



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT  
FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

20 NOVEMBER 2020

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	Quarter ended		9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<b>Revenue</b>		41,735	46,516	110,550	138,195
Other operating income		(6)	738	433	1,233
<b>Operating expenses</b>					
Changes in inventories		(13,689)	(15,137)	(35,309)	(44,966)
Rental expenses		(641)	(1,127)	(1,174)	(2,664)
Employee related expenses		(8,693)	(10,125)	(26,963)	(29,762)
Distribution expenses		(777)	(787)	(2,494)	(2,130)
Advertising and promotion expenses		(1,381)	(1,378)	(3,292)	(3,470)
Depreciation and amortisation expenses		(5,504)	(5,014)	(15,791)	(15,672)
Other operating expenses		(1,887)	(2,751)	(6,575)	(6,646)
<b>Total operating expenses</b>		(32,572)	(36,319)	(91,598)	(105,310)
<b>Profit from operations</b>		9,157	10,935	19,385	34,118
Finance income		247	107	704	356
Finance costs		(534)	(484)	(1,515)	(1,650)
Listing-related expenses		36	(560)	(959)	(2,683)
<b>Profit before tax</b>	20	8,906	9,998	17,615	30,141
Tax expenses	21	(2,322)	(2,757)	(5,149)	(7,900)
<b>Profit for the period</b>		6,584	7,241	12,466	22,241
<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		(486)	128	216	116
<b>Total comprehensive income for the period</b>		6,098	7,369	12,682	22,357

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	Quarter ended		9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<b>Profit attributable to:</b>					
Owners of the Company		6,584	7,241	12,466	22,241
Non-controlling interests		-	-	-	-
		<u>6,584</u>	<u>7,241</u>	<u>12,466</u>	<u>22,241</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		6,098	7,369	12,682	22,357
Non-controlling interests		-	-	-	-
		<u>6,098</u>	<u>7,369</u>	<u>12,682</u>	<u>22,357</u>
<b>Earnings per share attributable to Owners of the Company</b>					
Basic (sen)	22	<u>0.93</u>	<u>2.01</u>	<u>1.80</u>	<u>6.18</u>
<b>Other selected financial data:</b>					
Gross profit <sup>(1)</sup>		28,046	31,379	75,241	93,229
Core profit after tax ("PAT") <sup>(2)</sup>		6,548	7,801	13,425	24,924
Operating profit margin		21.9%	23.5%	17.5%	24.7%
Gross profit margin		67.2%	67.5%	68.1%	67.5%
Core PBT margin		21.3%	22.7%	16.8%	23.8%
Core PAT margin		15.7%	16.8%	12.1%	18.0%

<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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	30.9.2020 RM'000	31.12.2019 RM'000
<b>Assets</b>			
Plant and equipment		13,745	13,997
Right-of-use assets		21,039	24,123
Intangible assets		52,661	52,875
Deferred tax assets		954	1,146
Receivables and deposits		7,141	6,210
<b>Total non-current assets</b>		<u>95,540</u>	<u>98,351</u>
Inventories		41,965	33,776
Receivables, deposits and prepayments		4,800	5,771
Current tax assets		9	8
Other investments	23	34,068	46
Cash and cash equivalents		10,166	17,445
<b>Total current assets</b>		<u>91,008</u>	<u>57,046</u>
<b>Total assets</b>		<u>186,548</u>	<u>155,397</u>
<b>Liabilities</b>			
Provision for restoration costs		2,087	2,233
Loans and borrowings	24	225	276
Lease liabilities		9,441	11,081
<b>Total non-current liabilities</b>		<u>11,753</u>	<u>13,590</u>
Provision for restoration costs		287	194
Loans and borrowings	24	151	16,300
Lease liabilities		12,453	14,081
Contract liabilities		1,185	1,429
Payables and accruals		16,432	19,105
Current tax liabilities		5,386	3,358
<b>Total current liabilities</b>		<u>35,894</u>	<u>54,467</u>
<b>Total liabilities</b>		<u>47,647</u>	<u>68,057</u>
<b>Net assets</b>		<u>138,901</u>	<u>87,340</u>

