



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT  
FOR THE 2<sup>nd</sup> QUARTER ENDED 30<sup>th</sup> JUNE 2023

25<sup>th</sup> AUGUST 2023

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30<sup>th</sup> JUNE 2023

**UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Note	Quarter ended		6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		33,747	39,570	66,172	73,311
<b>Operating expenses</b>					
Changes in inventories		(10,905)	(13,380)	(20,831)	(24,641)
Rental expenses		(990)	(1,611)	(1,955)	(2,842)
Employee related expenses		(10,029)	(9,423)	(19,771)	(17,827)
Distribution expenses		(656)	(600)	(1,247)	(1,238)
Advertising and promotion expenses		(875)	(1,050)	(1,565)	(1,684)
Depreciation and amortisation expenses		(4,670)	(4,493)	(9,180)	(9,010)
Other operating expenses		(3,145)	(1,470)	(5,769)	(2,566)
<b>Total operating expenses</b>		<b>(31,270)</b>	<b>(32,027)</b>	<b>(60,317)</b>	<b>(59,808)</b>
<b>Profit from operations</b>		2,477	7,543	5,855	13,503
Other income		(142)	78	352	277
Finance income		570	128	1,060	274
Finance costs		(345)	(215)	(646)	(496)
<b>Profit before tax ("PBT")</b>	20	2,560	7,534	6,622	13,558
Tax expenses	21	(748)	(1,917)	(1,807)	(3,410)
<b>Profit after tax ("PAT")</b>		1,812	5,617	4,814	10,148
<b>Profit attributable to owners of the Company</b>		1,812	5,617	4,814	10,148
<b>Basic earnings per share attributable to owners of the Company (sen)</b>	22	0.26	0.80	0.68	1.44
<b>Other selected financial data:</b>					
Gross profit <sup>(1)</sup>		22,842	26,190	45,341	48,670
Gross profit margin		67.7%	66.2%	68.5%	66.4%
PBT margin		7.6%	19.0%	10.0%	18.5%
PAT margin		5.4%	14.2%	7.3%	13.8%

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

The unaudited consolidated statements of profit or loss should be read in conjunction with the audited consolidated financial statements for the financial year ended 31<sup>st</sup> December 2022 and the accompanying explanatory notes attached in this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30<sup>th</sup> JUNE 2023

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

	Quarter ended		6 months ended		
	Note	30.06.2023	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
<b>PAT</b>		1,812	5,617	4,814	10,148
<b>Other comprehensive income, net of tax</b>					
<u>Item that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period		578	814	1,765	1,120
<b>Total comprehensive income for the period</b>		<u>2,390</u>	<u>6,431</u>	<u>6,579</u>	<u>11,268</u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u>2,390</u>	<u>6,431</u>	<u>6,579</u>	<u>11,268</u>

The unaudited 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<sup>st</sup> December 2022 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	30.06.2023 RM'000	31.12.2022 RM'000
<b>Assets</b>			
Plant and equipment		9,925	8,114
Right-of-use assets		23,719	19,922
Intangible assets		52,153	52,297
Deferred tax assets		211	538
Receivables and deposits		7,132	6,391
<b>Total non-current assets</b>		93,140	87,262
Inventories		36,713	28,767
Receivables, deposits and prepayments		7,702	7,221
Current tax assets		1,349	-
Other investments	23	8,437	16,246
Cash and cash equivalents		37,839	42,681
<b>Total current assets</b>		92,040	94,915
<b>Total assets</b>		185,180	182,177
<b>Liabilities</b>			
Provision for restoration costs		1,935	1,906
Payables and accruals		-	2
Lease liabilities		12,003	9,938
<b>Total non-current liabilities</b>		13,938	11,846
Provision for restoration costs		303	260
Loans and borrowings	24	-	27
Lease liabilities		12,723	10,842
Contract liabilities		558	692
Payables and accruals		15,565	7,954
Deferred tax liabilities		863	-
Current tax liabilities		91	1,878
<b>Total current liabilities</b>		30,103	21,653
<b>Total liabilities</b>		44,041	33,499
<b>Net assets</b>		141,139	148,678

