



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT  
FOR THE 2<sup>nd</sup> QUARTER ENDED 30 JUNE 2020

17 AUGUST 2020

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30 JUNE 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Quarter ended		6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
<b>Revenue</b>		31,428	44,070	68,815	91,679
Other operating income		246	196	439	495
<b>Operating expenses</b>					
Changes in inventories		(9,848)	(15,041)	(21,620)	(29,829)
Rental expenses		163	(800)	(533)	(1,537)
Employee related expenses		(8,032)	(9,781)	(18,270)	(19,637)
Distribution expenses		(1,022)	(737)	(1,717)	(1,343)
Advertising and promotion expenses		(723)	(1,024)	(1,911)	(2,092)
Depreciation and amortisation expenses		(5,459)	(5,486)	(10,287)	(10,658)
Other operating expenses		(1,941)	(2,083)	(4,688)	(3,895)
<b>Total operating expenses</b>		(26,862)	(34,952)	(59,026)	(68,991)
<b>Profit from operations</b>		4,812	9,314	10,228	23,183
Finance income		290	95	457	249
Finance costs		(546)	(567)	(981)	(1,166)
Listing-related expenses		(14)	(1,685)	(995)	(2,123)
<b>Profit before tax</b>	20	4,542	7,157	8,709	20,143
Tax expenses	21	(1,410)	(2,054)	(2,827)	(5,143)
<b>Profit for the period</b>		3,132	5,103	5,882	15,000
<b>Other comprehensive income/(expense), net of tax</b>					
<u>Item that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences for foreign operation		153	54	702	(12)
<b>Total comprehensive income for the period</b>		3,285	5,157	6,584	14,988

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

		Quarter ended		6 months ended	
	Note	30.6.2020	30.6.2019	30.6.2020	30.6.2019
		RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>					
Owners of the Company		3,132	5,103	5,882	15,000
Non-controlling interests		-	-	-	-
		<u>3,132</u>	<u>5,103</u>	<u>5,882</u>	<u>15,000</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,285	5,157	6,584	14,988
Non-controlling interests		-	-	-	-
		<u>3,285</u>	<u>5,157</u>	<u>6,584</u>	<u>14,988</u>
<b>Earnings per share attributable to Owners of the Company</b>					
Basic (sen)	22	<u>0.44</u>	<u>1.42</u>	<u>0.86</u>	<u>4.17</u>
<b>Other selected financial data:</b>					
Gross profit <sup>(1)</sup>		21,580	29,029	47,195	61,850
Core profit after tax ("PAT") <sup>(2)</sup>		3,146	6,788	6,877	17,123
Operating profit margin		15.3%	21.1%	14.9%	25.3%
Gross profit margin		68.7%	65.9%	68.6%	67.5%
Core PBT margin		14.5%	20.1%	14.1%	24.3%
Core PAT margin		10.0%	15.4%	10.0%	18.7%

<sup>(1)</sup> computed based on revenue less changes in inventories (cost of goods sold).

<sup>(2)</sup> core profit excludes listing-related expenses.

The unaudited condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	30.6.2020 RM'000	31.12.2019 RM'000
<b>Assets</b>			
Plant and equipment		14,057	13,997
Right-of-use assets		20,771	24,123
Intangible assets		52,757	52,875
Deferred tax assets		1,070	1,146
Receivables and deposits		7,017	6,210
<b>Total non-current assets</b>		95,672	98,351
Inventories		42,188	33,776
Receivables, deposits and prepayments		4,395	5,771
Current tax assets		13	8
Other investments	23	26,960	46
Cash and cash equivalents		9,812	17,445
<b>Total current assets</b>		83,368	57,046
<b>Total assets</b>		179,040	155,397
<b>Liabilities</b>			
Provision for restoration costs		2,184	2,233
Loans and borrowings	24	226	276
Lease liabilities		7,517	11,081
<b>Total non-current liabilities</b>		9,927	13,590
Provision for restoration costs		240	194
Loans and borrowings	24	151	16,300
Lease liabilities		13,921	14,081
Contract liabilities		1,417	1,429
Payables and accruals		17,190	19,105
Current tax liabilities		3,391	3,358
<b>Total current liabilities</b>		36,310	54,467
<b>Total liabilities</b>		46,237	68,057
<b>Net assets</b>		132,803	87,340

