



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

18 February 2020

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2019

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

	Note	Quarter ended		12 months ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Revenue		53,489	52,152	191,684	184,474
Other operating income		(225)	662	1,008	1,606
Operating expenses					
Changes in inventories		(17,438)	(18,474)	(62,404)	(62,488)
Rental expenses		(1,652)	(487)	(4,316)	(1,629)
Employee related expenses		(10,958)	(9,328)	(40,720)	(36,453)
Selling and distribution expenses		(1,547)	(1,514)	(4,747)	(4,744)
Advertising and promotion expenses		(2,147)	(1,427)	(5,617)	(4,716)
Depreciation and amortisation expenses		(5,376)	(5,200)	(21,048)	(20,860)
Other operating expenses		(2,454)	(1,956)	(8,030)	(6,138)
Total operating expenses		(41,572)	(38,386)	(146,882)	(137,028)
Profit from operations		11,692	14,428	45,810	49,052
Finance income		51	177	407	1,277
Finance costs		(581)	(478)	(2,231)	(1,809)
Listing-related expenses		(908)	-	(3,591)	-
Fair value gain arising from distribution of non-cash assets to owners		-	10,030	-	10,030
Profit before tax	21	10,254	24,157	40,395	58,550
Tax expenses	22	(2,344)	(4,391)	(10,244)	(12,925)
Profit for the period/year		7,910	19,766	30,151	45,625
Basic and diluted earnings per share (sen)	23	1.25	3.13	4.77	7.22

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

	Quarter ended		12 months ended		
	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Other comprehensive income/(loss), net of tax					
<u>Item that may be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences for foreign operation		(256)	(266)	(140)	(349)
Total comprehensive income for the period/year		7,654	19,500	30,011	45,276

Other selected financial data:

Gross profit ⁽¹⁾	36,051	33,678	129,280	121,986
Core profit after tax ("PAT") ⁽²⁾	8,818	10,238	33,742	36,097
Core PAT excluding new business ⁽²⁾⁽³⁾	10,060	10,238	35,422	36,097
Net cash generated from operations	10,264	12,095	29,279	32,005
Gross profit margin	67.4%	64.6%	67.4%	66.1%
Core PAT margin	16.5%	19.6%	17.6%	19.6%
Core PAT margin (excluding new business)	18.8%	19.6%	18.5%	19.6%

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

⁽²⁾ core profit excludes non-core items i.e. listing-related expenses and fair value gain arising from distribution of non-cash assets to owners.

⁽³⁾ the Group commenced its retail operations for The Body Shop Cambodia and Natura Malaysia during the current financial quarter ended 31 December 2019.

The unaudited condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 January 2020 and the accompanying explanatory notes attached in this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Assets				
Property, plant and equipment		13,997	6,398	10,186
Right-of-use assets		24,123	23,759	25,608
Investment properties		-	-	833
Intangible assets		52,875	51,275	51,395
Deferred tax assets		1,146	440	704
Receivables and deposits		6,210	5,808	5,673
Total non-current assets		98,351	87,680	94,399
Inventories		33,776	26,734	24,451
Receivables, deposits and prepayments		5,771	3,271	114,224
Current tax assets		8	23	-
Other investments		46	2,241	14,554
Cash and cash equivalents		17,445	24,258	11,472
Total current assets		57,046	56,527	164,701
Total assets		155,397	144,207	259,100
Liabilities				
Provision for restoration costs		2,233	2,105	2,030
Loans and borrowings	24	276	151	-
Lease liabilities		11,081	11,290	11,211
Total non-current liabilities		13,590	13,546	13,241
Provision for restoration costs		194	125	18
Loans and borrowings	24	16,300	20,354	10,000
Lease liabilities		14,081	12,831	15,354
Contract liabilities		1,429	1,938	1,568
Payables and accruals		19,105	15,688	19,945
Current tax liabilities		3,358	4,284	3,801
Total current liabilities		54,467	55,220	50,686
Total liabilities		68,057	68,766	63,927
Net assets		87,340	75,441	195,173

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

	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Equity				
Share capital		4,388	2,500	#
Reserves		82,952	72,941	195,173
Total equity		87,340	75,441	195,173

Other selected financial data:

Net current assets		2,579	1,307	114,015
Net assets per share (sen) ^		13.82	11.94	30.89
Net gearing ratio (times) *		(0.01)	(0.08)	(0.08)

denotes RM2 of issued and fully paid ordinary shares.

