basis.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to debt recovery activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	30.9.2019	31.12.2018	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,170	1,222	2,153	1,694
Vietnam	1,575	742	327	603
	2,745	1,964	2,480	2,297

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, the trade receivables of the Group are mainly the outstanding balances held with banks which have low credit risk.

The ageing of trade receivables as at the end of reporting period was:

	Gross RM'000	Loss allowance RM'000	Net RM'000
30.9.2019			
Not past due	2,190	-	2,190
Past due 1-180 days	555	-	555
	2,745	-	2,745
31.12.2018			
Not past due	901	-	901
Past due 1-180 days	1,063	-	1,063
	1,964	-	1,964
31.12.2017			
Not past due	1,059	-	1,059
Past due 1-180 days	1,421	-	1,421
	2,480	-	2,480
31.12.2016			
Not past due	892	-	892
Past due 1-180 days	1,405	-	1,405
	2,297	-	2,297

Related parties' balances

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured advances to companies in which certain Directors of the Company have interests. The Group monitors the results of the companies in which certain Directors of the Company have interests.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Related parties' balances (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Group considers advances to the related parties that have low credit risk. The Group assumes that there is a significant increase in credit risk when a related party's financial position deteriorates significantly. The Group considers the advances to be in default when the related parties are not able to pay the advances when demanded. The Group considers the related party's advance to be credit impaired when:

- The related party is unlikely to repay its advance to the Group in full; or
- The related party is continuously loss making and is having a deficit shareholders' fund.

The Group determines the probability of default for the advances individually using internal information available.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides financial guarantees to banks in respect of banking facilities granted to a related party and a company in which certain Directors of the Company have financial interest. The Group monitors on an ongoing basis the results of the related parties and repayments made by the related parties.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk as represented by the outstanding banking and credit facilities of the related parties are as follows:

24. Financial instruments (continued)

24.4 Credit risk (continued)

Financial guarantees (continued)

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Corporate guarantees for credit facilities granted to a subsidiary	1,000	1,000	1,000	1,000
Corporate guarantees given to a bank for credit facilities granted to a company in which certain Directors of the Company have financial interest	-	-	4,697	4,697
Bank guarantees granted to a subsidiary for tenancy agreements	953	953	1,166	1,217
	1,953	1,953	6,863	6,914

Recognition and measurement of impairment loss

The Group assumes that there is a significant increase in credit risk when a related party's financial position deteriorates significantly. The Group considers a financial guarantee to be credit impaired when:

- The related party is unlikely to repay its credit obligation to the bank in full; or
- The related party is continuously loss making and is having a deficit shareholders' fund.

The Group determines the probability of default of the guaranteed amounts individually using internal information available.

As at the end of the reporting period, there was no indication that any related party would default on repayment. Accordingly, the financial guarantees have not been recognised since the fair value on initial recognition was not material.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Other receivables

Credit risks on other receivables mainly arise from deposits paid for leased outlets. These deposits will be received at the end of lease terms of the outlets.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings and lease liabilities.

The Group monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flow RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
30.09.2019							
Other borrowings	703	1.22%-4.47%	735	408	327	-	-
Revolving credit	5,000	1.60%+ 1 month KLIBOR	5,000	5,000	-	-	-
Payables and accruals	23,512	-	23,512	23,512	-	-	-
Lease liabilities	24,457	4.80%-9.34%	31,989	16,335	10,657	4,997	-
Corporate guarantees	-	-	1,000	1,000	-	-	-
Bank guarantees	-	-	953	953	-	-	-
	53,672		63,189	47,208	10,984	4,997	-
31.12.2018							
Other borrowings	505	1.22%-4.47%	520	367	153	-	-
Revolving credit	20,000	1.60%+ 1 month KLIBOR	20,000	20,000	-	-	-
Payables and accruals	15,688	-	15,688	15,688	-	-	-
Lease liabilities	24,121	5.03%-9.34%	27,839	14,393	8,663	4,783	-
Corporate guarantees	-	-	1,000	1,000	-	-	-
Bank guarantees	-	-	953	953	-	-	-
	60,314		66,000	52,401	8,816	4,783	-
31.12.2017							
Revolving credit	10,000	1.60% + 1 month KLIBOR	10,000	10,000	-	-	-
Payables and accruals	19,945	-	19,945	19,945	-	-	-
Lease liabilities	26,565	5.03% -9.34%	29,401	16,662	8,271	4,043	425
Corporate guarantees	-	-	5,697	5,697	-	-	-
Bank guarantees	-	-	1,166	1,166	-	-	-
	56,510		66,209	53,470	8,271	4,043	425
31.12.2016							
Other borrowings	62	2.44%	63	63	-	-	-
Revolving credit	12,000	1.60%+ 1 month KLIBOR	12,000	12,000	-	-	-
Payables and accruals	18,130	-	18,130	18,130	-	-	-
Lease liabilities	31,143	5.03%-9.34%	35,336	15,767	11,597	6,990	982
Corporate guarantees	-	-	5,697	5,697	-	-	-
Bank guarantees	-	-	1,217	1,217		-	-
	61,335		72,443	52,874	11,597	6,990	982

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as interest and foreign exchange rates that will affect the Group's financial position or cash flows.

24.6.1 Interest rate risk

The Group's exposure to interest rate risk relates to its loans and borrowings, lease liabilities and interest-earning financial assets from deposits placed with financial institutions.

Risk management objectives, policies and processes for managing the risk

The management monitors closely the prevailing interest rates at regular intervals and ensures that the Group obtains competitive rates for its banking facilities, interest earning deposits and loans and borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Fixed rate instruments				
Financial assets				
Other investments	47	2,241	14,554	3,638
Cash and cash equivalents	-	434	777	9,605
	47	2,675	15,331	13,243
Financial liabilities				
Other borrowings	(703)	(505)	-	(62)
Revolving credit	(5,000)	(20,000)	(10,000)	(12,000)
Lease liabilities	(24,457)	(24,121)	(26,565)	(31,143)
	(30,160)	(44,626)	(36,565)	(43,205)
	(30,113)	(41,951)	(21,234)	(29,962)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than its functional currency. The currency giving rise to this risk is primarily Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group's exposure to foreign currency risk is monitored on an ongoing basis and will use forward exchange contracts to hedge its foreign currency risk when necessary. Forward exchange contracts, if any, would have maturities of less than one year. Where necessary, the forward exchange contracts are rolled over at maturity.

The Group's primary exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	30.9.2019 GBP RM'000	**31.12.2018 GBP RM'000**	**31.12.2017 GBP RM'000**	**31.12.2016 GBP RM'000**
Cash and bank balances	951	-	-	-
Trade payables	(12,297)	(8,577)	(11,019)	(8,927)
Other payables	(466)	-	-	-
Exposure in the statements of financial position	(11,812)	(8,577)	(11,019)	(8,927)

Currency risk sensitivity analysis

A 10% (2018: 10%, 2017: 10%; 2016: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular profit rates, remain constant.

	Profit or loss			
	30.9.2019 RM'000	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
GBP	898	652	837	678

A 10% (2018: 10%; 2017: 10%; 2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had an equal but opposite effect on the post-tax profit or loss, on the basis that all other variables remained constant.