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	30.9.2020 RM'000	31.12.2019 RM'000
<b>Equity</b>			
Share capital		50,326	4,388
Reserves		88,575	82,952
<b>Total equity</b>		<u>138,901</u>	<u>87,340</u>

**Other selected financial data:**

Net current assets / working capital		55,114	2,579
Net assets per share (sen) ^		19.68	13.82
Net gearing ratio (times) *		(0.32)	(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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

**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	-	-	-	22,241	22,241	
Foreign currency translation differences for foreign operation, representing other comprehensive expense for the period	-	-	116	-	116	
Total comprehensive income for the period	-	-	116	22,241	22,357	
Dividend declared, representing total transactions with owners	-	-	-	(10,000)	(10,000)	
<b>At 30 September 2019</b>	2,500	4,636	329	80,333	87,798	
<b>At 1 January 2020</b>	4,388	4,636	73	78,243	87,340	
Profit for the period	-	-	-	12,466	12,466	
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	216	-	216	
Total comprehensive income for the period	-	-	216	12,466	12,682	
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 September 2020</b>	50,326	4,636	289	83,650	138,901	

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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		17,615	30,141
Adjustments for:			
Depreciation and amortisation expenses		15,791	15,672
Unrealised foreign exchange loss		114	27
Plant and equipment written off		85	72
Gain on disposal of plant and equipment		-	(260)
Finance income		(704)	(356)
Finance costs		1,515	1,650
Listing-related expenses		959	2,683
<b>Operating profit before changes in working capital</b>		<b>35,375</b>	<b>49,629</b>
Changes in working capital:			
Inventories		(8,065)	(9,667)
Receivables, deposits and prepayments		324	(1,891)
Payables and accruals and contract liabilities		(1,671)	3,617
Provision for restoration costs		(61)	170
<b>Cash generated from operations</b>		<b>25,902</b>	<b>41,858</b>
Income tax paid		(3,113)	(9,215)
<b>Net cash generated from operating activities</b>		<b>22,789</b>	<b>32,643</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(3,427)	(7,473)
Acquisition of intangible assets #		(1,822)	-
Proceeds from disposal of plant and equipment		-	260
(Placement)/withdrawal of other investments		(34,022)	2,209
Interest received		625	356
<b>Net cash used in investing activities</b>		<b>(38,646)</b>	<b>(4,648)</b>

# being payment of initial franchise fee to The Body Shop International in respect of franchise agreements signed in 2019.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	9 months ended	
		30.9.2020 RM'000	30.9.2019 RM'000
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	7	47,407	-
Listing-related expenses		(2,290)	(1,511)
Dividends paid	8	(7,059)	(10,000)
Withdrawal of pledged deposits		-	434
Repayment of revolving credit		(16,000)	(15,000)
Repayment of hire purchase		(200)	(262)
Repayment of lease liabilities		(11,818)	(12,182)
Interest paid for lease liabilities		(1,433)	(1,446)
Interest paid for loans and borrowings		(82)	(204)
<b>Net cash generated from/(used in) financing activities</b>		<b>8,525</b>	<b>(40,171)</b>
<b>Net decrease in cash and cash equivalents</b>			
Effect of exchange rate fluctuations on cash held		53	38
Cash and cash equivalents at beginning of the period		17,445	23,824
<b>Cash and cash equivalents at end of the period</b>		<b>10,166</b>	<b>11,686</b>
<b>Cash and cash equivalents comprise the following:</b>			
Cash and bank balances		9,257	11,686
Deposits placed with licensed banks		909	-
		<b>10,166</b>	<b>11,686</b>

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

(Registration No. 199401034915 (320598-X))

### INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

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 September 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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

8. DIVIDENDS

The following dividends were paid 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>9 months ended 30 September 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>9 months ended 30 September 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

On 20 November 2020, the Company declared an interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 2020, to shareholders who are on the Register of Members at the close of business on 27 December 2020. The expected payment date is 15 January 2021.