^ for like-for-like comparison, net assets per share is 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 as set out in Note 7.

* 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 Accountants' Report as disclosed in the Prospectus of the Company dated 29 January 2020 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	
At 1 January 2018	#	17,240	563	178,327	196,130	
Adjustment on initial application of MFRS 16	-	-	(1)	(956)	(957)	
At 1 January 2018, restated	#	17,240	562	177,371	195,173	
Profit for the year	-	-	-	45,625	45,625	
Foreign currency translation differences for foreign operation, representing total other comprehensive loss for the year	-	-	(349)	-	(349)	
Total comprehensive income for the year	-	-	(349)	45,625	45,276	
Bonus issue	2,500	-	-	(2,500)	-	
Dividends paid	-	(12,604)	-	(152,404)	(165,008)	
Total transaction with owners	2,500	(12,604)	-	(154,904)	(165,008)	
At 31 December 2018/1 January 2019	2,500	4,636	213	68,092	75,441	
Profit for the year	-	-	-	30,151	30,151	
Foreign currency translation differences for foreign operation, representing total other comprehensive loss for the year	-	-	(140)	-	(140)	
Total comprehensive income for the year	-	-	(140)	30,151	30,011	
Issuance of shares	7 1,888	-	-	-	1,888	
Dividends paid	8 -	-	-	(20,000)	(20,000)	
Total transaction with owners	1,888	-	-	(20,000)	(18,112)	
At 31 December 2019	4,388	4,636	73	78,243	87,340	

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 January 2020 and the accompanying explanatory notes attached in this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 months ended		
	Note	31.12.2019	31.12.2018
		RM'000	RM'000
Cash flows from operating activities			
Profit before tax		40,395	58,550
Adjustments for:			
Depreciation and amortisation expenses		21,048	20,860
Unrealised forex gain		(34)	(20)
Property, plant and equipment written off		87	-
Gain on disposal of property, plant and equipment		(260)	(735)
Fair value gain arising from distribution of non-cash assets to owners		-	(10,030)
Finance income		(407)	(1,277)
Finance costs		2,231	1,809
Listing-related expenses		3,591	-
Operating profit before changes in working capital		66,651	69,157
Changes in working capital:			
Inventories		(7,090)	(2,282)
Receivables, deposits and prepayments		(2,928)	(402)
Payables and accruals and contract liabilities		2,202	(3,222)
Provision for restoration costs		200	182
Lease liabilities		(17,900)	(19,226)
Cash generated from operations		41,135	44,207
Income tax paid		(11,857)	(12,202)
Net cash generated from operating activities		29,278	32,005
Cash flow from investing activities			
Acquisition of plant and equipment		(11,139)	(1,969)
Proceeds from disposal of property, plant and equipment		260	735
(Repayments to)/Advances from related parties		(2,009)	1,832
Repayment to Directors		-	(1,035)
Withdrawal of other investments		2,184	12,305
Interest received		407	1,277
Net cash (used in)/from investing activities		(10,297)	13,145

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

	Note	12 months ended	
		31.12.2019	31.12.2018
		RM'000	RM'000
Cash flow from financing activities			
Issuance of shares	7	1,888	-
Dividends paid	8	(20,000)	(42,055)
Listing-related expenses		(3,044)	-
(Repayment of)/Drawdown from revolving credit		(4,000)	10,000
Repayment of hire purchase		(389)	(200)
Change in pledged deposits		434	(13)
Interest paid		(306)	(112)
Net cash used in financing activities		<u>(25,417)</u>	<u>(32,380)</u>
Net (decrease)/increase in cash and cash equivalents		(6,436)	12,770
Effect of exchange rate fluctuations on cash held		57	3
Cash and cash equivalents at beginning of the year		<u>23,824</u>	<u>11,051</u>
Cash and cash equivalents at end of the year		<u>17,445</u>	<u>23,824</u>
Cash and cash equivalents comprise the following:			
Cash and bank balances		17,445	23,824
Deposits placed with licensed banks		-	434
		<u>17,445</u>	<u>24,258</u>
Less:			
Deposits pledged		-	(434)
		<u>17,445</u>	<u>23,824</u>

The unaudited condensed consolidated statements of cash flows should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 29 January 2020 and the accompanying explanatory notes attached in this interim financial report.

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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 Accountants' Report as disclosed in the Prospectus of the Company dated 29 January 2020 and the 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 December 2018, 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, except for the following:

MFRS 16, *Leases*

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

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

The ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset.