24. Financial instruments (continued)

24.7 Fair value information

The carrying amounts of short term other investments, cash and cash equivalents, short term receivables, short term borrowings and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments. The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
30.9.2019										
Financial liabilities										
Other borrowings	-	-	-	-	-	-	(703)	(703)	(703)	(703)
Revolving credit	-	-	-	-	-	-	(5,000)	(5,000)	(5,000)	(5,000)
	-	-	-	-	-	-	(5,703)	(5,703)	(5,703)	(5,703)
31.12.2018										
Financial liabilities										
Other borrowings	-	-	-	-	-	-	(505)	(505)	(505)	(505)
Revolving credit	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)	(20,000)
	-	-	-	-	-	-	(20,505)	(20,505)	(20,505)	(20,505)

24. Financial instruments (continued)

24.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
31.12.2017										
Financial liabilities										
Revolving credit	-	-	-	-	-	-	(10,000)	(10,000)	(10,000)	(10,000)
31.12.2016										
Financial asset										
Other investments	6,469	-	-	6,469	-	-	-	-	6,469	6,469
Financial liabilities										
Other borrowings	-	-	-	-	-	-	(62)	(62)	(62)	(62)
Revolving credit	-	-	-	-	-	-	(12,000)	(12,000)	(12,000)	(12,000)
	-	-	-	-	-	-	(12,062)	(12,062)	(12,062)	(12,062)

24. Financial instruments (continued)

24.7 Fair value information (continued)

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Transfers between Level 1 and Level 2 fair values
There has been no transfer between Level 1 and 2 fair values during the financial period (2018, 2017 and 2016: no transfer in either direction).

Level 3 fair value
The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Other borrowings and revolving credit	Discounted cash flows using a rate based on the current market rate of borrowing at the reporting date.

The estimated fair value would decrease if the interest rates were higher.

25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

A subsidiary of the Group is required to comply with the following covenants:

(i) Maintains a gearing ratio (defined as total external borrowings divided by the sum of tangible net worth, where tangible net worth represents equity attributable to owners of the company less intangibles) not more than 1 time; and

(ii) Does not declare or pay dividends in excess of 50% of its profit after tax in any financial year.

In respect of (i), the gearing ratios of the subsidiary as at 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016 were 0.67 times, 2.38 times, 0.54 times and 0.61 times respectively. The subsidiary exceeded its gearing ratio as at 31 December 2018, and obtained a waiver to comply with the covenant from the bank on 19 March 2019.

25. Capital management (continued)

In respect of (ii), the subsidiary declared dividends in excess of 50% of its profit after tax for financial year 2018 and 2017. Waivers have been obtained from the bank on 17 December 2018 and 12 March 2018 respectively.

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Managing Director of the Group.

Significant related transactions

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

	Note	1.1.2019 - 30.9.2019 Audited RM'000	1.1.2018 - 30.9.2018 Unaudited RM'000	1.1.2018 - 31.12.2018 Audited RM'000	1.1.2017 - 31.12.2017 Audited RM'000	1.1.2016 - 31.12.2016 Audited RM'000
Companies in which certain Directors of the Company have interests						
Professional fees	a	-	-	-	60	60
Disposal of buildings	b	-	-	13,520	-	-
Rental paid and payable for properties	c	371	-	-	-	-
Key management personnel	d					
Directors' emoluments:						
- Directors' fees		140	-	-	-	-
- Directors' remuneration		845	287	382	384	384
		985	287	382	384	384
Other emoluments		350	51	68	83	90
		1,335	338	450	467	474

26. Related parties (continued)

Significant related transactions (continued)

Note a

From time to time, the Group may provide professional services to an entity in which certain Directors of the Company have interests. These professional services are on the same terms and conditions as those entered into by other customers of the Group.

Note b

The Group disposed of buildings to an entity in which certain Directors of the Company have interests. The transactions were carried out under normal commercial terms and conditions.

Note c

The Group entered into rental agreements with an entity in which certain Directors of the Company have interests, for the letting of properties. The rental terms are based on negotiated terms and amounts are receivable or payable on monthly basis for the duration of the agreements.

Note d

Key management personnel are the Directors of the Group whereby the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly lies.

27. Acquisition of a subsidiary

Year ended 31 December 2018

Acquisition of TBS Vietnam Company Limited

In October 2018, the Group acquired the entire issued and paid-up share capital of TBS Vietnam Company Limited for a total consideration of USD350,000 which is equivalent to RM1,447,000. The principal activities of the subsidiary are to provide consultancy services and to market products under the franchise of "The Body Shop".

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	RM'000
Fair value of consideration transferred	1,447
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	462
Inventories	3,914
Trade and other receivables	2,025
Cash and cash equivalents	16,906
Deferred tax assets	9
Trade and other payables	(5,050)
Total identifiable net assets	18,266

27. Acquisition of a subsidiary (continued)

Year ended 31 December 2018 (continued)

Identifiable assets acquired and liabilities assumed (continued)	**RM'000**
Net assets assumed	18,266
Purchase consideration	(1,447)
Effect of exchange rate fluctuations on share capital	421
Excess of net assets assumed	17,240

The acquisition of the subsidiary has been accounted for using the pooling-of-interests method of accounting as the acquisition is deemed as a common control transaction. Amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented. Accordingly, the net cash flow arising from the acquisition of the subsidiary is not presented in the consolidated statements of cash flows on the Group for the year ended 31 December 2018.

The difference between the purchase consideration and net assets acquired, amounting to RM17,240,000 has been accounted for as a business combination reserve.

The Company distributed dividends totalling RM12,604,000 (see Note 22) to its existing owner in relation to the financial years prior to the acquisition which were offset against the business combination reserve. Accordingly, the business combination reserve has decreased from RM17,240,000 to RM4,636,000 as at 31 December 2018.

28. Investments in subsidiaries

Details of the subsidiaries are as follows:

			Effective ownership interest			
			30.9.2019	**31.12.2018**	**31.12.2017**	**31.12.2016**
Name of subsidiary	**Country of incorporation**	**Principal activities**	**%**	**%**	**%**	**%**
Rampai-Niaga Sdn. Bhd.[1]	Malaysia	Marketing of products under the franchise of "The Body Shop"	100	100	100	100
TBS Vietnam Company Limited[2]	Vietnam	Provision of consultancy services and marketing of products under the franchise of "The Body Shop"	100	100	100	100
Green Cosmetics (Cambodia) Company Limited[3]	Cambodia	Marketing of products under the franchise of "The Body Shop"	100	100	-	-

28. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 30.9.2019 %	31.12.2018 %	31.12.2017 %	31.12.2016 %
Hello Natural Sdn. Bhd. (f.k.a. Ola Natura Sdn. Bhd.)[4]	Malaysia	Investment holding	100	-	-	-
Ola Beleza Sdn. Bhd. (f.k.a. Natura Beauty Sdn. Bhd.)[4]	Malaysia	Marketing of products of "Natura"	100	-	-	-

[1] Audited by KPMG PLT for the financial period ended 30 September 2019 and for the financial year ended 31 December 2018. For the purpose of the initial public offering of the Group, the financial information for the financial years ended 31 December 2017 and 2016 have been re-audited by KPMG PLT.