The dividend payout represents 56.6% of the Group's PAT for the 9-month period ended 30 September 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>30.9.2020 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	818	874
	<u>1,818</u>	<u>1,874</u>

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

11. CAPITAL COMMITMENTS

	<b>30.9.2020</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	29,350	34,500
Contracted but not commenced	643	-
	<u>29,993</u>	<u>34,500</u>
<b>Leases as a leasee</b>		
Contracted but not commenced	<u>5,376</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>9 months ended</b>	
	<b>30.9.2020</b>	<b>30.9.2019</b>	<b>30.9.2020</b>	<b>30.9.2019</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>	133	140	343	371
	<u>133</u>	<u>140</u>	<u>378</u>	<u>371</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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

14. UTILISATION OF PROCEEDS FROM IPO

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

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation up to 30 September 2020 RM'000	Transfer RM'000	Balance unutilised RM'000	Estimated timeframe for utilisation from the date of Listing
(i) Capital expenditure	34,500	(4,507)	-	29,993	Within 48 months
(ii) Working capital	837	(765)	351	423	Within 36 months
(iii) New business development	5,700	(2,498)	-	3,202	Within 48 months
(iv) Listing-related expenses	6,370	(6,019)	(351)	-	Within 3 months
<b>Total</b>	<b>47,407</b>	<b>(13,789)</b>	<b>-</b>	<b>33,618</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 RM351,000 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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

Table 16.1 Segment Financial Results – 3Q2020 and 3Q2019

	3rd quarter ended 30.9.2020				3rd quarter ended 30.9.2019			
	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	32,857	7,302	-	40,159	39,296	7,220	-	46,516
New business	662	-	914	1,576	-	-	-	-
	<u>33,519</u>	<u>7,302</u>	<u>914</u>	<u>41,735</u>	<u>39,296</u>	<u>7,220</u>	<u>-</u>	<u>46,516</u>
<b>Segment PAT</b>								
Existing business	6,623	785	-	7,408	7,432	824	-	8,256
New business	(983)	-	192	(791)	(124)	-	(114)	(238)
	<u>5,640</u>	<u>785</u>	<u>192</u>	<u>6,617</u>	<u>7,308</u>	<u>824</u>	<u>(114)</u>	<u>8,018</u>
Investment holding				(69)				(217)
<b>Core PAT</b>				<u>6,548</u>				<u>7,801</u>
Listing-related expenses				36				(560)
<b>Reported PAT</b>				<u>6,584</u>				<u>7,241</u>

Table 16.2 Segment Financial Results – 9M2020 and 9M2019

	9 months ended 30.9.2020				9 months ended 30.9.2019			
	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	85,361	21,593	-	106,954	117,829	20,366	-	138,195
New business	1,295	-	2,301	3,596	-	-	-	-
	<u>86,656</u>	<u>21,593</u>	<u>2,301</u>	<u>110,550</u>	<u>117,829</u>	<u>20,366</u>	<u>-</u>	<u>138,195</u>
<b>Segment PAT</b>								
Existing business	13,117	2,312	-	15,429	23,170	2,779	-	25,949
New business	(2,284)	-	380	(1,904)	(201)	-	(237)	(438)
	<u>10,833</u>	<u>2,312</u>	<u>380</u>	<u>13,525</u>	<u>22,969</u>	<u>2,779</u>	<u>(237)</u>	<u>25,511</u>
Investment holding				(100)				(587)
<b>Core PAT</b>				<u>13,425</u>				<u>24,924</u>
Listing-related expenses				(959)				(2,683)
<b>Reported PAT</b>				<u>12,466</u>				<u>22,241</u>