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

	Note	30.06.2023 RM'000	31.12.2022 RM'000
<b>Equity</b>			
Share capital		50,326	50,326
Reserves		90,813	98,352
<b>Total equity</b>		<u>141,139</u>	<u>148,678</u>
<b>Other selected financial data:</b>			
Number of ordinary shares ('000)		705,881	705,881
Net assets per share (sen)		19.99	21.06
Net gearing ratio (times) *		(0.33)	(0.40)

\* 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 consolidated statements of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31<sup>st</sup> December 2022 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Note	← Non-distributable →		Distributable		Total equity RM'000
	Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	
<b>At 1st January 2022</b>	50,326	4,636	403	88,771	144,136
Profit for the period	-	-	-	10,148	10,148
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	1,120	-	1,120
Total comprehensive income for the period	-	-	1,120	10,148	11,268
Dividend declared	8	-	-	(10,588)	(10,588)
<b>At 30th June 2022</b>	<b>50,326</b>	<b>4,636</b>	<b>1,523</b>	<b>88,331</b>	<b>144,816</b>
<b>At 1st January 2023</b>	50,326	4,636	1,257	92,459	148,678
Profit for the period	-	-	-	4,814	4,814
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	1,765	-	1,765
Total comprehensive income for the period	-	-	1,765	4,814	6,579
Dividend declared	8	-	-	(14,118)	(14,118)
<b>At 30th June 2023</b>	<b>50,326</b>	<b>4,636</b>	<b>3,022</b>	<b>83,155</b>	<b>141,139</b>

The unaudited consolidated statements of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31<sup>st</sup> December 2022 and the accompanying explanatory notes attached in this interim financial report.

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**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>6 months ended</b>		
	<b>Note</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>			
Profit before tax		6,622	13,558
Adjustments for:			
Changes in lease payments arising from rent concessions		-	(11)
Depreciation and amortisation expenses		9,180	9,010
Unrealised foreign exchange (gain)/loss		(121)	28
Plant and equipment written off		10	96
Fair value loss on other investments		-	62
Gain on disposal of other investment		(77)	-
Gain on disposal of plant and equipment		(204)	-
Finance income		(1,060)	(274)
Finance costs		646	496
Writedown of inventories		53	151
<b>Operating cashflow before changes in working capital</b>		<b>15,049</b>	<b>23,117</b>
Changes in working capital:			
Inventories		(7,544)	7,588
Receivables, deposits and prepayments		(811)	(657)
Payables, accruals and contract liabilities		7,319	(5,239)
Provision for restoration costs		54	28
<b>Cash generated from operations</b>		<b>14,067</b>	<b>24,837</b>
Income tax paid		(3,606)	(1,574)
<b>Net cash generated from operating activities</b>		<b>10,461</b>	<b>23,263</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(4,019)	(1,673)
Proceed from disposal of plant and equipment		235	-
Withdrawal of other investments		8,441	7,894
Interest received		1,011	210
<b>Net cash generated from investing activities</b>		<b>5,668</b>	<b>6,431</b>

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

	Note	6 months ended	
		30.06.2023	30.06.2022
		RM'000	RM'000
<b>Cash flows from financing activities</b>			
Dividends paid	8	(14,118)	(10,588)
Repayment of hire purchase		(27)	(78)
Repayment of lease liabilities		(6,901)	(6,664)
Interest paid for lease liabilities		(646)	(492)
Interest paid for hire purchase		-	(3)
<b>Net cash used in financing activities</b>		<u>(21,691)</u>	<u>(17,826)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(5,562)	11,868
Effect of exchange rate fluctuations on cash held		720	622
Cash and cash equivalents at beginning of the period		42,681	11,299
<b>Cash and cash equivalents at end of the period</b>		<u>37,839</u>	<u>23,789</u>
<b>Cash and cash equivalents comprise the following:</b>			
Cash and bank balances		12,393	23,789
Deposits placed with licensed banks		25,446	-
		<u>37,839</u>	<u>23,789</u>

The unaudited consolidated statements of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31<sup>st</sup> December 2022 and the accompanying explanatory notes attached in this interim financial report.



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### INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30<sup>th</sup> JUNE 2023

#### 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<sup>st</sup> December 2022 and the accompanying explanatory notes in this Interim Financial Report.