[2] Not audited by KPMG PLT for the financial periods ended 30 September 2019 and 30 September 2018, and for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016.

[3] Not audited by KPMG PLT for the financial period ended 30 September 2019 and for the financial year ended 31 December 2018. The subsidiary was incorporated in October 2018. The financial information of the subsidiary was consolidated based on its management accounts for the period ended 30 September 2019. The financial information was insignificant and was not consolidated for the year ended 31 December 2018.

[4] Not audited by KPMG PLT for the financial period ended 30 September 2019. Hello Natural Sdn. Bhd. and Ola Beleza Sdn. Bhd. were incorporated in February 2019 and consolidated based on their management accounts for the period ended 30 September 2019.

29. Adjustments to previous years' financial statements

The tables below illustrate the effects of the material adjustments against the previous years' audited financial statements. The restated amounts do not take into the consideration the effects arising from the business combination (see Note 27), and accordingly, will not agree directly to this set of financial statements.

i) MFRS 15, *Revenue from Contracts with Customer*

Upon adoption of MFRS 15, *Revenue from Contracts with Customer,* contract liabilities representing the performance obligation arising from unredeemed discounts of eligible members who purchased goods at The Body Shop outlets in West Malaysia, Sabah and Labuan via the "Love Your Body" membership programme which have been retrospectively adjusted for.

29. Adjustments to previous years' financial statements (continued)

ii) Intangible assets

In the previous financial years, franchise rights were recorded as indefinite useful life intangible assets instead of as finite useful life intangible assets.

iii) Provision for restoration costs

In the previous financial years, provision for restoration costs was understated in the financial statements. These have been retrospectively adjusted for.

iv) Reclassification of deposits

In the previous financial years, deposits expected to be realised beyond twelve months were disclosed as current assets in the financial statements. These have been retrospectively adjusted for.

v) Other investment

Other investment recognised as fair value through profit or loss was understated as at 31 December 2016. This has been retrospectively adjusted for.

29. Adjustments to previous years' financial statements (continued)

The effects of the adjustments are disclosed below:

	As previously stated* RM'000	Adjustment (i) RM'000	Adjustment (ii) RM'000	Adjustment (iii) RM'000	Adjustment (iv) RM'000	Adjustment (v) RM'000	Other adjustment RM'000	As restated# RM'000
Consolidated statements of financial position as at 31 December 2017								
Non-current assets								
Property, plant and equipment	9,556	-	-	138	-	-	-	9,694
Intangible assets	52,991	-	(1,596)	-	-	-	-	51,395
Receivables and deposits	-	-	-	-	4,930	-	-	4,930
Current assets								
Receivables, deposits and prepayments	119,630	-	-	-	(4,930)	-	-	114,700
Equity								
Reserves	184,980	(1,327)	(1,880)	(1,643)	-	-	285	180,415
Liabilities								
Provision for restoration costs	-	-	-	1,780	-	-	-	1,780
Contract liabilities	-	1,327	-	-	-	-	-	1,327
Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2017								
Revenue	153,510	(27)	-	-	-	-	-	153,483
Other operating expenses	(9,825)	-	(120)	(192)	-	(959)	-	(11,096)

* As stated in the audited financial statements for the year ended 31 December 2017.

As restated in the Accountants' Report before the adoption of MFRS 16, *Leases* as disclosed in Note 30.

29. Adjustments to previous years' financial statements (continued)

The effects of the adjustments are disclosed below:

	As previously stated* RM'000	Adjustment (i) RM'000	Adjustment (ii) RM'000	Adjustment (iii) RM'000	Adjustment (iv) RM'000	Adjustment (v) RM'000	Other adjustment RM'000	As restated# RM'000
Consolidated statements of financial position as at 31 December 2016								
Non-current assets								
Property, plant and equipment	11,198	-	-	290	-	-	-	11,488
Intangible assets	52,991	-	(1,476)	-	-	-	-	51,515
Other investments	5,510	-	-	-	-	959	-	6,469
Receivables and deposits	-	-	-	-	5,030	-	-	5,030
Current assets								
Receivables, deposits and prepayments	104,138	-	-	-	(5,030)	-	-	99,108
Equity								
Reserves	173,694	(1,300)	(1,760)	(1,452)	-	959	285	170,426
Liabilities								
Provision for restoration costs	-	-	-	1,740	-	-	-	1,740
Contract liabilities	-	1,300	-	-	-	-	-	1,300
Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016								
Revenue	143,046	232	-	-	-	-	-	143,278
Other operating expenses	(5,984)	-	(940)	(241)	-	1,214	-	(5,951)

* As stated in the audited financial statements for the year ended 31 December 2017.

As restated in the Accountants' Report before the adoption of MFRS 16, *Leases* as disclosed in Note 30.

30. Adoption of MFRS 16, *Leases*

Upon the adoption of MFRS 16, *Leases*, the Group recognises right-of-use assets representing its right to use the underlying assets, and the lease liabilities representing its obligations to make lease payments.

The tables below show the effects of the adoption of MFRS 16 to the consolidated financial statements in this accountants' report.

The tax effects of the adjustments affecting consolidated statements of profit or loss and other comprehensive income have not been incorporated as it is deemed insignificant.

	30.9.2019		
	As per unaudited management account RM'000	**Effects of MFRS 16 RM'000**	**Changes after the adoption RM'000**
Consolidated statements of financial position			
Non-current asset			
Right-of-use assets	-	23,597	23,597
Equity			
Retained earnings	81,187	(854)	80,333
Translation reserve	335	(6)	329
Reserves	81,522	(860)	80,662
Non-current liability			
Lease liabilities	-	10,968	10,968
Current liability			
Lease liabilities	-	13,489	13,489
Consolidated statements of profit or loss and other comprehensive income			
Rental expenses	(16,292)	13,628	(2,664)
Depreciation and amortisation expenses	(2,997)	(12,675)	(15,672)
Finance costs	(204)	(1,446)	(1,650)
	(19,493)	(493)	(19,986)

30. Adoption of MFRS 16, *Leases* (continued)

	30.9.2018 Unaudited		
	As per unaudited management account RM'000	Effects of MFRS 16 RM'000	Changes after the adoption RM'000
Consolidated statements of financial position			
Non-current asset			
Right-of-use assets	-	20,306	20,306
Equity			
Retained earnings	203,713	(483)	203,230
Translation reserve	477	2	479
Reserves	204,190	(481)	203,709
Non-current liability			
Lease liabilities	-	8,232	8,232
Current liability			
Lease liabilities	-	12,555	12,555
Consolidated statements of profit or loss and other comprehensive income			
Rental expenses	(15,410)	14,268	(1,142)
Depreciation and amortisation expenses	(3,101)	(12,559)	(15,660)
Finance costs	(95)	(1,236)	(1,331)
	(18,606)	473	(18,133)

