



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT  
FOR THE 1<sup>st</sup> QUARTER ENDED 31 MARCH 2020

29 MAY 2020

INNATURE BERHAD

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INTERIM FINANCIAL REPORT FOR THE 1<sup>st</sup> QUARTER ENDED 31 MARCH 2020

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

		Quarter ended	
	Note	31.3.2020 RM'000	31.3.2019 RM'000
<b>Revenue</b>		37,387	47,609
Other operating income		193	299
<b>Operating expenses</b>			
Changes in inventories		(11,772)	(14,788)
Rental expenses		(696)	(737)
Employee related expenses		(10,238)	(9,856)
Distribution expenses		(695)	(606)
Advertising and promotion expenses		(1,188)	(1,068)
Depreciation and amortisation expenses		(4,828)	(5,172)
Other operating expenses		(2,747)	(1,812)
<b>Total operating expenses</b>		(32,164)	(34,039)
<b>Profit from operations</b>		5,416	13,869
Finance income		167	154
Finance costs		(435)	(599)
Listing-related expenses		(981)	(438)
<b>Profit before tax</b>	19	4,167	12,986
Tax expenses	20	(1,417)	(3,089)
<b>Profit for the period</b>		2,750	9,897
<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		549	(66)
<b>Total comprehensive income for the period</b>		3,299	9,831

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

		<b>Quarter ended</b>	
	<b>Note</b>	<b>31.3.2020</b>	<b>31.3.2019</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Profit attributable to:</b>			
Owners of the Company		2,750	9,897
Non-controlling interests		-	-
		2,750	9,897
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		3,299	9,831
Non-controlling interests		-	-
		3,299	9,831
<b>Earnings per share attributable to Owners of the Company</b>			
Basic (sen)	21	0.41	2.75
<b>Other selected financial data:</b>			
Gross profit <sup>(1)</sup>		25,615	32,821
Core profit after tax ("PAT") <sup>(2)</sup>		3,731	10,335
Adjusted net cash generated from operations <sup>(3)</sup>		3,079	8,195
Gross profit margin		68.5%	68.9%
Core PAT margin		10.0%	21.7%

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

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

<sup>(3)</sup> computed as net cash generated from operations less MFRS 16 adjustments (repayment of lease liabilities and interest paid on lease liabilities).

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	31.3.2020 RM'000	31.12.2019 RM'000
<b>Assets</b>			
Plant and equipment		13,537	13,997
Right-of-use assets		21,062	24,123
Intangible assets		52,829	52,875
Deferred tax assets		1,058	1,146
Receivables and deposits		6,742	6,210
<b>Total non-current assets</b>		<u>95,228</u>	<u>98,351</u>
Inventories		33,063	33,776
Receivables, deposits and prepayments		6,307	5,771
Current tax assets		9	8
Other investments	22	35,542	46
Cash and cash equivalents		12,710	17,445
<b>Total current assets</b>		<u>87,631</u>	<u>57,046</u>
<b>Total assets</b>		<u>182,859</u>	<u>155,397</u>
<b>Liabilities</b>			
Provision for restoration costs		2,205	2,233
Loans and borrowings	23	238	276
Lease liabilities		8,568	11,081
<b>Total non-current liabilities</b>		<u>11,011</u>	<u>13,590</u>
Provision for restoration costs		201	194
Loans and borrowings	23	211	16,300
Lease liabilities		13,005	14,081
Contract liabilities		1,424	1,429
Payables and accruals		18,271	19,105
Dividend payable		7,059	-
Current tax liabilities		2,159	3,358
<b>Total current liabilities</b>		<u>42,330</u>	<u>54,467</u>
<b>Total liabilities</b>		<u>53,341</u>	<u>68,057</u>
<b>Net assets</b>		<u>129,518</u>	<u>87,340</u>