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	30.6.2020 RM'000	31.12.2019 RM'000
<b>Equity</b>			
Share capital		50,326	4,388
Reserves		82,477	82,952
<b>Total equity</b>		132,803	87,340
<b>Other selected financial data:</b>			
Net current assets / working capital		47,058	2,579
Net assets per share (sen) ^		18.81	13.82
Net gearing ratio (times) *		(0.27)	(0.01)

^ net assets per share as at 31 December 2019 was calculated by dividing net assets by 631,807,488 shares, being the number of shares after the completion of the pre-listing internal restructuring exercise.

\* computed based on net borrowings (total bank borrowings less cash and cash equivalents and other investments) divided by total equity. Negative net gearing ratio denotes a net cash position.

The unaudited condensed consolidated statements of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	←	Non-distributable		→	Distributable	
Note	Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000	
<b>At 1 January 2019</b>	2,500	4,636	213	68,092	75,441	
Profit for the period	-	-	-	15,000	15,000	
Foreign currency translation differences for foreign operation, representing other comprehensive expense for the period	-	-	(12)	-	(12)	
Total comprehensive income for the period	-	-	(12)	15,000	14,988	
Dividend declared, representing total transactions with owners	-	-	-	(10,000)	(10,000)	
<b>At 30 June 2019</b>	2,500	4,636	201	73,092	80,429	
<b>At 1 January 2020</b>	4,388	4,636	73	78,243	87,340	
Profit for the period	-	-	-	5,882	5,882	
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	702	-	702	
Total comprehensive income for the period	-	-	702	5,882	6,584	
Issuance of shares	47,407	-	-	-	47,407	
Share issuance expenses	(1,469)	-	-	-	(1,469)	
Dividend declared	-	-	-	(7,059)	(7,059)	
Total transaction with owners	45,938	-	-	(7,059)	38,879	
<b>At 30 June 2020</b>	50,326	4,636	775	77,066	132,803	

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		8,709	20,143
Adjustments for:			
Depreciation and amortisation expenses		10,287	10,658
Unrealised foreign exchange gain		(195)	-
Property, plant and equipment written off		85	-
Finance income		(457)	(249)
Finance costs		981	1,166
Listing-related expenses		995	2,123
<b>Operating profit before changes in working capital</b>		<b>20,405</b>	<b>33,841</b>
Changes in working capital:			
Inventories		(8,033)	(1,814)
Receivables, deposits and prepayments		742	(1,649)
Payables and accruals and contract liabilities		(1,035)	(1,089)
Provision for restoration costs		(28)	73
<b>Cash generated from operations</b>		<b>12,051</b>	<b>29,362</b>
Income tax paid		(2,867)	(4,713)
<b>Net cash generated from operating activities</b>		<b>9,184</b>	<b>24,649</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(2,251)	(2,857)
Acquisition of intangible assets		(1,822)	-
(Acquisition of)/proceeds from disposal of other investments		(26,914)	1,125
Withdrawal of pledged deposits		-	434
Interest received		440	203
<b>Net cash used in investing activities</b>		<b>(30,547)</b>	<b>(1,095)</b>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	6 months ended	
		30.6.2020 RM'000	30.6.2019 RM'000
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	7	47,407	-
Listing-related expenses		(1,695)	(1,023)
Dividends paid	8	(7,059)	-
Repayment of revolving credit		(16,000)	(17,000)
Repayment of hire purchase		(199)	(3,175)
Repayment of lease liabilities		(7,938)	(10,893)
Interest paid for lease liabilities		(899)	(986)
Interest paid		(82)	(181)
<b>Net cash generated from/(used in) financing activities</b>		<u>13,535</u>	<u>(33,258)</u>
<b>Net decrease in cash and cash equivalents</b>		(7,828)	(9,704)
Effect of exchange rate fluctuations on cash held		195	(12)
Cash and cash equivalents at beginning of the period		17,445	23,824
<b>Cash and cash equivalents at end of the period</b>		<u>9,812</u>	<u>14,108</u>
<b>Cash and cash equivalents comprise the following:</b>			
Cash and bank balances		8,879	14,108
Deposits placed with licensed banks		933	-
		<u>9,812</u>	<u>14,108</u>

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached in this interim financial report.