#### 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<sup>st</sup> December 2022, 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<sup>st</sup> December 2022 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

Save as disclosed elsewhere in this Interim Financial Report, 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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period.

8. DIVIDENDS

The following dividend was recognised by the Company:

	RM per share RM	Total amount RM'000	Payment date
<b>Company</b>			
<b>6 months ended 30.06.2023</b>			
In respect of FY2022:			
- Final dividend	0.02	<u>14,118</u>	31.03.2023
<b>6 months ended 30.06.2022</b>			
In respect of FY2021:			
- Final dividend	0.015	<u>10,588</u>	31.03.2022

The Company did not declare any dividend subsequent to 30<sup>th</sup> June 2023 and up to the date of this Interim Financial Report.

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

	30.06.2023 RM'000	31.12.2022 RM'000
<b>Company</b>		
Corporate guarantees granted to a subsidiary for credit facilities	1,000	1,000
Bank guarantees granted to subsidiaries for tenancy agreements	781	795
	<u>1,781</u>	<u>1,795</u>

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11. CAPITAL COMMITMENTS

	30.06.2023	31.12.2022
	RM'000	RM'000
<b>Group</b>		
<b>Plant and equipment</b>		
Approved but not contracted for	17,922	21,922
<b>Leases as a leasee</b>		
Contracted but not commenced	2,382	1,912

12. MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Rental of office and retail outlets <sup>(1)</sup>	160	107	321	237

<sup>(1)</sup> The Group rented office and several retail outlets in Malaysia from an entity in which certain Directors of the Company have interests. The transaction was entered into in the normal course of business under normal trade terms.

13. STATUS OF CORPORATE PROPOSAL

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

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**INTERIM FINANCIAL REPORT FOR THE 2<sup>nd</sup> QUARTER ENDED 30<sup>th</sup> JUNE 2023****14. UTILISATION OF PROCEEDS FROM IPO**

The utilisation of proceeds from IPO as at 30<sup>th</sup> June 2023 is as follows:

<b>Utilisation of proceeds</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation up to 30.06.2023 RM'000</b>	<b>Transfer RM'000</b>	<b>Balance unutilised RM'000</b>	<b>Estimated timeframe for utilisation from Listing date</b>
(i) Capital expenditure	34,500	(16,508)	-	17,992	Within 48 months
(ii) Working capital	837	(1,188)	351	-	Within 36 months
(iii) New business	5,700	(3,988)	-	1,712	Within 48 months
(iv) Listing-related	6,370	(6,019)	(351)	-	Within 3 months
<b>Total</b>	<b>47,407</b>	<b>(27,703)</b>	<b>-</b>	<b>19,704</b>	

The utilisation of proceeds should be read in conjunction with the IPO Prospectus dated 29<sup>th</sup> January 2020, and the Company's announcement on 18<sup>th</sup> February 2020. The unutilised balance of RM351,000 allocated for listing-related expenses were transferred to working capital in 2020.

**15. MATERIAL LITIGATION**

There is no material litigation involving the Group subsequent to 31<sup>st</sup> December 2022 and up to the date of this Interim Financial Report.

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16. SEGMENT INFORMATION

The Group does not have reportable segments as the principal activities of entities within the Group are essentially relate to the marketing of The Body Shop (“TBS”) and Natura products. Segment information of the Group is presented on the basis of geographical segments, based on the geographical location of customers, assets and liabilities.

	2Q2023				2Q2022				Change %
	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 Revenue</b>									
The Body Shop	26,607	6,185	955	33,747	30,839	7,279	947	39,065	-13.6%
Natura	-	-	-	-	505	-	-	505	-100.0%
	<u>26,607</u>	<u>6,185</u>	<u>955</u>	<u>33,747</u>	<u>31,344</u>	<u>7,279</u>	<u>947</u>	<u>39,570</u>	<u>-14.7%</u>
<b>Segment PAT</b>									
The Body Shop	2,916	(616)	66	2,366	5,620	163	99	5,882	-59.8%
Natura	-	-	-	-	(50)	-	-	(50)	-100.0%
	<u>2,916</u>	<u>(616)</u>	<u>66</u>	<u>2,366</u>	<u>5,570</u>	<u>163</u>	<u>99</u>	<u>5,832</u>	<u>-59.4%</u>
Corporate				(554)				(215)	157.9%
<b>PAT</b>				<u>1,812</u>				<u>5,617</u>	<u>-67.7%</u>