30. Adoption of MFRS 16, *Leases* (continued)

	31.12.2018 As previously stated RM'000	Effects of MFRS 16 RM'000	Changes after the adoption RM'000
Consolidated statements of financial position			
Non-current asset			
Right-of-use assets	-	23,759	23,759
Equity			
Retained earnings	68,453	(361)	68,092
Translation reserve	214	(1)	213
Reserves	68,667	(362)	68,305
Non-current liability			
Lease liabilities	-	11,290	11,290
Current liability			
Lease liabilities	-	12,831	12,831
Consolidated statements of profit or loss and other comprehensive income			
Rental expenses	(20,855)	19,226	(1,629)
Depreciation and amortisation expenses	(3,926)	(16,934)	(20,860)
Finance costs	(112)	(1,697)	(1,809)
	(24,893)	595	(24,298)

30. Adoption of MFRS 16, *Leases* (continued)

	31.12.2017		
	As previously stated RM'000	Effects of MFRS 16 RM'000	Changes after the adoption RM'000
Consolidated statements of financial position			
Non-current asset			
Right-of-use assets	-	25,608	25,608
Equity			
Retained earnings	178,327	(956)	177,371
Translation reserve	563	(1)	562
Reserves	178,890	(957)	177,933
Non-current liability			
Lease liabilities	-	11,211	11,211
Current liability			
Lease liabilities	-	15,354	15,354
Consolidated statements of profit or loss and other comprehensive income			
Rental expenses	(20,311)	18,433	(1,878)
Depreciation and amortisation expenses	(4,894)	(15,914)	(20,808)
Finance costs	(380)	(2,486)	(2,866)
	(25,585)	33	(25,552)

30. Adoption of MFRS 16, *Leases* (continued)

		31.12.2016	
	As previously stated RM'000	Effects of MFRS 16 RM'000	Changes after the adoption RM'000
Consolidated statements of financial position			
Non-current asset			
Right-of-use assets	-	30,101	30,101
Equity			
Retained earnings	166,260	(989)	165,271
Translation reserve	2,111	(53)	2,058
Reserves	168,371	(1,042)	167,329
Non-current liability			
Lease liabilities	-	17,315	17,315
Current liability			
Lease liabilities	-	13,828	13,828
Consolidated statements of profit or loss and other comprehensive income			
Rental expenses	(18,005)	16,664	(1,341)
Depreciation and amortisation expenses	(6,211)	(14,831)	(21,042)
Finance costs	(77)	(2,609)	(2,686)
	(24,293)	(776)	(25,069)

31. Capital commitments

	30.9.2019 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Approved but not contracted for				
Property, plant and equipment	34,500	36,700	3,136	3,645

32. Comparative figures

The nine months comparatives for the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and their related explanatory information for the financial period ended 30 September 2018 have not been audited.

33. Subsequent event

(i) Dividend declaration

On 26 November 2019, the Company declared a dividend amounting to RM10 million for the financial year ended 31 December 2019 in cash. The dividends were paid to the entitled shareholders of the Company on 27 December 2019.

(ii) Internal restructuring

On 15 May 2019, Etheco Sdn Bhd ("Etheco") had entered into a share sale agreement with Dato' Foong Choong Heng ("Dato' Simon") and Datin Cheah Kim Choo ("Datin Mina") to acquire their entire shareholdings in the Company, which is in aggregate the entire issued share capital of the Company of RM2,500,000 comprising 2,500,000 ordinary shares ("InNature Acquisition"). The purchase consideration for the InNature Acquisition was based on the consolidated net asset value of the Group as at 31 December 2018 of RM75,803,000. The purchase consideration was satisfied entirely by the issuance of 2,500,000 ordinary shares in Etheco to Dato' Simon and Datin Mina in equal proportion. The InNature Acquisition shares were transferred to Etheco by share transfer forms dated 25 October 2019, and was completed on 13 December 2019 upon the completion of the stamping and registration of the share transfer pursuant to the Companies Act 2016.

Further to the InNature Acquisition, the Company issued new ordinary shares to BluPlanet Sdn Bhd, Pelagos Sdn Bhd and Primarium Sdn Bhd (totalling 1,887,552 ordinary shares) in the following proportions of 1,593,400 ordinary shares (36.32%), 147,076 ordinary shares (3.35%) and 147,076 ordinary shares (3.35%) respectively at a nominal price of RM1.00 per ordinary share on 20 December 2019.

(iii) Subdivision of ordinary shares

On 24 December 2019, the Company had carried out a subdivision of the entire issued share capital of RM4,387,552 comprising 4,387,552 ordinary shares into RM4,387,552 comprising 631,807,488 ordinary shares.

KPMG

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The Board of Directors
InNature Berhad
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47620 UEP Subang Jaya
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Malaysia

10 January 2020

Dear Sirs,

Reporting Accountants' opinion on the consolidated financial statements contained in the accountants' report of InNature Berhad

Opinion

We have audited the consolidated financial statements of InNature Berhad ("InNature" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period and years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 1 to 82. The consolidated financial statements of the Group have been prepared for inclusion in the prospectus of InNature Berhad in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial positions of the Group as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016 and of its consolidated financial performances and consolidated cash flows for the period and years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* section of our reporting accountants' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Group, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal controls that we identify during our audit.

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Other Reporting Responsibility

The comparative information for the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, and notes to the consolidated financial statements for the financial period ended 30 September 2018 has not been audited.

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, we also report that the significant subsequent event identified by the Group since 30 September 2019, to the date of this report, are as disclosed in Note 33 to the consolidated financial statements.

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of InNature Berhad in connection with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foong Mun Kong
Approval Number: 02613/12/2020 J
Chartered Accountant

13. ADDITIONAL INFORMATION

13.1 Share capital

(i) No Shares will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

(ii) We have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.

(iv) Save as disclosed in this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company or our Subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within 3 years immediately preceding the date of this Prospectus.

(v) Other than the 2,000,000 Pink Form Shares reserved for the Eligible Persons as disclosed in Section 2.3.2(ii) of this Prospectus:

(a) no person including the Directors or employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our Subsidiaries; and

(b) we do not have any other scheme involving our Directors and employees of our Group, in the share capital of our Company or our Subsidiaries.

(vi) As at the date of this Prospectus, we do not have any convertible debt securities.

13.2 Extracts of our Constitution

The following provisions are reproduced from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used below unless they are otherwise defined or the context otherwise requires.

(i) Transfer of securities

<u>Clause 37</u>

Subject to this Constitution, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The transfer of any securities or class of securities of the Company shall be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and notwithstanding sections 105, 106 or 110 of the Act but subject to section 148(2) of the Act and any exemption that may be made from the compliance with section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of securities.

(ii) Remuneration of Directors

Clause 101

(1) The fees of the Directors and any benefits payable to the Directors shall from time to time be determined by the Company in Meeting of Members. Such fees and any benefits payable to the Directors shall be subject to annual approval at annual general meeting and shall not be increased except pursuant to a resolution passed at a Meeting of Members where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall, so far as a Director who is not an executive Director is concerned, be by way of a fixed sum and not by way of a commission on or percentage of profit or turnover. The fees of the Directors shall be divisible among the Directors in such proportions and manner as they may agree (or failing agreement, equally).

(2) Salaries and other remuneration including benefits payable to executive Directors pursuant to a contract of service need not be determined by the Company in Meetings of Members and it may not include a commission on or a percentage of turnover.