## INNATURE BERHAD

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### INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30 JUNE 2020

#### 1. BASIS OF PREPARATION

The interim financial statements (“Interim Financial Report”) of InNature Berhad (“InNature” or the “Company”) and its subsidiaries (collectively, the “Group”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: *Interim Financial Reporting* issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) 134: *Interim Financial Reporting* issued by International Accounting Standards Board (“IASB”), and Paragraph 9.22 of Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The Interim Financial Report should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes in this Interim Financial Report. Certain comparative figures have been reclassified to conform to current financial period’s presentation.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the Interim Financial Report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and amended MFRS and Issues Committee (“IC”) Interpretations which are relevant to the Group during the current financial period. The adoption of the new and amended MFRS and IC Interpretations did not have a material effect on the financial performance or position of the Group.

#### 3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report of the Group’s consolidated financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

#### 4. SEASONAL AND CYCLICAL FACTORS

Being in the retail industry, the Group’s operations are subject to peaks and troughs in revenue generation throughout the year. Generally, the Group records higher sales during major festive and school holiday seasons in the respective country of which the Group operates.

#### 5. UNUSUAL ITEMS

Apart from the Covid-19 pandemic as discussed in Note 17, and listing-related expenses as disclosed on the face of Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

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6. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the results of current financial period.

7. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period.

<b>Company</b>	<b>Amount RM'000</b>	<b>Number of shares '000</b>
<b>Issued and fully paid: ordinary shares</b>		
At 1 January 2020	4,388	631,807
Issuance of shares	47,407	74,074
Share issuance expenses	(1,469)	-
At 30 June 2020	<u>50,326</u>	<u>705,881</u>

Initial Public Offering (“IPO”)

The Company launched its IPO and issued its prospectus in relation to the IPO on 29 January 2020 (“IPO Prospectus”). The IPO involves the offering of 177,274,000 ordinary shares in InNature (“Shares”) (“IPO Shares”) in conjunction with the listing of and quotation for the entire 705,881,488 Shares on the Main Market of Bursa Securities (“Listing”) comprising a public issue of 74,074,000 new Shares (“Issue Shares”) and an offer for sale of 103,200,000 existing Shares (“Offer Shares”) and involving:

- i. Institutional offering of 161,142,500 IPO Shares to Malaysian and foreign institutional and selected investors, including Bumiputera investors approved by the Ministry of International Trade and Industry at the institutional price to be determined by way of book-building (“Institutional Price”); and
- ii. Retail offering of 16,131,500 Issue shares to the Directors and eligible employees of the Group and the Malaysian public, at the retail price of RM0.68 per IPO Share (“Retail Price”), payable in full upon application and subject to refund of the difference between the Retail Price and the final retail price in the event that the final retail price is less than the Retail Price,

subject to the clawback and reallocation provisions and the over-allotment option. Further details of the IPO are set out in the IPO Prospectus.

On 10 February 2020, the Company announced that both Institutional Price and final retail price have been fixed at RM0.64 per IPO Share.

The allotment of the IPO Shares and the Listing took place on 19 February 2020 and 20 February 2020, respectively.

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8. DIVIDENDS

The following dividends were declared by the Company during the respective financial period:

	<b>RM per share RM</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>Company</b>			
<b>6 months ended 30 June 2020</b>			
In respect of the financial year ended 31 December 2019:			
- Special single-tier dividend	0.01	<u>7,059</u>	30 April 2020
<b>6 months ended 30 June 2019</b>			
In respect of the financial year ended 31 December 2018:			
- Second single-tier dividend	4.00	<u>10,000</u>	30 August 2019

As at the date of this Interim Financial Report, the Company did not declare any dividend in respect of the financial year ending 31 December 2020.