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

Table 16.3 Segment Assets and Liabilities

	30.9.2020				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	121,787	30,239	-	152,026	122,748	22,465	-	145,213
New business	6,589	-	5,192	11,781	4,469	-	4,352	8,821
	<u>128,376</u>	<u>30,239</u>	<u>5,192</u>	<u>163,807</u>	<u>127,217</u>	<u>22,465</u>	<u>4,352</u>	<u>154,034</u>
Investment holding				22,741				1,363
<b>Reported total assets</b>				<u>186,548</u>				<u>155,397</u>
<i>Included in segment assets are:</i>								
Property, plant and equipment	7,189	4,695	1,861	13,745	8,455	4,506	1,036	13,997
Right-of-use assets	13,978	6,732	329	21,039	19,810	4,222	91	24,123
Goodwill	50,435	-	-	50,435	50,435	-	-	50,435
Other intangible assets	1,546	445	234	2,225	1,714	476	250	2,440
	<u>1,546</u>	<u>445</u>	<u>234</u>	<u>2,225</u>	<u>1,714</u>	<u>476</u>	<u>250</u>	<u>2,440</u>
<b>Segment liabilities</b>								
Existing business	33,264	10,149	-	43,413	54,402	9,777	-	64,179
New business	2,845	-	1,121	3,966	1,182	-	2,098	3,280
	<u>36,109</u>	<u>10,149</u>	<u>1,121</u>	<u>47,379</u>	<u>55,584</u>	<u>9,777</u>	<u>2,098</u>	<u>67,459</u>
Investment holding				268				598
<b>Reported total liabilities</b>				<u>47,647</u>				<u>68,057</u>
<i>Included in segment liabilities are:</i>								
Loans and borrowings	376	-	-	376	16,576	-	-	16,576
Lease liabilities	14,560	6,999	335	21,894	20,558	4,512	92	25,162
	<u>14,560</u>	<u>6,999</u>	<u>335</u>	<u>21,894</u>	<u>20,558</u>	<u>4,512</u>	<u>92</u>	<u>25,162</u>

## 17. PERFORMANCE REVIEW

### **Operational Review**

#### *Covid-19 and MCO*

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.

It is worth noting that our store in Cambodia was not subject to any MCO during the 9-month period ended 30 September 2020 (“9M2020”).

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.

Notwithstanding the store closures during the MCO, we have continued 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.

#### *Post-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.

We continue to focus on further enhancing our digitalisation and omnichannel capabilities post-MCO. For e-commerce channels, we learnt from the glitches encountered during the MCO, and have since diversified our logistic partners so as to shorten the waiting time of our customers. We launched premium service for personal consultation and fast delivery at selected stores, to provide convenience

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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>



## INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

### INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

for our customers who prefer personalised service from the comfort of their home. Call / Click and Collect service is also available for customers who prefer fast-track collection at our stores by making advance orders through a call or through our e-commerce website.

We rolled out the Love Your Body e-zine in June 2020 as an additional touch point for new product launches, product information, usage tips, sustainability, social activism and opinion editorials. On the other hand, we kick-started live chat feature at our e-commerce website, and conducted live streaming sessions to better engage our customers under the New Normal.

#### *Frugal with Spending*

We remain frugal with our spending and cautious with our cashflow despite being in a net cash position as at 30 September 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 9M2020, we closed a total of six non-performing stores – five in Malaysia and one in Vietnam.

#### *Continuous Investment in Business*

We continued to make the necessary investment in the business. We opened the first Natura store in Malaysia in June 2020, two The Body Shop (“TBS”) stores in Vietnam in July 2020, and our second TBS store in Cambodia in October 2020. We expect to open two more TBS stores in Vietnam by 31 December 2020.

In addition to store openings, we launched TBS e-commerce website in Cambodia in April 2020, and invested in the system integration with Natura International’s commercial platform in September 2020 to facilitate the growth of our new Natura business.

#### **Quarter-on-Quarter Financial Review**

	Quarter ended	
	30.9.2020	30.6.2020
	RM'000	RM'000
<b>Group</b>		
Revenue	41,735	31,428
Profit after tax	6,584	3,132

The Group recorded 110% higher PAT on the back of 33% higher revenue in 3Q2020 as compared with the preceding quarter ended 30 June 2020 (“2Q2020”).