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The effects of initial adoption of MFRS 16 to the comparative financial information are set out below:

(a) To the consolidated statements of financial position

	31.12.2018	1.1.2018
	RM'000	RM'000
ROU assets		
Before the adoption	-	-
Effects of MFRS 16	23,759	25,608
Changes after the adoption	<u>23,759</u>	<u>25,608</u>
Lease liabilities		
Before the adoption	-	-
Effects of MFRS 16	24,121	26,565
Changes after the adoption	<u>24,121</u>	<u>26,565</u>
Reserves		
Before the adoption	73,303	196,130
Effects of MFRS 16	(362)	(957)
Changes after the adoption	<u>72,941</u>	<u>195,173</u>

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

	Quarter ended	12 months ended
	31.12.2018	31.12.2018
	RM'000	RM'000
Rental expenses		
Before the adoption	(5,445)	(20,855)
Effects of MFRS 16	4,958	19,226
Changes after the adoption	<u>(487)</u>	<u>(1,629)</u>
Depreciation and amortisation expenses		
Before the adoption	(825)	(3,926)
Effects of MFRS 16	(4,375)	(16,934)
Changes after the adoption	<u>(5,200)</u>	<u>(20,860)</u>
Finance costs		
Before the adoption	(17)	(112)
Effects of MFRS 16	(461)	(1,697)
Changes after the adoption	<u>(478)</u>	<u>(1,809)</u>
Profit after tax		
Before the adoption	19,644	45,030
Effects of MFRS 16	122	595
Changes after the adoption	<u>19,766</u>	<u>45,625</u>

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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 2018 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 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 quarter and financial period under review.

6. CHANGES IN ESTIMATES

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

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 under review.

	Amount	Number
	RM'000	of shares
		'000
Group and Company		
Issued and fully paid: ordinary shares		
At 1 January 2019	2,500	2,500
Issuance of shares	1,888	1,888
Subdivision of shares	-	627,419
At 31 December 2019	<u>4,388</u>	<u>631,807</u>

Pre-listing internal restructuring exercise

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

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2019, and was completed on 13 December 2019 upon the completion of the stamping and registration of the share transfer pursuant to the Companies Act 2016.

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

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

8. DIVIDENDS

Paid

The following dividends were declared and paid by the Company during the current financial year:

Company	RM per share RM	Total amount RM'000	Date of payment
In respect of the financial year ended 31 December 2019:			
- First single tier dividend	4.00	10,000	27 December 2019
In respect of the financial year ended 31 December 2018:			
- Second single tier dividend	4.00	<u>10,000</u>	30 August 2019
		<u>20,000</u>	

Declared

On 18 February 2020, the Company declared a special single tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019 ("FY2019"), to shareholders who are on the Register of Members at the close of business on 31 March 2020. The expected payment date is 30 April 2020.

Including the first single tier dividend paid on 27 December 2019, total dividend payout for FY2019 will be RM17,058,815. The dividend payout represents 56.6% of annual reported profit after tax of the Group, or 50.6% of annual core profit after tax of the Group.

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9. CHANGES IN COMPOSITION OF THE GROUP

Two wholly-owned subsidiaries known as Hello Natural Sdn Bhd (formerly known as Ola Natura Sdn Bhd) and Ola Beleza Sdn Bhd (formerly known as Natura Beauty Sdn Bhd) were incorporated on 15 February 2019 and 21 February 2019 respectively.

Hello Natural was initially incorporated as an investment holding company with Ola Beleza as its wholly-owned subsidiary. On 9 April 2019, Ola Beleza became InNature's direct wholly-owned subsidiary and Hello Natural has since then become dormant.

Ola Beleza's principal business activity is the distribution of Natura products through channels including direct selling, e-commerce and retail stores. Ola Beleza commenced its retail operations by launching the Natura e-commerce website in August 2019 and setting up a pop-up store in Sunway Pyramid in October 2019.

10. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

The Group's contingent liabilities were as follow:

	31.12.2019	31.12.2018
	RM'000	RM'000
Group and Company		
Corporate guarantees for credit facilities granted to a subsidiary	1,000	1,000
Bank guarantees granted to a subsidiary for tenancy agreements	874	953
	<u>1,874</u>	<u>1,953</u>

There were no contingent assets of a material nature since 31 December 2018.