9. CHANGES IN COMPOSITION OF THE GROUP

There was no change to the composition of the Group during the current financial period.

10. CONTINGENT LIABILITIES

	<b>30.6.2020 RM'000</b>	<b>31.12.2019 RM'000</b>
<b>Company</b>		
Corporate guarantees granted to a subsidiary for credit facilities	1,000	1,000
Bank guarantees granted to subsidiaries for tenancy agreements	<u>862</u>	<u>874</u>
	<u>1,862</u>	<u>1,874</u>

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11. CAPITAL COMMITMENTS

	<b>30.6.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
<b>Plant and equipment</b>		
Approved but not contracted for	29,763	34,500
Contracted but not commenced	1,737	-
	<u>31,500</u>	<u>34,500</u>
<b>Leases as a leasee</b>		
Contracted but not commenced	4,680	4,054
	<u>4,680</u>	<u>4,054</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are shown below:

	<b>Quarter ended</b>		<b>6 months ended</b>	
	<b>30.6.2020</b>	<b>30.6.2019</b>	<b>30.6.2020</b>	<b>30.6.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
<i>Entities in which certain Directors of the Company have interests</i>				
Rental of event space <sup>(1)</sup>	-	-	35	-
Rental of office and retail outlets <sup>(2)</sup>	91	115	210	231
	<u>91</u>	<u>115</u>	<u>245</u>	<u>231</u>

<sup>(1)</sup> The Company rented the event space from an entity in which certain Directors of the Company have interests, for the launch event of its IPO Prospectus on 29 January 2020. The transaction was entered into in the normal course of business under normal trade terms.

<sup>(2)</sup> The Group entered into rental agreements with an entity in which certain Directors of the Company have interests, for the letting of office and retail outlets in Malaysia. The rental rates are based on a third-party valuation on the market rental carried out by a registered property valuer.

13. STATUS OF CORPORATE PROPOSAL

There was no corporate proposal announced but not completed as at the date of this Interim Financial Report.

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14. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 30 June 2020 is as follows:

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation up to 30 June 2020 RM'000	Transfer RM'000	Balance unutilised RM'000	Estimated timeframe for utilisation from the date of Listing
(i) Capital expenditure	34,500	(3,000)	-	31,500	Within 48 months
(ii) Working capital	837	(615)	315	537	Within 36 months
(iii) New business development	5,700	(2,099)	-	3,601	Within 48 months
(iv) Listing-related expenses	6,370	(6,055)	(315)	-	Within 3 months
<b>Total</b>	<b>47,407</b>	<b>(11,769)</b>	<b>-</b>	<b>35,638</b>	

The utilisation of proceeds as disclosed above should be read in conjunction with the IPO Prospectus dated 29 January 2020, and the Company's announcement on 18 February 2020.

The unutilised balance of RM315,000 allocated for listing-related expenses had been transferred to working capital during the financial period.

15. MATERIAL LITIGATION

There was no material litigation involving the Group for the period from 31 December 2019 to the date of this Interim Financial Report.

16. SEGMENT INFORMATION

The Group does not have reportable segments as the principal activities of entities within the Group are similar, and essentially relate to the distribution of The Body Shop and Natura brands. Accordingly, segment information of the Group is presented on the basis of geographical segments, based on the geographical location of customers, assets and liabilities.

Existing business represents The Body Shop operations in Malaysia and Vietnam. New business represents Natura operation in Malaysia and The Body Shop operation in Cambodia. Both commenced operations in 2019.

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Table 16.1 Segment Assets

	30.6.2020				31.12.2019			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
<b>Segment assets</b>								
Existing business	116,200	29,164	-	145,364	122,748	22,465	-	145,213
New business	6,460	-	4,642	11,102	4,469	-	4,352	8,821
	<u>122,660</u>	<u>29,164</u>	<u>4,642</u>	<u>156,466</u>	<u>127,217</u>	<u>22,465</u>	<u>4,352</u>	<u>154,034</u>
Investment holding				22,574				1,363
<b>Reported total assets</b>				<u>179,040</u>				<u>155,397</u>
<i>Included in segment assets are:</i>								
Property, plant and equipment	7,791	4,951	1,315	14,057	8,455	4,506	1,036	13,997
Right-of-use assets	15,755	4,929	87	20,771	19,810	4,222	91	24,123
Goodwill	50,435	-	-	50,435	50,435	-	-	50,435
Other intangible assets	1,602	471	249	2,322	1,714	476	250	2,440