Table 16.1 Segment revenue and PAT for 2Q2023

	1H2023				1H2022				Change %
	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 Revenue</b>									
The Body Shop	51,270	13,024	1,878	66,172	56,480	14,160	1,785	72,425	-8.6%
Natura	-	-	-	-	886	-	-	886	-100.0%
	<u>51,270</u>	<u>13,024</u>	<u>1,878</u>	<u>66,172</u>	<u>57,366</u>	<u>14,160</u>	<u>1,785</u>	<u>73,311</u>	<u>-9.7%</u>
<b>Segment PAT</b>									
The Body Shop	5,924	(641)	127	5,409	10,007	297	179	10,483	-48.4%
Natura	-	-	-	-	5	-	-	5	-100.0%
	<u>5,924</u>	<u>(641)</u>	<u>127</u>	<u>5,409</u>	<u>10,012</u>	<u>297</u>	<u>179</u>	<u>10,488</u>	<u>-48.4%</u>
Corporate				(595)				(340)	74.9%
<b>PAT</b>				<u>4,814</u>				<u>10,148</u>	<u>-52.6%</u>

Table 16.2 Segment revenue and PAT for 1H2023

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	30.06.2023				31.12.2022				Change %
	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>									
The Body Shop	140,888	37,397	6,401	184,686	135,169	33,622	5,860	174,651	5.7%
Corporate	-	-	-	494	-	-	-	7,527	-93.4%
<b>Total assets</b>	<b>140,888</b>	<b>37,397</b>	<b>6,401</b>	<b>185,180</b>	<b>135,169</b>	<b>33,622</b>	<b>5,860</b>	<b>182,178</b>	<b>1.6%</b>
<b>Segment liabilities</b>									
The Body Shop	29,343	13,289	996	43,629	22,035	10,412	894	33,341	30.9%
Corporate	-	-	-	412	-	-	-	159	159.4%
<b>Total liabilities</b>	<b>29,343</b>	<b>13,289</b>	<b>996</b>	<b>44,041</b>	<b>22,035</b>	<b>10,412</b>	<b>894</b>	<b>33,500</b>	<b>31.5%</b>
<b>Net assets</b>	<b>111,545</b>	<b>24,108</b>	<b>5,405</b>	<b>141,139</b>	<b>113,134</b>	<b>23,210</b>	<b>4,965</b>	<b>148,678</b>	<b>-5.1%</b>

Table 16.3 Segment balance sheet as at 30th June 2023

17. PERFORMANCE REVIEW

**2Q2023 vs 1Q2023**

	Quarter ended		Change %
	30.06.2023 RM'000	31.03.2023 RM'000	
<b>Group</b>			
Revenue	33,747	32,425	4.1%
PAT			
- core	2,048	2,569	-20.3%
- reported	1,812	3,003	-39.7%
Core PAT excludes the following non-operating items:			
- gain on disposal of plant and equipment	-	204	
- gain on disposal of other investments	-	77	
- service charges income (post-completion obligation)	-	153	
- business development expenses	(236)	-	
	(236)	434	

The Group recorded 4.1% higher revenue quarter-on-quarter, driven mainly by the Hari Raya Aidilfitri celebration in Malaysia. Excluding non-operating items, core profit after tax ("PAT") of the Group declined 20.3% on higher operating expenses and forex loss of RM123k (vs forex gain of RM45k in 1Q2023).

Business development expenses represent costs incurred by the Group in assessing the feasibility of business opportunities.