3Q2020 is the first reporting quarter post-MCO where by and large, we were able to operate our retail stores. In Malaysia, we saw a gradual recovery of our store revenue during the reporting quarter, and conducted our first nationwide sale for the year in August 2020. Our Vietnam operation continued to record revenue growth, thanks to an improving retail environment post-MCO as well as contribution

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

from new stores. Our pioneer store in Cambodia had been growing from strength to strength, having registered a higher revenue of RM0.9 million in 3Q2020 as compared to RM0.7 million in 2Q2020.

**Year-on-Year Financial Review**

*Revenue*

	Quarter ended		Year-on-Year Variance		9 months ended		Year-on-Year Variance	
	30.9.2020	30.9.2019	Reported	Same-Store	30.9.2020	30.9.2019	Reported	Same-Store
	RM'000	RM'000			RM'000	RM'000		
<u>Existing business</u>								
TBS Malaysia	32,857	39,296	-16%	-13%	85,361	117,829	-28%	-25%
TBS Vietnam	7,302	7,220	1%	-5%	21,593	20,366	6%	-14%
	<u>40,159</u>	<u>46,516</u>			<u>106,954</u>	<u>138,195</u>		<u>-23%</u>
<u>New business</u>								
TBS Cambodia	914	-	n/m		2,301	-	n/m	
Natura Malaysia	662	-	n/m		1,295	-	n/m	
	<u>41,735</u>	<u>46,516</u>		<u>-10%</u>	<u>110,550</u>	<u>138,195</u>		<u>-20%</u>

*Included in Group Revenue are:*

E-commerce

TBS Malaysia	431	334	29%		7,533	1,848	308%
TBS Vietnam	577	602	-4%		2,061	1,653	25%
TBS Cambodia	9	-	n/m		22	-	n/m
Natura Malaysia	87	-	n/m		242	-	n/m
	<u>1,104</u>	<u>936</u>		<u>18%</u>	<u>9,858</u>	<u>3,501</u>	<u>182%</u>

Social selling

Natura Malaysia	<u>309</u>	-	n/m		<u>503</u>	-	n/m
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*TBS = The Body Shop; n/m = not meaningful*

Compared with the corresponding periods in 2019, revenue of the Group in 3Q2020 and 9M2020 was impacted mainly by the effect of Covid-19, including the store closure during the MCO. This was mitigated by the contribution from new stores, our new businesses in Cambodia and Malaysia, and the surge in e-commerce revenue.

Our readiness in omnichannel helped cushion the effect of store closure during the MCO, and was the main driver behind the 182% increase in e-commerce revenue for 9M2020. Post-MCO, e-commerce revenue continued to register a 18% growth in 3Q2020.

Social selling represents our latest distribution channel introduced in December 2019 for Natura in Malaysia. The social selling channel generated RM0.3 million revenue in 3Q2020, whilst the number of beauty consultants continued to grow from 146 as at 30 June 2020 to 268 as at 30 September 2020.

## INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

### INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

#### *PAT*

The Group remained profitable with PAT of RM6.6 million for 3Q2020, and RM12.5 million for 9M2020. Overall, the Group recorded lesser operating expenses on reduced variable expenses, strict operational discipline on spending, rent rebates from landlords and government wage subsidies. Tax expenses had correspondingly reduced, and the non-recurring listing-related expenses were lower by RM1.7 million in 9M2020.

Geographically, the Group's businesses in Malaysia, Vietnam and Cambodia were profitable for 3Q2020 and 9M2020. The new Natura business in Malaysia incurred initial gestational losses of RM1.0 million for 3Q2020, and RM2.3 million for 9M2020.

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

Our financial position remains healthy with a working capital of RM55.1 million and total equity of RM138.9 million as at 30 September 2020. The Group generated net cash from operations of RM22.8 million in 9M2020, and maintained a healthy cash balance (including fixed deposits and fixed income funds under Other Investments) of RM44.2 million as at 30 September 2020.

## 18. PROSPECTS

The resurgence of Covid-19 cases since late-September 2020 in Malaysia and the consequential imposition of Conditional MCO in October 2020 has prompted us to reactivate our business continuity plan. Most of our head office employees in Malaysia are now working from home, and we have continued to service and reach out to our customers through various digital avenues and stores that are allowed to operate.