Table 16.2 Segment Liabilities

	30.6.2020				31.12.2019			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
<b>Segment liabilities</b>								
Existing business	33,110	9,333	-	42,443	54,402	9,777	-	64,179
New business	2,250	-	646	2,896	1,182	-	2,098	3,280
	<u>35,360</u>	<u>9,333</u>	<u>646</u>	<u>45,339</u>	<u>55,584</u>	<u>9,777</u>	<u>2,098</u>	<u>67,459</u>
Investment holding				898				598
<b>Reported total liabilities</b>				<u>46,237</u>				<u>68,057</u>
<i>Included in segment liabilities are:</i>								
Loans and borrowings	377	-	-	377	16,576	-	-	16,576
Lease liabilities	16,329	5,018	91	21,438	20,558	4,512	92	25,162

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Table 16.3 Segment Financial Results – 2Q2020 and 2Q2019

	2nd quarter ended 30.6.2020				2nd quarter ended 30.6.2019			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
<b>Revenue from external customers</b>								
Existing business	23,437	6,920	-	30,357	37,420	6,650	-	44,070
New business	342	-	729	1,071	-	-	-	-
	<u>23,779</u>	<u>6,920</u>	<u>729</u>	<u>31,428</u>	<u>37,420</u>	<u>6,650</u>	<u>-</u>	<u>44,070</u>
<b>Segment PAT</b>								
Existing business	2,942	657	-	3,599	6,420	653	-	7,073
New business	(543)	-	127	(416)	(34)	-	(44)	(78)
	<u>2,399</u>	<u>657</u>	<u>127</u>	<u>3,183</u>	<u>6,386</u>	<u>653</u>	<u>(44)</u>	<u>6,995</u>
Investment holding				(37)				(207)
<b>Core PAT</b>				3,146				6,788
Listing-related expenses				(14)				(1,685)
<b>Reported PAT</b>				<u>3,132</u>				<u>5,103</u>

Table 16.4 Segment Financial Results – 6M2020 and 6M2019

	6 months ended 30.6.2020				6 months ended 30.6.2019			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
<b>Revenue from external customers</b>								
Existing business	52,504	14,291	-	66,795	78,533	13,146	-	91,679
New business	633	-	1,387	2,020	-	-	-	-
	<u>53,137</u>	<u>14,291</u>	<u>1,387</u>	<u>68,815</u>	<u>78,533</u>	<u>13,146</u>	<u>-</u>	<u>91,679</u>
<b>Segment PAT</b>								
Existing business	6,494	1,527	-	8,021	15,738	1,955	-	17,693
New business	(1,301)	-	188	(1,113)	(77)	-	(123)	(200)
	<u>5,193</u>	<u>1,527</u>	<u>188</u>	<u>6,908</u>	<u>15,661</u>	<u>1,955</u>	<u>(123)</u>	<u>17,493</u>
Investment holding				(31)				(370)
<b>Core PAT</b>				6,877				17,123
Listing-related expenses				(995)				(2,123)
<b>Reported PAT</b>				<u>5,882</u>				<u>15,000</u>

## 17. PERFORMANCE REVIEW

### **Operational Review**

The business environment of the Group had been affected by the Covid-19 outbreak since the beginning of 2020. The pandemic caused global social and economic disruption, including the prospect of the worst economic downturn since the Second World War<sup>1</sup>. In Malaysia and Vietnam, the pandemic triggered the implementation of movement control orders (“MCO”) affecting the months of March 2020 and April 2020. The MCO had led to the unprecedented closure of all our stores in both countries from 18 March 2020 for Malaysia and 30 March 2020 for Vietnam, albeit with varying durations. The lockdown measures were lifted in stages since 23 April 2020 in Vietnam and 4 May 2020 in Malaysia, although monitoring, sanitisation and social-distancing rules remain in place as a pre-condition for business re-opening.