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**2Q2023 vs 2Q2022**

		Excl Natura	Like-for-like	Change
	2Q2023	2Q2022	Amount	%
	RM'000	RM'000	RM'000	
<b>Revenue</b>	<b>33,747</b>	<b>39,065</b>	<b>(5,318)</b>	<b>-13.6%</b>
<b>Gross profit</b>	<b>22,842</b>	<b>25,957</b>	<b>(3,115)</b>	<b>-12.0%</b>
Operating expenses	(20,442)	(18,590)	(1,852)	10.0%
<b>Core operating profit excl MFRS16</b>	<b>2,400</b>	<b>7,367</b>	<b>(4,967)</b>	<b>-67.4%</b>
Interest income	570	127	443	350.1%
Forex (loss)/gain	(123)	106	(229)	-216.8%
MFRS 16	(30)	17	(47)	-276.9%
Others	(21)	(32)	11	-35.2%
<b>Core PBT</b>	<b>2,796</b>	<b>7,584</b>	<b>(4,788)</b>	<b>-63.1%</b>
Tax	(748)	(1,917)	1,169	-61.0%
<b>Core PAT</b>	<b>2,048</b>	<b>5,667</b>	<b>(3,619)</b>	<b>-63.9%</b>
<b>Core EBITDA excl MFRS16</b>	<b>3,547</b>	<b>8,396</b>	<b>(4,849)</b>	<b>-57.8%</b>

As previously guided on 25<sup>th</sup> May 2023, the Group's operating environment in 2Q2023 remained challenging with ongoing macro headwinds impacting consumer sentiment and supply chain challenges.

Excluding the results of the disposed Natura operation, revenue of the Group declined 13.6%. Gross profit recorded a lesser decline at 12.0% as a result of higher GP margin (67.7% vs last year's 66.2%).

Core operating profit of the Group was impacted by the lower topline and the increase in operating expenses, mainly staff costs, depreciation, IT and traveling expenses. Staff costs were inevitably higher on catch-up with inflation, increased headcount and employment regulation change in Malaysia. The increase in depreciation, IT and traveling expenses were in line with the Group's investment in store and IT systems, as well as increase in business activities of the Group.

The Group earned substantially higher interest income in current year, more than adequate in offsetting the drag from unfavourable movement in forex and MFRS16 accounting adjustment.

Core profits of the Group exclude non-operating items mentioned in 2Q2023 vs 1Q2023 Review.

**1H2023 vs 1H2022**

	<b>1H2023</b>	<b>Excl Natura 1H2022</b>	<b>Like-for-like Amount</b>	<b>Change %</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
<b>Revenue</b>	<b>66,172</b>	<b>72,425</b>	<b>(6,253)</b>	<b>-8.6%</b>
<b>Gross profit</b>	<b>45,341</b>	<b>48,260</b>	<b>(2,919)</b>	<b>-6.0%</b>
Operating expenses	(39,776)	(35,345)	(4,431)	12.5%
<b>Core operating profit excl MFRS16</b>	<b>5,565</b>	<b>12,915</b>	<b>(7,350)</b>	<b>-56.9%</b>
Interest income	1,060	273	787	288.8%
Forex (loss)/gain	(78)	251	(329)	-131.2%
MFRS 16	(104)	81	(185)	-228.6%
Others	(19)	34	(53)	-155.3%
<b>Core PBT</b>	<b>6,424</b>	<b>13,553</b>	<b>(7,129)</b>	<b>-52.6%</b>
Tax	(1,807)	(3,410)	1,603	-47.0%
<b>Core PAT</b>	<b>4,616</b>	<b>10,143</b>	<b>(5,527)</b>	<b>-54.5%</b>
<b>Core EBITDA excl MFRS16</b>	<b>7,726</b>	<b>15,136</b>	<b>(7,410)</b>	<b>-49.0%</b>

The Group's performance in 1H2023 was affected by the challenging retail landscape across all its markets. Excluding the results of the disposed Natura operation, revenue of the Group declined 8.6% while gross profit recorded a lesser decrease of 6.0%, thanks to the higher GP margin in the current financial year (68.5% vs last year's 66.4%).

Similar to the quarterly trend, core operating profit of the Group for 1H2023 was impacted by the lower topline and the increase in operating expenses.

The Group earned substantially higher interest income in current year, more than adequate in offsetting the drag from unfavourable movement in forex and MFRS16 accounting adjustment.

Core profits of the Group exclude non-operating items mentioned in 2Q2023 vs 1Q2023 Review.