11. CAPITAL COMMITMENTS

	31.12.2019	31.12.2018
	RM'000	RM'000
Group		
Approved but not contracted for		
Property, plant and equipment	<u>34,500</u>	<u>36,700</u>

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group are shown below:

	Quarter ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Group				
<i>Entity in which certain Directors of the Company have interests</i>				
Rental paid and payable for properties	140	-	511	-

The Group entered into rental agreements with an entity in which certain Directors of the Company have interests, for the letting of properties. The rental terms are based on negotiated terms and amounts are payable on monthly basis for the duration of the agreements.

13. SUBSEQUENT EVENTS

Initial Public Offering (“IPO”)

The Company launched its IPO and issued its prospectus in relation to the IPO on 29 January 2020 (“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 bookbuilding (“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 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 are expected to take place on 19 February 2020 and 20 February 2020, respectively.

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14. STATUS OF CORPORATE PROPOSAL

Save for the IPO as set out in Note 13, there was no corporate proposal announced but not completed as at the date of this Interim Financial Report.

15. UTILISATION OF PROCEEDS FROM IPO

Following the announcement of the final retail price as disclosed in Note 13, the proposed utilisation of proceeds has been revised according to the provisions in the Prospectus, as follows:

Utilisation of proceeds	Proposed utilisation (original)		Reduction RM'000	Proposed utilisation (revised)		Estimated timeframe for utilisation from the date of Listing
	RM'000	%		RM'000	%	
(i) Capital expenditure	34,500	68.5%		34,500	72.8%	Within 48 months
(ii) Working capital	3,800	7.5%	(2,963)	837	1.8%	Within 36 months
(iii) New business development	5,700	11.3%		5,700	12.0%	Within 48 months
(iv) Listing expenses	6,370	12.7%		6,370	13.4%	Within 3 months
Total	<u>50,370</u>	<u>100.0%</u>		<u>47,407</u>	<u>100.0%</u>	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus. There was no utilisation of proceeds as at the date of this Interim Financial Report, pending completion of the IPO.

16. 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.

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17. SEGMENT INFORMATION AND PERFORMANCE REVIEW

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

Performance Review:

12 months ended 31 December 2019 (“FY2019”) vs 12 months ended 31 December 2018 (“FY2018”)

	12 months ended 31.12.2019				12 months ended 31.12.2018		
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Group RM'000
Revenue from external customers							
Existing business	161,026	29,694	-	190,720	162,928	21,546	184,474
New business	400	-	564	964	-	-	-
	<u>161,426</u>	<u>29,694</u>	<u>564</u>	<u>191,684</u>	<u>162,928</u>	<u>21,546</u>	<u>184,474</u>
Segment profit after tax (“PAT”)							
Existing business	31,760	4,382	-	36,142	33,989	2,675	36,664
New business	(1,155)	-	(525)	(1,680)	-	-	-
	<u>30,605</u>	<u>4,382</u>	<u>(525)</u>	<u>34,462</u>	<u>33,989</u>	<u>2,675</u>	<u>36,664</u>
Investment holding				(720)			(567)
Core PAT				<u>33,742</u>			<u>36,097</u>
Listing-related expenses				(3,591)			-
Fair value gain arising from distribution of non-cash assets to owners, net of tax				-			<u>9,528</u>
Reported PAT				<u>30,151</u>			<u>45,625</u>

For FY2019, revenue of the Group continued to expand at +3.9% year-on-year, lifted mainly by Vietnam’s +37.8% revenue growth as well as contribution from new business (The Body Shop Cambodia and Natura Malaysia).

The double-digit top line growth in Vietnam was boosted mainly by the net opening of 8 new points-of-sale during the financial year, whilst existing points-of-sale continued to deliver same-store sales growth (“SSSG”) of +3.4%. Consequently, Vietnam’s revenue contribution to the Group increased from 11.7% in FY2018 to 15.5% in FY2019.

Revenue for the existing business in Malaysia slipped -1.2% year-on-year amid challenging market conditions and fragile consumer sentiment. The decline was in line with Malaysia’s SSSG of -1.3% for FY2019.

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Reported PAT of the Group for FY2019 was lower year-on-year at RM30.2 million, distorted by non-core items such as listing-related expenses in the current financial year, and fair value gain arising from distribution of non-cash assets to owners in FY2018.

Excluding non-core items, core PAT of the Group for FY2019 declined -6.5% year-on-year at RM33.7 million, mainly dragged by losses from new business of RM1.7 million.