Notwithstanding the store closures during the MCO, we continue to service our customers’ needs through our e-commerce channels. We pivoted various marketing initiatives to encourage customers and loyalty programme members to shop online at our e-commerce website, redeployed our teams to support the e-commerce operations, and worked closely with our logistic partners in attending to the heightened demand amid capacity restriction due to the MCO.

It is worth noting that our store in Cambodia was not subject to any MCO during the 6-month period ended 30 June 2020 (“6M2020”).

As previously announced on 29 May 2020, we implemented our business continuity plan as soon as the MCO was announced. Appropriate procedures had been rolled out to ensure the orderly closure and re-opening of our business premises, which includes the implementation of the necessary monitoring, sanitisation and social-distancing measures. Our teams were arranged to work from home or were redeployed to support the E-commerce operations. Necessary meetings were conducted online and we took the opportunity to boost our staff learning capacity by compulsory daily online training sessions during the MCO.

Upon the lifting of MCO, we managed to re-open 100% of our stores in Vietnam by the end of April 2020, and 97% of our stores in Malaysia by mid-May 2020. We have also returned to office, but continued to conduct meetings and trainings online to ensure the proper implementation of social-distancing at workplace. Additionally, personal protective equipment had been distributed to our staff, especially those in our stores, for mutual protection.

In response to the new normal post-MCO, we launched premium service for personal consultation and fast delivery at selected stores to provide convenience for our customers who prefer personalised service from the comfort of their home. Similarly, Click and Collect service is also available for customers who prefer fast-track collection at our stores by making advance orders through our e-commerce website.

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<sup>1</sup> <https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii>



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We remain frugal with our spending and cautious with our cashflow despite being in a net cash position as at 30 June 2020. Our variable expenses had reduced following store closure during the MCO. We exercised strict operational discipline such as a freeze on headcount, a freeze on travel and a reduction in all non-essential spending. We engaged landlords and suppliers for rebates, discounts and/or extension of credit, and pursued various government assistance measures that are applicable to us. We are also closely monitoring the performance of each store. For 6M2020, we closed a total of 4 non-performing stores – 3 in Malaysia and 1 in Vietnam.

**Year-on-Year Financial Review**

*Revenue*

	Quarter ended		Year-on-Year Variance		6 months ended		Year-on-Year Variance	
	30.6.2020	30.6.2019	Reported	Same-Store	30.6.2020	30.6.2019	Reported	Same-Store
	RM'000	RM'000			RM'000	RM'000		
<u>Existing business</u>								
TBS Malaysia	23,437	37,420	-37%	-36%	52,504	78,533	-33%	-32%
TBS Vietnam	6,920	6,650	4%	-21%	14,291	13,146	9%	-18%
	<u>30,357</u>	<u>44,070</u>			<u>66,795</u>	<u>91,679</u>		-27%
<u>New business</u>								
TBS Cambodia	729	-			1,387	-		
Natura Malaysia	342	-			633	-		
	<u>31,428</u>	<u>44,070</u>	-29%		<u>68,815</u>	<u>91,679</u>	-25%	

*Included in Group Revenue are:*

E-commerce

TBS Malaysia	5,876	686	757%	7,102	1,514	369%
TBS Vietnam	894	612	46%	1,484	1,051	41%
TBS Cambodia	13	-		13	-	
Natura Malaysia	114	-		155	-	
	<u>6,897</u>	<u>1,298</u>	431%	<u>8,754</u>	<u>2,565</u>	241%

Social selling

Natura Malaysia	<u>150</u>	-		<u>194</u>	-	
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*TBS = The Body Shop*

With 121 retail stores as at 30 June 2020, we were inevitably deeply affected by the impact of Covid-19, where revenue of the Group took a hit of -29% in 2Q2020, and -25% in 6M2020. Same-store sales in Malaysia and Vietnam too exhibited similar downtrend in the current financial period. The revenue decline was further exacerbated by the absence of our March Sale and a subdued Hari Raya festive celebration in Malaysia.