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18. PROSPECTS

Despite the challenging landscape, we have and will continue to invest and drive the business such as accelerating ecommerce in Vietnam, renovating our key top stores in Malaysia and Vietnam, and recruit more new consumers. The Group's GP margin has improved year-on-year, which enabled us to deploy tactical promotions to stimulate consumer spending when needed in view of fiercer competition.

On the business outlook, we expect the 3rd quarter ending 30<sup>th</sup> September 2023 to be seasonally quieter with the absence of major festive celebrations. As we navigate these uncertain times, we are encouraged by the strength of the brand and the resilience of our team. We are also excited by the potential expansion of our Group's business through the opportunity to enter the beauty retail market in Taiwan, as per our MOU announced on 25th July 2023.

Barring any unforeseen circumstances, we expect the Group to remain profitable for FY2023.

19. PROFIT FORECAST / 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	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Revenue				
- Retailing	33,727	39,557	66,130	73,286
- Consultancy fees	20	13	42	25
	33,747	39,570	66,172	73,311
Gain/(loss) on foreign exchange				
- realised	(328)	282	(199)	279
- unrealised	205	(176)	121	(28)
	(123)	106	(78)	251
Rental expenses				
- before MFRS 16 adjustments	(4,827)	(5,201)	(9,501)	(10,012)
- less: minimum lease payments (MFRS 16 adjustments)	3,837	3,590	7,545	7,170
	(990)	(1,611)	(1,955)	(2,842)
Depreciation and amortisation				
- plant and equipment	(1,047)	(1,033)	(1,966)	(2,234)
- intangible assets	(99)	(100)	(196)	(195)
- right-of-use assets (MFRS 16 adjustments)	(3,524)	(3,360)	(7,018)	(6,581)
	(4,670)	(4,493)	(9,180)	(9,010)
Royalty expense	(334)	(364)	(661)	(701)
Inventories written down	(35)	1	(53)	(151)
Income arising from disposal of a subsidiary - service charges income (post-completion obligation)	-	-	153	-
Contribution from a trade supplier	-	750	-	1,500
Finance income comprises interest income from				
- bank balances and fixed deposits	570	102	1,060	224
- fixed income funds	-	26	-	50
	570	128	1,060	274
Finance costs comprise interest expenses on				
- hire purchase	-	(1)	-	(3)
- lease liabilities (MFRS 16 adjustments)	(345)	(214)	(646)	(493)
	(345)	(215)	(646)	(496)

Save as disclosed above and elsewhere in this Interim Financial Report, 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

Group	Quarter ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Tax expenses				
- arising from Malaysia	916	1,873	1,974	3,346
- arising outside Malaysia	(168)	44	(167)	64
	<u>748</u>	<u>1,917</u>	<u>1,807</u>	<u>3,410</u>
<b>Effective tax rate (%)</b>	<u>29.2%</u>	<u>25.4%</u>	<u>27.3%</u>	<u>25.1%</u>

Effective tax rate (“ETR”) is computed by dividing tax expenses with profit before tax for the financial period. ETR is generally higher than Malaysia’s statutory tax rate as a result of non-deductible expenses.

22. EARNINGS PER SHARE (“EPS”)

	Quarter ended		6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	<u>1,812</u>	<u>5,617</u>	<u>4,814</u>	<u>10,148</u>
Weighted average number of ordinary shares in issue	<u>705,881</u>	<u>705,881</u>	<u>705,881</u>	<u>705,881</u>
<b>Basic EPS (sen)</b>	<u>0.26</u>	<u>0.80</u>	<u>0.68</u>	<u>1.44</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<sup>th</sup> June 2023 and 30<sup>th</sup> June 2022.

23. OTHER INVESTMENT

Group	30.06.2023	31.12.2022
	RM'000	RM'000
Fixed deposits of more than 3 months but less than 12 months	8,437	9,349
Fixed income funds	-	6,897
	<u>8,437</u>	<u>16,246</u>

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24. LOANS AND BORROWINGS

	30.06.2023	31.12.2022
	RM'000	RM'000
<b>Group</b>		
<b>Current</b>		
RM denominated hire purchase (unsecured)	-	27

25. SUBSEQUENT EVENT

There is no material event impacting the Group subsequent to 30<sup>th</sup> June 2023 and up to the date of this Interim Financial Report.