In this Clause, the expression "executive director" shall mean and include a managing director.

Clause 103

(1) If by arrangement with the Directors, any Director may perform or render any special duties outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing and if any Director being willing shall be called upon to perform extra services or to make any special arrangements in going or residing away from his country of domicile or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged provided that the special remuneration payable to non-executive Director shall not by way of a commission on or percentage of profits or turnover.

(2) Any Director may act by himself or his firm in a professional capacity for the Company and he and his firm shall be entitled to remuneration for his or his firm's professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms.

Clause 132

A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment.

(iii) Voting and borrowing powers of Directors

Clause 118

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and determine the quorum necessary for the transaction of business. Unless otherwise determined three (3) shall form a quorum.

Clause 120

Questions arising at any meeting shall be decided by a majority of votes, each Director having one (1) vote. For the avoidance of doubt, in case of an equality of votes the Chairman shall not have a second or casting vote.

Clause 123

A Director may at any time summon a meeting of the Directors, and the Secretary, upon the request of the Chairman or any one (1) Director, shall convene a meeting of the Directors.

Clause 129

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of this interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, an interest, and if he does so vote, his vote shall not be counted.

Clause 131

A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any executive office or other office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment are considered and he may vote on any such matter other than in respect of his own appointment or the arrangement of the terms thereof.

Clause 133

All acts bona fide done by any meeting of Directors, or of a committee of Directors, or by any person acting as a Director, shall notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified be as valid as if every such person had been fully appointed and was qualified to be a Director.

Clause 140

(1) Subject to (2) below, the Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow for the purpose of the Company such sums of money as they think proper and may also raise or secure the payment of such money in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of debentures or debenture stock of the Company, charged upon all or any part of the property of the Company (both present and future) including uncalled capital, or by means of charges, mortgage, bonds and dispositions in security or bonds or cash deposit, with or without power of sale, and upon such other terms and conditions as the Directors shall think fit. The directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its subsidiaries.

(2) The Directors shall not borrow any money or mortgage or charge any of the Company or subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party unless is permitted by the Listing Requirements.

(3) Debentures, debenture stock or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

(4) If the Directors or any of them, or any other persons, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

(iv) Changes in capital and variation of class rights

Clause 6

Without prejudice to any special rights previously conferred on the holder of any share or class of shares for the time being issued, and subject to the provisions of the Act and to this Constitution and to the provisions of any resolution of the Company, the shares in the Company shall be under the control of the Directors who may issue, allot, place under option or otherwise deal with or dispose of them to such persons on such terms and conditions with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, voting or return of capital and at such time or times as they think fit.

Provided that:

(a) The Company shall not issue shares so as to transfer a controlling interest in the Company without the prior approval of the Members duly signified at a Meeting of Members called for that purpose.

(b) Every issue of shares pursuant to a share option granted to employees and/or Directors shall be approved by Members in Meetings of Members and such approval shall specifically detail the amount of shares or options to be issued to each Director.

(c) The rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

(d) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith but in no respect in priority thereto.

Clause 11

The Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities Accounts of the Allottees with such Securities save and except where it is specifically exempted from compliance with Section 38 of the Securities Industry (Central Depositories) Act, 1991, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Bursa Depository of the names of the Allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such Allottees.

Clause 52

(1) The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any part of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) sub-divide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) Anything done in pursuance of this Clause shall be done in the manner provided by and subject to any conditions imposed by the Act or so far as the Act shall not be applicable then in accordance with the terms of the resolution authorising the same or so far as such resolution shall not be applicable then in such manner as the Directors deem most expedient.

Clause 53

Subject to this Constitution, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the Meetings of Members resolving upon the creation thereof shall direct and, in default of such direction, as the Directors may determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.

Clause 54

Except so far as otherwise provided by the conditions of issue or by this Constitution any capital raised by the issuance and allotment of new shares shall be considered part of the original share capital of the Company and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Clause 57

The Company may by special resolution reduce its share capital in any manner and with, and subject to, any authorisation and consent required by law.

Clause 58

If at any time the share capital is divided into different classes of shares, the rights attached to shares in a class of shares of the Company may only be varied with the consent of shareholders in that class given in accordance with the provisions in the Act.

Clause 72

No business shall be transacted at any Meeting of Members unless the quorum is present at the commencement of the business. Save as herein otherwise provided, two (2) Members personally present shall form a quorum. For the purposes of this Clause, "Member" includes a person attending by proxy or represented by attorney (or in the case of corporations which are Members, present by their representatives appointed pursuant to the provisions of this Constitution and entitled to vote).

Clause 87

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

13.3 Limitation on the right to own securities and/or exercise voting rights

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our share registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

Save for Clause 89 which has been reproduced below from our Constitution, there is no limitation on the right to own securities of our Company including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on the securities of our Company imposed by law or by our Constitution:

Clause 89

No Member shall be entitled to be present or to vote on any question either personally or otherwise in respect of any shares upon which calls are due and unpaid.

13.4 Repatriation of capital, remittance of profit and taxation

(i) Vietnam

There are no restrictions on the repatriation of capital and the remittance of profits by TBS Vietnam so long as all financial obligations owed to the government of Vietnam have been satisfied. There are no withholding taxes or remittance taxes imposed on profits paid by TBS Vietnam to InNature as foreign corporate shareholder. TBS Vietnam is permitted to use revenue in VND from its direct investment in Vietnam to buy foreign currency and to remit it overseas.

(ii) Cambodia

The Law on Foreign Exchange (No. CS/RKM/0897/03 dated 22 August 1997) governs foreign exchange operations in Cambodia. Such law imposes no restrictions on foreign exchange operations through book entries including purchases and sales of foreign exchange on the foreign exchange market, transfers, all kinds of international settlements, and capital flows in foreign or domestic currency between Cambodia and other countries or between residents and non-residents. This includes remittances of dividends in foreign currency to their foreign shareholders overseas and repatriation of fund or investment back to home country provided that all relevant applicable taxes are cleared first. However, Cambodian law requires that such operations to be undertaken only through authorised intermediaries, which are banks permanently established and licensed in Cambodia; and a prior declaration be made to the National Bank of Cambodia for any investment of an amount equalling or exceeding USD100,000 made abroad by a Cambodian resident. There is no restriction on Green Cosmetics, after paying necessary withholding taxes at a rate of 14% for the remittance of dividends and interest payment to InNature so long as such remittance is performed only through authorised intermediaries as mentioned above.

13.5 Material contracts

Save as disclosed below, we have not entered into any material contracts not being contracts in the ordinary course of business, within the FYE 2016, FYE 2017, FYE 2018, FPE 2019, and for the period of 1 October 2019 up to the date of this Prospectus:

Our Company and our Malaysian Subsidiaries

(i) A share sale agreement dated 24 September 2018 ("**Share Sale Agreement**") entered into between our Company and Feliz Natur for our Company to acquire the entire charter capital of TBS Vietnam from Feliz Natur for a purchase consideration of USD350,000 (equivalent to VND5.6 billion or RM1,447,000) satisfied in cash. The Share Sale Agreement was completed on 24 September 2018.