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Fortunately, the revenue decline was mitigated by the contribution from Vietnam's new stores (net opening of 8 in 2019), our new businesses in Cambodia and Malaysia, and the surge in revenue from e-commerce channels.

Our early investments in omnichannel rewarded us the much-needed uplift during this challenging time, where we saw e-commerce channels recording exponential growth of +431% to RM6.9 million in 2Q2020, and +241% to RM8.8 million in 6M2020. Approximately 51% of e-commerce revenue in 2Q2020 (40% for 6M2020) was generated in the month of April 2020, i.e. during the apex of MCO. Subsequent to April 2020, our daily e-commerce revenue remains elevated at RM56,000 for the months of May 2020 and June 2020, vis-à-vis RM20,000 for 1Q2020.

Social selling represents our latest distribution channel introduced in December 2019 for Natura in Malaysia. The contribution from this channel has grown to approximately 38% of total Natura revenue 2020, and is the reason why the new business continues to grow despite the tough conditions presented by the Covid-19 pandemic. 77% of the social selling revenue was generated in 2Q2020, i.e. consistent with the expansion of our beauty consultant network where 73% of our 146 beauty consultants as at 30 June 2020 were recruited in the same financial quarter.

#### *Profit After Tax ("PAT")*

We remain profitable with the reported PAT of RM3.1 million for 2Q2020, and RM5.9 million for 6M2020. Overall, our Group recorded lesser operating expenses (2Q2020: -23%; 6M2020: -14%) on reduced variable expenses, strict operational discipline on spending, and assistance from landlords and government in the forms of rental rebates and wage subsidy. Tax expenses had correspondingly reduced, and we recognised lesser listing-related expenses by RM1.7 million and RM1.1 million respectively in 2Q2020 and 6M2020.

In terms of segment performance, our existing businesses in Malaysia and Vietnam continue to operate profitably in 2Q2020 and 6M2020. Our new business in Cambodia is now contributing to the Group's profitability, whereas start-up losses from Natura Malaysia had reduced from RM0.8 million in 1Q2020 to RM0.5 million in 2Q2020.

#### *Healthy Balance Sheet and Cash Flow*

Our financial position remains healthy with a working capital of RM47.0 million and total equity of RM132.8 million as at 30 June 2020. Despite facing challenging environments, the Group generated net cash from operations of RM9.2 million in 6M2020, and maintained a healthy cash balance (including fixed deposits and fixed income funds under Other Investments) of RM36.8 million as at 30 June 2020.

**Quarter-on-Quarter Financial Review**

	Quarter ended	
	30.6.2020	31.3.2020
	RM'000	RM'000
<b>Group</b>		
Revenue	31,428	37,387
Profit after tax	3,132	2,750

Compared with 1Q2020, revenue of the Group declined -16% in 2Q2020 from the impact of Covid-19 induced MCO as elaborated in Note 17. Nevertheless, quarterly PAT was +14% higher largely as a result of the reduction in listing-related expenses (1Q2020: RM981,000; 2Q2020: RM14,000).

**18. PROSPECTS**

We expect consumers to remain cautious as long as efforts to contain the virus is still a work-in-progress. As such, it may take a while to rebuild footfall to the malls. However, we note increasing signs of recovery as shown by the gradual narrowing of monthly revenue differences vs last year since our stores' re-opening.

Nevertheless, this pandemic spotlights the importance of digitalisation and distance selling. Our results for 2Q2020 and 6M2020 showcased the extent of return yielded from our readiness in omnichannel capabilities, and we expect to be able to continue capitalising on the new opportunities presented by this situation for our e-commerce and social selling channels. We will continue to invest in enhancing and accelerating our omnichannel capabilities as well as in developing our social selling channel to future-proof our business.

On the expansion of our store network, we adopt a precautionary approach given the evolving situation. We expect there will only be 5 new openings (4 in Vietnam, 1 in Cambodia) for The Body Shop operations in the second half of 2020.

If there is no reintroduction of lockdown measures and consumer sentiments continue to revive, we believe our Group will remain profitable for the financial year ending 31 December 2020.