Further excluding new business losses and investment holding costs, core PAT for existing business declined -1.4% year-on-year for FY2019, primarily as a result of additional operating costs in Malaysia arising from headcount expansion and store lease renewal, as well as lesser income / gain from rental, foreign exchange and disposal of property, plant and equipment. This was offset by higher PAT from Vietnam following the country's top line growth.

Performance Review:

4th Quarter ended 31 December 2019 ("4Q2019") vs 4th Quarter ended 31 December 2018 ("4Q2018")

	Quarter ended 31.12.2019				Quarter ended 31.12.2018		
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Group RM'000
Revenue from external customers							
Existing business	43,197	9,328	-	52,525	45,639	6,513	52,152
New business	400	-	564	964	-	-	-
	<u>43,597</u>	<u>9,328</u>	<u>564</u>	<u>53,489</u>	<u>45,639</u>	<u>6,513</u>	<u>52,152</u>
Segment PAT							
Existing business	8,590	1,603	-	10,193	9,767	637	10,404
New business	(954)	-	(288)	(1,242)	-	-	-
	<u>7,636</u>	<u>1,603</u>	<u>(288)</u>	<u>8,951</u>	<u>9,767</u>	<u>637</u>	<u>10,404</u>
Investment holding				(133)			(166)
Core PAT				8,818			10,238
Listing-related expenses				(908)			-
Fair value gain arising from distribution of non-cash assets to owners, net of tax				-			9,528
Reported PAT				<u>7,910</u>			<u>19,766</u>

For 4Q2019, revenue of the Group increased +2.6% year-on-year, lifted mainly by Vietnam's +43.2% revenue growth as well as contribution from new business.

Revenue for the existing business in Malaysia declined -5.4% year-on-year in 4Q2019. Apart from the challenging market conditions and fragile consumer sentiment, the year-on-year decline for the current financial quarter was also due to the shift in the sale period from October in FY2018 to August in FY2019.

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Quarterly core PAT of the Group was lower year-on-year at RM8.8 million, mainly on losses from new business of RM1.2 million. Excluding new business losses and investment holding costs, core PAT for existing business declined -2.0% year-on-year for 4Q2019. The decline was primarily due to additional operating costs and lower other operating income in Malaysia. This was offset by higher PAT from Vietnam.

Segment Assets and Liabilities

	31.12.2019				31.12.2018		
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Group RM'000
Segment assets							
Existing business	122,748	22,465	-	145,213	124,839	18,066	142,905
New business	4,469	-	4,352	8,821	-	-	-
	<u>127,217</u>	<u>22,465</u>	<u>4,352</u>	<u>154,034</u>	<u>124,839</u>	<u>18,066</u>	<u>142,905</u>
Investment holding				1,363			1,302
Reported total assets				<u>155,397</u>			<u>144,207</u>
Included in segment assets are:							
Property, plant and equipment	8,455	4,506	1,036	13,997	5,853	545	6,398
Right-of-use assets	19,810	4,222	91	24,123	17,889	5,870	23,759
Goodwill	50,435	-	-	50,435	50,435	-	50,435
Other intangible assets	1,714	476	250	2,440	840	-	840
	<u>80,414</u>	<u>9,204</u>	<u>1,377</u>	<u>91,096</u>	<u>74,917</u>	<u>6,215</u>	<u>81,132</u>
Segment liabilities							
Existing business	54,402	9,777	-	64,179	57,061	11,668	68,729
New business	1,182	-	2,098	3,280	-	-	-
	<u>55,584</u>	<u>9,777</u>	<u>2,098</u>	<u>67,459</u>	<u>57,061</u>	<u>11,668</u>	<u>68,729</u>
Investment holding				598			37
Reported total liabilities				<u>68,057</u>			<u>68,766</u>
Included in segment liabilities are:							
Loans and borrowings	16,576	-	-	16,576	20,505	-	20,505
Lease liabilities	20,558	4,512	92	25,162	17,773	6,348	24,121

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18. QUARTERLY REVENUE AND PROFIT BEFORE TAX – CURRENT VS PRECEDING QUARTER

Group	Quarter ended	
	31.12.2019	30.9.2019
	RM'000	RM'000
Revenue	53,489	46,689
Profit before tax	10,254	9,815

Revenue of the Group for 4Q2019 increased +14.6% quarter-on-quarter, mainly driven by higher traffic during the year-end festive and school holiday season. Also contributing to the revenue growth was sales from the Group's new business of approximately RM1.0 million.