(ii) 6 sale and purchase agreements each dated 26 December 2018 ("**SPAs**") entered into between Rampai-Niaga as the seller and Steady Property as the buyer for the transfer of the following properties by Rampai-Niaga to Steady Property pursuant to the Internal Restructuring Exercise as set out below:

No.	Purchaser	Details of property	Consideration in cash (RM)
(1)	Steady Property	A unit of commercial retail lot known as Lot No. LG 20J, Lower Ground Floor, Subang Parade, erected on the Master Title HS(D) 2227, Lot No. PT 9120, Lot 014193, Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan	950,000

No.	Purchaser	Details of property	Consideration in cash (RM)
(2)	Steady Property	A unit of commercial shoplot known as Parcel No. Lot No. G41, Ground Floor, Mahkota Parade, erected on Master Title Plot Perdagangan 1, being part of PN 6528, Lot No.2, and Plot Perdagangan 5, being part of PN 6517 Lot No. 4, both in Bandar XLII (42), Daerah Melaka Tengah, Negeri Melaka	1,160,000
(3)	Steady Property	A unit of commercial shoplot known as LG03A, Summit City, erected on the Master Title HS(D) 59989 PT 12201 and HS(D) 59990 PT 12202, both in Mukim Damansara, Daerah Petaling, Negeri Selangor Darul Ehsan	1,250,000
(4)	Steady Property	Unit 44, Ground Floor, Central Square Complex, Sungai Petani, Kedah held under Strata Title No. Hakmilik Strata G 145068/M1/1/0000044, No. Bangunan M1, No. Tingkat 1, No. Petak 0000044, Lot 134, Seksyen 56, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah Darul Aman	360,000
(5)	Steady Property	A 3-storey shop office known as No.3, USJ 10/1C, 47620 UEP Subang Jaya, Selangor held under the individual title no. Geran 285215 Lot 37212, Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan	4,900,000
(6)	Steady Property	A 3-storey shop office known as No. 5, USJ 10/1C, 47620 UEP Subang Jaya, Selangor held under the individual title no. Geran 285214, Lot 37211, Pekan Subang Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan	4,900,000

The beneficial ownership of the 6 properties above had been transferred to Steady Property with effect on 31 December 2018. As at the LPD, the formal registration of the property transfers in relation to items (5) and (6) above have been completed whilst the formal registration of the property transfers for the rest of the properties are pending completion.

(iii) the Natura MOU and the Natura Supply Agreement. Please refer to Section 5.15.4 of this Prospectus for further details and salient terms of the Natura MOU and the Natura Supply Agreement; and

(iv) the Retail Underwriting Agreement.

Vietnamese Subsidiary

(v) the Master Agency Agreement in relation to our business agency arrangement in Vietnam set out in Section 5.3.4.1(ii) of this Prospectus further detailed below.

In Vietnam, we have established a business agency arrangement with one of our employees, Ms. Nga through her locally incorporated company, GC Vietnam, to accelerate the process of opening new points-of-sale. As at the LPD, there are 14 outlets, included in our total points-of-sale for Vietnam, for which GC Vietnam acts as our agent. For the FYE 2018, the revenue contribution of these outlets under this business agency arrangement was VND 10.5 billion (approximately RM1.9 million), approximately 1.0% of our Group's total revenue for the FYE 2018. For the FPE 2019, the revenue contribution of such outlets was VND 22.9 billion (approximately RM4.1 million), approximately 3.0% of our Group's total revenue for the FPE 2019.

GC Vietnam, as our agent, retails TBS products that it purchases from TBS Vietnam and receives an agent commission pursuant to TBS Vietnam's Master Agency Agreement with GC Vietnam. The Master Agency Agreement is dated 1 October 2016 (supplemented by appendices dated 1 October 2016, 30 August 2017, 31 December 2017, 20 March 2018, 25 March 2018, 15 November 2018, 10 December 2018, 10 April 2019, 10 May 2019, 21 May 2019, 24 May 2019, 10 July 2019, 15 July 2019, 16 July 2019, 2 August 2019, 27 August 2019 and 12 September 2019,) ("**Master Agency Agreement**"). Under the Master Agency Agreement, GC Vietnam retails TBS products to the customers at its retail outlets at the price as determined by TBS Vietnam.

The tenure, termination events and the consideration under the Master Agency Agreement are as follows:

- Tenure of master agency: 1 October 2016 to any time upon occurring of a termination event pursuant to the Master Agency Agreement ("**Agency Period**").
- Termination: The Master Agency Agreement may terminate among others if:

  (a) the termination is for compliance with regulations of the prevailing laws;

  (b) either party commits a material breach and fails to remedy such breach within 30 days from the date of receipt of the written default notice from the party not in breach;

  (c) either party becomes insolvent or subject to dissolution, liquidation or bankruptcy proceedings;

  (d) either party fails to resume the performance of any of its material obligations under the Master Agency Agreement within 7 days after the date of termination of force majeure event;

  (e) the Master Agency Agreement is terminated upon the expiry of a 45 days prior written notice sent by either party to the other in respect of termination; or

  (f) the termination is mutually agreed in writing by the parties.

- Agent Commission: From time to time within the Agency Period, TBS Vietnam and GC Vietnam will enter into supplemental appendices for each retail outlet that GC Vietnam acts as agent for TBS Vietnam to agree on the agency tenure as well as the agency commission for the particular retail outlet. The agency commission payable is based on a fixed monthly commission sum and a percentage of monthly turnover of the retail outlet.

(vi) the Master Trust Agreement, Buy-back Agreement, Convertible Loan Agreement, Trilateral Agreement and Master Management Agreement (as defined below) entered into to secure the principal-agent relationship between TBS Vietnam and GC Vietnam.

Given the role of GC Vietnam as TBS Vietnam's agent and in order for TBS Vietnam as franchisee of TBSI to ensure that it has control over the sale of TBS products through GC Vietnam, the following agreements, in addition to the Master Agency Agreement set out in item (vi) above, were signed between TBS Vietnam, Ms. Nga and/or GC Vietnam to protect TBS Vietnam and secure the principal-agent relationship between TBS Vietnam and GC Vietnam, including:

(a) trust agreements which provide that Ms. Nga sets up GC Vietnam and retail outlets, manages the retail business engaged by GC Vietnam and manages the retail outlet chains pursuant to directions from TBS Vietnam;

(b) a buy-back agreement which allows TBS Vietnam to buy out GC Vietnam under circumstances such as Ms. Nga and/or GC Vietnam violates the mutual agreements on the principal-agent relationship;

(c) a convertible loan agreement under which TBS Vietnam will finance GC Vietnam and the retail business engaged by GC Vietnam; and the loan can be converted to capital owned by TBS Vietnam subject to terms and conditions provided therein; and

(d) a management agreement which allows TBS Vietnam to exclusively and comprehensively supervise GC Vietnam and the retail outlets.