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

	Note	31.3.2020 RM'000	31.12.2019 RM'000
<b>Equity</b>			
Share capital		50,326	4,388
Reserves		79,192	82,952
<b>Total equity</b>		<u>129,518</u>	<u>87,340</u>
<b>Other selected financial data:</b>			
Net current assets / working capital		45,301	2,579
Net assets per share (sen)		18.35	13.82
Net gearing ratio (times) *		(0.37)	(0.01)

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

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

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

Note	← Non-distributable →		Translation reserve RM'000	Distributable	
	Share capital RM'000	Business combination 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	-	-	-	9,897	9,897
Foreign currency translation differences for foreign operation, representing other comprehensive expense for the period	-	-	(66)	-	(66)
Total comprehensive income for the period	-	-	(66)	9,897	9,831
<b>At 31 March 2019</b>	2,500	4,636	147	77,989	85,272
<b>At 1 January 2020</b>	4,388	4,636	73	78,243	87,340
Profit for the period	-	-	-	2,750	2,750
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	549	-	549
Total comprehensive income for the period	-	-	549	2,750	3,299
Issuance of shares	7 47,407	-	-	-	47,407
Share issuance expenses	7 (1,469)	-	-	-	(1,469)
Dividend declared	8 -	-	-	(7,059)	(7,059)
Total transaction with owners	45,938	-	-	(7,059)	38,879
<b>At 31 March 2020</b>	50,326	4,636	622	73,934	129,518

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

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Quarter ended	
		31.3.2020 RM'000	31.3.2019 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		4,167	12,986
Adjustments for:			
Depreciation and amortisation expenses		4,828	5,172
Unrealised foreign exchange gain		(101)	-
Property, plant and equipment written off		85	-
Finance income		(167)	(154)
Finance costs		435	599
Listing-related expenses		981	438
<b>Operating profit before changes in working capital</b>		<b>10,228</b>	<b>19,041</b>
Changes in working capital:			
Inventories		925	(1,685)
Receivables, deposits and prepayments		(946)	(1,416)
Payables and accruals and contract liabilities		(218)	(74)
Provision for restoration costs		(40)	-
<b>Cash generated from operations</b>		<b>9,949</b>	<b>15,866</b>
Income tax paid		(2,536)	(2,898)
<b>Net cash generated from operating activities</b>		<b>7,413</b>	<b>12,968</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(719)	(2,174)
Acquisition of intangible assets		(1,822)	-
(Acquisition of)/proceeds from disposal of other investments		(35,491)	1,135
Interest received		167	154
<b>Net cash used in investing activities</b>		<b>(37,865)</b>	<b>(885)</b>

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

	Note	Quarter ended	
		31.3.2020 RM'000	31.3.2019 RM'000
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	7	47,407	-
Listing-related expenses		(1,213)	(438)
Repayment of revolving credit		(16,000)	(17,000)
Repayment of hire purchase		(127)	(87)
Repayment of lease liabilities		(3,979)	(4,340)
Interest paid for lease liabilities		(355)	(433)
Interest paid		(80)	(165)
<b>Net cash generated from/(used in) financing activities</b>		<b>25,653</b>	<b>(22,463)</b>
<b>Net decrease in cash and cash equivalents</b>			
Effect of exchange rate fluctuations on cash held		64	(39)
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>12,710</b>	<b>13,405</b>
<b>Cash and cash equivalents comprise the following:</b>			
Cash and bank balances		12,663	13,405
Deposits placed with licensed banks		47	434
		12,710	13,839
Less:			
Deposits pledged		-	(434)
		12,710	13,405

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



## INNATURE BERHAD

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### INTERIM FINANCIAL REPORT FOR THE 1<sup>st</sup> QUARTER ENDED 31 MARCH 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 16 and 24, and listing-related expenses as disclosed on the face of Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

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6. CHANGES IN ESTIMATES

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

7. DEBT AND EQUITY SECURITIES

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

<b>Company</b>	<b>Amount RM'000</b>	<b>Number of shares '000</b>
<b>Issued and fully paid: ordinary shares</b>		
At 1 January 2020	4,388	631,807
Issuance of shares	47,407	74,074
Share issuance expenses	(1,469)	-
At 31 March 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 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 IPO Prospectus.