In line with the revenue growth, the Group recorded higher profit before tax of RM10.3 million quarter-on-quarter in 4Q2019.

19. PROSPECTS

Operating environment of the Group had been clouded over the outbreak of Covid-19 as at the date of this Interim Financial Report. Having been in the business for the past 35 years, such negative event is not new to us, and despite some foreseen challenges in 1Q2020, we will continue to manage our business with vigilance during this period of uncertainty.

We will continue to invest in the business, both existing and new, according to the IPO proceeds utilisation plan in the new financial year ending 31 December 2020 ("FY2020"). The Group is expected to see overall continuous revenue growth and remain profitable in FY2020.

20. 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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21. PROFIT BEFORE TAX

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

	Quarter ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Group				
Revenue				
- Sale of goods	53,466	52,143	191,616	184,450
- Consultancy fees	23	9	68	24
	53,489	52,152	191,684	184,474
Gain/(loss) on foreign exchange				
- realised	(331)	35	148	631
- unrealised	8	20	34	20
	(323)	55	182	651
Rental income	9	57	36	216
Gain on diposal of property, plant and equipment	-	550	260	735
Rental expenses				
- excluding MFRS 16 adjustments	(5,923)	(5,445)	(22,215)	(20,855)
- MFRS 16 adjustments	4,271	4,958	17,899	19,226
	(1,652)	(487)	(4,316)	(1,629)
Depreciation and amortisation				
- property, plant and equipment	(1,318)	(786)	(4,174)	(3,772)
- investment properties	-	(9)	-	(34)
- intangible assets	(76)	(30)	(217)	(120)
- right-of-use assets (MFRS 16 adjustments)	(3,981)	(4,375)	(16,656)	(16,934)
	(5,375)	(5,200)	(21,047)	(20,860)
Finance income				
- interest income on bank balances and deposits placed with licensed banks	51	177	407	1,277
Finance costs				
- interest expenses on				
hire purchase	(7)	(6)	(20)	(15)
revolving credit	(95)	(11)	(286)	(97)
lease liabilities (MFRS 16 adjustments)	(479)	(461)	(1,925)	(1,697)
	(581)	(478)	(2,231)	(1,809)

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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22. TAX EXPENSES

	Quarter ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Group				
Tax expenses				
- arising in Malaysia	2,048	4,032	9,332	12,063
- arising outside Malaysia	296	359	912	862
	<u>2,344</u>	<u>4,391</u>	<u>10,244</u>	<u>12,925</u>
Effective tax rate (%)	<u>22.9%</u>	<u>18.2%</u>	<u>25.4%</u>	<u>22.1%</u>

Effective tax rate ("ETR") is computed by dividing tax expenses by profit before tax for the financial period/year.

ETR for 4Q2019 and FY2019 was higher year-on-year, mainly as a result of listing-related expenses which were not tax deductible, and losses from new businesses where deferred tax benefits had yet to be recognised.

The lower ETR for the comparative 4Q2018 and FY2018 was mainly due to the RM10.0 million fair value gain on distribution of non-cash assets to owners, of which such gain was subject to a lower real property gains tax of 5%, or RM0.5 million.

23. EARNINGS PER SHARE ("EPS")

	Quarter ended		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	<u>7,910</u>	<u>19,766</u>	<u>30,151</u>	<u>45,625</u>
Number of ordinary shares before IPO ('000)	<u>631,807</u>	<u>631,807</u>	<u>631,807</u>	<u>631,807</u>
Basic and diluted EPS (sen)	<u>1.25</u>	<u>3.13</u>	<u>4.77</u>	<u>7.22</u>

For like-for-like comparison, basic and diluted EPS for the current and previous financial period/year is calculated by dividing profit attributable to owners of the Company by 631,807,488 shares, being the number of shares after the completion of the pre-listing internal restructuring exercise as set out in Note 7.

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24. LOANS AND BORROWINGS

	31.12.2019	31.12.2018
	RM'000	RM'000
Group		
Non-current		
Hire purchase (unsecured)	276	151
Current		
Hire purchase (unsecured)	300	354
Revolving credit (secured)	16,000	20,000
	<u>16,300</u>	<u>20,354</u>
Total borrowings	<u>16,576</u>	<u>20,505</u>

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

The revolving credit is secured by way of:

- i) letter of negative pledge issued by a subsidiary;
- ii) letter of undertaking by certain Directors of the Group; and
- iii) deposit placed with licensed banks amounting to RM Nil (FY2018: RM434,000).