Further details of the agreements entered into are as set out below:

Parties	Agreement	Tenure and Consideration
TBS Vietnam (Trustor) and Ms. Nga (Trustee)	Trust agreement dated 6 September 2013 (supplemented by appendices dated 1 January 2016, 30 August 2018 and 24 May 2019) (**"Master Trust Agreement"**), to set up GC Vietnam and TBS retail outlets in Vietnam, manage the retail business engaged by GC Vietnam and manage the retail outlet chains pursuant to directions from TBS Vietnam.	• Tenure of master trust: 6 September 2013 to 31 August 2018 and extended to 31 August 2023 (**"Trust Period"**). • Termination: The Master Trust Agreement may be terminated among others if: (a) TBS Vietnam sends a written termination notice to Ms. Nga at least 30 days prior to the proposed termination date; (b) Upon the expiry of a 45 days prior written notice, sent by either party to the other, in respect of the termination of either the (i) Convertible Loan Agreement; (ii) Management Agreement; (iii) Master Agency Agreement; or (iv) the labour contract between TBS Vietnam and Ms. Nga;

13. ADDITIONAL INFORMATION *(cont'd)*

Parties	Agreement	Tenure and Consideration
		(c) either party commits a breach under the Master Trust Agreement capable of remedy and fails to remedy such breach within 30 days from the receipt of the written remedy notice from the party not in breach; or (d) the termination is mutually agreed by the parties. • Trust service fee: A net yearly fee of VND64 million under the Master Trust Agreement. In addition, from time to time within the Trust Period, TBS Vietnam and Ms. Nga will enter into separate trust agreements for each particular retail outlet that GC Vietnam acts as agent for TBS Vietnam, to record the mutual understanding for Ms. Nga to act as head of the retail outlet and agree on the trust period and trust service fee for the particular retail outlet. The trust service fee payable is usually a net yearly fee based on a percentage of the particular outlet's yearly turnover subject to a cap of VND60.0 million per year. As at the LPD, TBS Vietnam has entered into 14 separate trust agreements with Ms. Nga, dated 30 August 2017, 28 April 2018, 20 November 2018, 20 December 2018, 20 April 2019, 10 May 2019, 21 May 2019, 24 May 2019, 10 July 2019, 15 July 2019, 16 July 2019, 2 August 2019, 27 August 2019 and 12 September 2019, in relation to the 14 outlets for which GC Vietnam acts as our agent.
TBS Vietnam and Ms. Nga	Buy-Back Agreement dated 19 September 2013 ("**Buy-Back Agreement**") which allows TBS Vietnam to buy out GC Vietnam under circumstances such as Ms. Nga and/or GC Vietnam violates the mutual agreements on the principal-agent relationship.	• Tenure: From 19 September 2013 with no expiry date. • Termination: There are no termination conditions under the Buy-Back Agreement. • Consideration: None.

13. ADDITIONAL INFORMATION *(cont'd)*

Parties	Agreement	Tenure and Consideration
TBS Vietnam (Lender) and GC Vietnam (Borrower)	Convertible loan agreement dated 19 September 2013 (supplemented by annexes dated 20 September 2013 and 30 August 2018) (**"Convertible Loan Agreement"**) under which TBS Vietnam will finance GC Vietnam and the retail business engaged by GC Vietnam; and the loan can be converted to capital owned by TBS Vietnam subject to terms and conditions provided in the Convertible Loan Agreement.	• Tenure: 19 September 2013 to 31 August 2018 and extended to 31 August 2023. • Termination: The Convertible Loan Agreement may be terminated among others if: (a) TBS Vietnam sends a written termination notice to GC Vietnam at least 45 days prior to the proposed termination date; (b) Upon expiry of the tenure or its renewal; (c) The loan is lawfully converted to equity of TBS Vietnam, or its designee, in GC Vietnam; and TBS Vietnam, or its designee, is lawfully registered as the owner of GC Vietnam; (d) GC Vietnam breaches a condition under the Convertible Loan Agreement and fails to remedy such breach within 30 days from the receipt of the written remedy notice from TBS Vietnam; (e) Any party becomes insolvent or is subject to dissolution, liquidation or bankruptcy proceedings; (f) Upon expiry of a 45 days prior written notice sent by a party of the Master Trust Agreement, Master Management Agreement and Master Agency Agreement to the other to terminate the Master Trust Agreement, Master Management Agreement and Master Agency Agreement; (g) The other party fails to resume its performance of obligations which is prevented by force majeure event within 7 days as from the termination of the same; or (h) The termination is mutually agreed by the parties. • Interest rate: 5.0% of total loan amount which is paid annually. • Credit limit: Up to VND1,305 million, but can be increased upon demand of GC Vietnam and agreement between GC Vietnam and TBS Vietnam. As at the LPD, there are no outstanding loan sums under this agreement.

13. ADDITIONAL INFORMATION *(cont'd)*

Parties	Agreement	Tenure and Consideration
TBS Vietnam, GC Vietnam and Ms. Nga	Trilateral Agreement dated 13 September 2016 (supplemented by annexure dated 14 September 2016) ("**Trilateral Agreement**") under which TBS Vietnam assigns a part of a loan which had been granted to GC Vietnam under the Convertible Loan Agreement to Ms. Nga; and Ms. Nga shall convert such assigned loan into her contributed capital in GC Vietnam.	• Tenure: 13 September 2016 to 31 August 2018 and extended to 31 August 2023. • Termination: The Trilateral Agreement will be terminated upon expiration of the tenure without renewal. There are no termination conditions under the Trilateral Agreement. • Consideration: None.
TBS Vietnam (Manager) and GC Vietnam	Management agreement dated 1 October 2016 (supplemented by appendices dated 1 October 2016, 30 August 2017, 20 March 2018, 25 March 2018, 15 November 2018, 10 December 2018, 10 April 2019, 10 May 2019, 21 May 2019, 24 May 2019, 10 July 2019, 15 July 2019, 16 July 2019, 2 August 2019, 27 August 2019 and 12 September 2019,) (**"Master Management Agreement"**) which allow TBS Vietnam to exclusively and comprehensively manage and operate GC Vietnam and the retail outlets.	• Tenure of master management: 1 October 2016 to any time upon occurring of a termination event pursuant to the Master Management Agreement (**"Management Period"**) and renewable with 1 month's prior written notice by either party subject to mutual agreement. • Termination: The Master Management Agreement may terminate among others if: (a) either party commits a material breach and fails to remedy such breach within 30 days from the date of receipt of the default notice from the party not in breach; (b) either party becomes insolvent or is subject to dissolution, liquidation or bankruptcy proceedings; (c) either party fails to resume the performance of any of its material obligations under the Master Management Agreement within 7 days after the date of termination of the force majeure event; (d) upon the expiry of a 45 days prior written notice, sent by either party to the other, in respect of the termination; or (e) the termination is mutually agreed by the parties. • Management fee: From time to time within the Management Period, TBS Vietnam and GC Vietnam will enter into supplemental appendices for each retail outlet that GC Vietnam acts as agent for TBS Vietnam, to agree on the management period as well as the management fee for the particular retail outlet. The management fee payable is usually based on a percentage of the particular outlet's turnover subject to a cap of VND60.0 million a year per outlet.

Our legal counsel for Vietnamese laws has opined that:

(i) The principal-agency arrangement (arising from the Master Agency Agreement) is legal and recognised under the Law on Commerce No. 36/2005/QH11 of Vietnam. Also, the prevailing laws do not prohibit the principal and the agent to execute other agreements (including the trust agreements, management agreement, buy-back agreement, and convertible loan agreement such as set out above) to protect the legitimate rights of the principal.