The waves of Covid-19 cases reaffirms our conviction on digitalisation and distance selling, which has become even more important under the new normal. We will continue to invest in enhancing our omnichannel capabilities as well as in developing our social selling channel, to future-proof our business.

Based on our achievement so far and assuming the absence of a complete lockdown for a protracted period, we believe the 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.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

20. PROFIT BEFORE TAX

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

Group	Quarter ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Revenue				
- Retailing	41,718	46,538	110,492	138,150
- Consultancy fees	17	(22)	58	45
	41,735	46,516	110,550	138,195
Gain/(loss) on foreign exchange				
- realised	122	97	470	479
- unrealised	(260)	26	(114)	26
	(138)	123	356	505
Rental income	5	9	20	27
Gain on disposal of plant and equipment	-	260	-	260
Rental expenses				
- before MFRS 16 adjustments	(5,054)	(5,434)	(14,425)	(16,292)
- less: minimum lease payments (MFRS 16 adjustments)	4,413	4,307	13,251	13,628
	(641)	(1,127)	(1,174)	(2,664)
Depreciation and amortisation				
- plant and equipment	(1,359)	(890)	(3,936)	(2,856)
- intangible assets	(74)	(76)	(227)	(140)
- right-of-use assets (MFRS 16 adjustments)	(4,071)	(4,047)	(11,628)	(12,675)
	(5,504)	(5,013)	(15,791)	(15,671)
Royalty expense	(415)	(464)	(1,149)	(464)
Finance income				
- interest income on				
- bank balances and fixed deposits	105	107	258	356
- fixed income funds	142	-	446	-
	247	107	704	356
Finance costs				
- interest expenses on				
- hire purchase	-	(5)	(7)	(13)
- revolving credit	-	(19)	(75)	(191)
- lease liabilities (MFRS 16 adjustments)	(534)	(460)	(1,433)	(1,446)
	(534)	(484)	(1,515)	(1,650)

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

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

21. TAX EXPENSES

	Quarter ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Tax expenses				
- arising from Malaysia	2,270	2,476	4,706	7,284
- arising outside Malaysia	52	281	443	616
	<u>2,322</u>	<u>2,757</u>	<u>5,149</u>	<u>7,900</u>
<b>Effective tax rate (%)</b>	<u>26.1%</u>	<u>27.6%</u>	<u>29.2%</u>	<u>26.2%</u>

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

ETR for 3Q2020 was higher than Malaysia’s statutory tax rate of 24%, mainly on loss from our new business where deferred tax benefit had yet to be recognised. For 9M2020, the higher ETF was also caused by listing-related expenses which were not tax deductible.

ETR for the comparative 3Q2019 and 9M2019 was inflated mainly by listing-related expenses and pre-operating expenses from our new businesses, both were not tax deductible.

22. EARNINGS PER SHARE (“EPS”)

	Quarter ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	<u>6,584</u>	<u>7,241</u>	<u>12,466</u>	<u>22,241</u>
Weighted average number of ordinary shares	<u>705,881</u>	<u>360,000</u>	<u>692,364</u>	<u>360,000</u>
<b>Basic EPS (sen)</b>	<u>0.93</u>	<u>2.01</u>	<u>1.80</u>	<u>6.18</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 September 2019 and 30 September 2020.

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 3<sup>rd</sup> QUARTER ENDED 30 SEPTEMBER 2020

23. OTHER INVESTMENTS

	<b>30.9.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Fixed deposits of more than 3 months but less than 12 months	4,351	46
Fixed income funds	29,717	-
	<u>34,068</u>	<u>46</u>

24. LOANS AND BORROWINGS

	<b>30.9.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
<b>Non-current</b>		
Hire purchase (unsecured)	<u>225</u>	<u>276</u>
<b>Current</b>		
Hire purchase (unsecured)	151	300
Revolving credit (secured)	-	16,000
	<u>151</u>	<u>16,300</u>
<b>Total loans and borrowings</b>	<u>376</u>	<u>16,576</u>

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 September 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.