**19. PROFIT FORECAST OF PROFIT GUARANTEE**

The Group did not issue any profit forecast or profit guarantee in any form of public documentation and/or announcement.

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20. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following income/(expenses):

	Quarter ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Revenue				
- Retailing	31,409	44,013	68,774	91,612
- Consultancy fees	19	57	41	67
	31,428	44,070	68,815	91,679
Gain/(loss) on foreign exchange				
- realised	263	92	348	382
- unrealised	45	-	146	-
	308	92	494	382
Rental income	6	9	15	18
Rental expenses				
- before MFRS 16 adjustments	(4,341)	(5,348)	(9,371)	(10,858)
- less: minimum lease payments (MFRS 16 adjustments)	4,504	4,548	8,838	9,321
	163	(800)	(533)	(1,537)
Depreciation and amortisation				
- plant and equipment	(1,272)	(1,137)	(2,577)	(1,966)
- intangible assets	(77)	(34)	(153)	(64)
- right-of-use assets (MFRS 16 adjustments)	(4,110)	(4,315)	(7,557)	(8,628)
	(5,459)	(5,486)	(10,287)	(10,658)
Royalty expense	(348)	-	(734)	-
Finance income				
- interest income on				
- bank balances and fixed deposits	79	95	152	249
- fixed income funds	211	-	305	-
	290	95	457	249
Finance costs				
- interest expenses on				
- hire purchase	(2)	(3)	(7)	(8)
- revolving credit	-	(11)	(75)	(172)
- lease liabilities (MFRS 16 adjustments)	(544)	(553)	(899)	(986)
	(546)	(567)	(981)	(1,166)

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

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21. TAX EXPENSES

	Quarter ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Tax expenses				
- arising from Malaysia	1,224	1,859	2,436	4,808
- arising outside Malaysia	186	195	391	335
	<u>1,410</u>	<u>2,054</u>	<u>2,827</u>	<u>5,143</u>
<b>Effective tax rate (%)</b>	<u>31.0%</u>	<u>28.7%</u>	<u>32.5%</u>	<u>25.5%</u>

Effective tax rate (“ETR”) is computed by dividing tax expenses with profit before tax for the financial period.

ETR for both 2Q2020 and 6M2020 was higher than Malaysia’s statutory tax rate of 24%, mainly due to listing-related expenses which were not tax deductible, and loss from our new business where deferred tax benefit had yet to be recognised. Similarly, the higher ETR for the comparative 2Q2019 and 6M2019 was caused by listing-related expenses which were not tax deductible.

22. EARNINGS PER SHARE (“EPS”)

	Quarter ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	<u>3,132</u>	<u>5,103</u>	<u>5,882</u>	<u>15,000</u>
Weighted average number of ordinary shares	<u>705,881</u>	<u>360,000</u>	<u>685,531</u>	<u>360,000</u>
<b>Basic EPS (sen)</b>	<u>0.44</u>	<u>1.42</u>	<u>0.86</u>	<u>4.17</u>

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 30 June 2019 and 30 June 2020.

23. OTHER INVESTMENTS

	30.6.2020	31.12.2019
	RM'000	RM'000
<b>Group</b>		
Fixed deposits of more than 3 months but less than 12 months	4,477	46
Fixed income funds	22,483	-
	<u>26,960</u>	<u>46</u>

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24. LOANS AND BORROWINGS

	30.6.2020	31.12.2019
	RM'000	RM'000
<b>Group</b>		
<b>Non-current</b>		
Hire purchase (unsecured)	226	276
<b>Current</b>		
Hire purchase (unsecured)	151	300
Revolving credit (secured)	-	16,000
	151	16,300
<b>Total loans and borrowings</b>	377	16,576

The Group's loans and borrowings are denominated in RM.

The revolving credit is secured by way of a letter of negative pledge issued by a subsidiary.

25. SUBSEQUENT EVENT

Other than the ongoing Covid-19 pandemic, there is no material event impacting the Group subsequent to 30 June 2020 and up to the date of this Interim Financial Report. Please refer to Note 17 and 18 for the narrative on the effects of the pandemic.