(ii) GC Vietnam is not considered a subsidiary of TBS Vietnam given that, in Vietnam:

(a) the parent company-subsidiaries relationship is ascertained mainly based upon the ownership of shares and shares of capital contribution;

(b) GC Vietnam and TBS Vietnam do not have any relations with each other through ownership of shares and shares of capital contribution as:

- GC Vietnam has been solely owned by Ms. Nga from the date of its establishment;

- TBS Vietnam does not own the charter capital of GC Vietnam; and

- TBS Vietnam has not enforced its rights under the Buy-Back Agreement and the Convertible Loan Agreement as a result of which it will become an owner of GC Vietnam;

(c) the right to make decisions on the appointment of the director of GC Vietnam belongs to its chairman under the Law on Enterprises (who can be either the individual owner of the company or another individual appointed by the owner of the company); TBS Vietnam is not assigned with this right under the agreements with GC Vietnam set out above and the charter of GC Vietnam; and

(d) the right to make decisions on any amendment and addition to the charter of the GC Vietnam belongs to its owner under the Law on Enterprises and the charter of GC Vietnam; TBS Vietnam is not assigned with this right under the agreements with GC Vietnam set out above and the charter of GC Vietnam.

13.6 Material litigation

As at the LPD, our Group is not engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group, and our Directors have no knowledge of any proceedings, pending or threatened, or of any fact likely to give rise to any proceedings which may materially and adversely affect the business or financial position of our Group.

13.7 Public take-overs

None of the following has occurred during the last financial year up to the LPD:

(i) public take-over offers by third parties in respect of our Shares; and

(ii) public take-over offers by us in respect of other company's shares.

13.8 Consents

(i) The written consents of the Principal Adviser, Managing Underwriter, Joint Underwriters, Sole Bookrunner, Company Secretaries, Solicitors to our Company, Solicitors to the Managing Underwriter, Joint Underwriters and Sole Bookrunner, Issuing House, and Share Registrar, for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

(ii) The written consent of KPMG PLT, the Auditors and Reporting Accountants for the inclusion in this Prospectus of its name, Accountants' Report and Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position as at 30 September 2019 and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and has not subsequently been withdrawn.

(iii) The written consent of Frost & Sullivan GIC Malaysia Sdn Bhd, the Independent Market Research Consultants for the inclusion in this Prospectus of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

(iv) The written consents of RHTLaw Vietnam (formerly known as RHTLaw Taylor Wessing Vietnam) and R&T Sok & Heng Law Office for the inclusion in this Prospectus of their respective names and their legal opinions and all references thereto in the form and context in which such names appear have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

13.9 Documents available for inspection

Copies of the following documents may be inspected at our registered office at 802, 8th Floor, Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during office hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) commercial contracts which our Group is materially dependent on and our material contracts referred to in Section 5.15 and Section 13.5 of this Prospectus, respectively;

(iii) our audited consolidated financial statements for the FYE 2018 and FPE 2019;

(iv) the audited financial statements of Rampai-Niaga for the FYE 2018 and TBS Vietnam for the past 3 FYEs 2016 to 2018;

(v) the Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position as included in Section 11.11 of this Prospectus;

(vi) the Accountants' Report as included in Section 12 of this Prospectus;

(vii) the IMR Report as included in Section 6 of this Prospectus; and

(viii) the letters of consent referred to in Section 13.8 of this Prospectus.

13.10 Responsibility statements

(i) Our Directors, the Promoters and Selling Shareholder have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements or other facts, if omitted, which would make any statement in this Prospectus false or misleading.

(ii) CIMB, being the Principal Adviser, Managing Underwriter, Joint Underwriter, and Sole Bookrunner acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 Opening and closing of application

OPENING OF THE RETAIL OFFERING: 10.00 A.M., 29 January 2020

CLOSING OF THE RETAIL OFFERING: 5.00 P.M., 6 February 2020

Applications for the IPO Shares offered under the Retail Offering will open and close at the time and dates stated above.

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

Late applications will not be accepted.

Copies of the Application Forms together with this Prospectus may be obtained, subject to availability, from the Issuing House and ADAs which are registered members of Bursa Securities.

14.2 Methods of application

14.2.1 Retail Offering

Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the application will succeed.

Types of application and category of investors	Application method
(i) **Malaysian Public** – Applications for the 14,131,500 Issue Shares made available for applications by:	
(a) Malaysian Public - individuals	• White Application Form; or • Electronic Share Application; or • Internet Share Application
(b) Malaysian Public - non individuals	White Application Form only
(ii) **Eligible Persons** – Application for the 2,000,000 Issue Shares made available for applications by Directors and eligible employees	Pink Application Form only

14.2.2 Institutional Offering

Types of application and category of investors	Application method
Bumiputera investors – Applications for the 81,600,000 IPO Shares to be made available for application by way of private placement to Bumiputera investors approved by MITI	Bumiputera Investors approved by MITI will be contacted directly by MITI and should follow the instructions as communicated through MITI
Selected investors – Applications for the 79,542,500 IPO Shares to be allocated to placees via private placement	A letter of invitation shall be delivered to the respective identified investors

14.3 Eligibility

14.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the applications.

Only **ONE** Application Form for each category from each Applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by Directors and eligible employees

The Directors and eligible employees will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Applicants provided with Pink Application Forms may also apply for our IPO Shares offered to the Malaysian Public.

14.4 Applications by way of Application Forms

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.68 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NO. 601"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (Registration No.: 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

(ii) or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 6 February 2020 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14.5 Applications by way of Electronic Share Applications

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

14.6 Applications by way of Internet Share Applications

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 Authority of our Board and the Issuing House

The Issuing House, on the authority of our Board reserves the right to:

(i) reject applications which:

   (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (b) are illegible, incomplete or inaccurate; or

   (c) are accompanied by an improperly drawn up, or improper form of, remittance.

(ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.8 below.

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 Over/Under-Subscription

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors and employees of our Group, subject to the underwriting arrangements and reallocation as set out in Section 2.10 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Retail Underwriting Agreement.

14.9 Unsuccessful/partially successful applicants

If you are unsuccessful/partially successful in your application, your application monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

(i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of application monies will be refunded via banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your application is rejected because you did not provide a CDS Account number, your application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) or (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful applications within 2 Market Days after the balloting date. The full amount of the application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of applications will be reserved to replace any successfully balloted applications that are subsequently rejected. The application monies relating to these applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful applications within 2 Market Days after the final balloting date. The Participating Financial Institution or Internet Participating Financial Institutions will credit the application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

14.10 Successful applicants

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

(v) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to you without any interest thereon. The refund will be credited into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository or despatched, in the form of cheques, by ordinary post to your address maintained with Bursa Directory if you have not provided such bank account information to Bursa Depository, or by crediting into your account with the Electronic Participating Financial Institutions for applications made via the Electronic Share Application or by crediting into your account with the Internet Participating Financial Institutions for applications made via the Internet Share Application, within 10 Market Days from the date of final ballot of application, at your own risk.

14.11 Enquiries

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House at telephone no. +603-7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your application by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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