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

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

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The following dividend was declared by the Company during the current financial period:

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

The Company did not declare any dividend during the comparative financial period ended 31 March 2019.

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

**9. CHANGES IN COMPOSITION OF THE GROUP**

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

**10. CONTINGENT LIABILITIES**

	<b>31.3.2020 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 a subsidiary for tenancy agreements	735	874
	<u>1,735</u>	<u>1,874</u>

**11. CAPITAL COMMITMENTS**

	<b>31.3.2020 RM'000</b>	<b>31.12.2019 RM'000</b>
<b>Group</b>		
<b>Plant and equipment</b>		
Approved but not contracted for	32,792	34,500
Contracted but not commenced	645	-
	<u>33,437</u>	<u>34,500</u>
<b>Leases as a leasee</b>		
Contracted but not commenced	<u>5,133</u>	<u>4,054</u>

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12. MATERIAL RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are shown below:

	Quarter ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
<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>	119	116
	<u>154</u>	<u>116</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.

14. UTILISATION OF PROCEEDS FROM IPO

The utilisation of proceeds from IPO as at 31 March 2020 is as follows:

Utilisation of proceeds	Proposed utilisation	Actual	Balance unutilised	Estimated timeframe for utilisation from the date of Listing
		utilisation up to 31 March 2020		
	RM'000	RM'000	RM'000	
(i) Capital expenditure	34,500	(1,063)	33,437	Within 48 months
(ii) Working capital	837	(484)	353	Within 36 months
(iii) New business development	5,700	(402)	5,298	Within 48 months
(iv) Listing-related expenses	6,370	(6,197)	173	Within 3 months
<b>Total</b>	<u>47,407</u>	<u>(8,146)</u>	<u>39,261</u>	

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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.

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, PERFORMANCE REVIEW AND PROSPECT

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.

Segment Assets

	31.3.2020				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	124,140	22,325	-	146,465	122,748	22,465	-	145,213
New business	5,328	-	4,266	9,594	4,469	-	4,352	8,821
	129,468	22,325	4,266	156,059	127,217	22,465	4,352	154,034
Investment holding				26,800				1,363
<b>Reported total assets</b>				<b>182,859</b>				<b>155,397</b>

*Included in segment assets are:*

Property, plant and equipment	7,956	4,516	1,065	13,537	8,455	4,506	1,036	13,997
Right-of-use assets	16,864	4,111	87	21,062	19,810	4,222	91	24,123
Goodwill	50,435	-	-	50,435	50,435	-	-	50,435
Other intangible assets	1,658	479	257	2,394	1,714	476	250	2,440

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Segment Liabilities

	31.3.2020				31.12.2019			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
<b>Segment liabilities</b>								
Existing business	34,339	8,355	-	42,694	54,402	9,777	-	64,179
New business	1,049	-	992	2,041	1,182	-	2,098	3,280
	<u>35,388</u>	<u>8,355</u>	<u>992</u>	<u>44,735</u>	<u>55,584</u>	<u>9,777</u>	<u>2,098</u>	<u>67,459</u>
Investment holding				8,606				598
<b>Reported total liabilities</b>				<u>53,341</u>				<u>68,057</u>
<i>Included in segment liabilities are:</i>								
Loans and borrowings	449	-	-	449	16,576	-	-	16,576
Lease liabilities	17,503	3,979	91	21,573	20,558	4,512	92	25,162

Segment Financial Results

	1st quarter ended 31.03.2020				1st quarter ended 31.03.2019			
	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	29,067	7,371	-	36,438	41,113	6,496	-	47,609
New business	291	-	658	949	-	-	-	-
	<u>29,358</u>	<u>7,371</u>	<u>658</u>	<u>37,387</u>	<u>41,113</u>	<u>6,496</u>	<u>-</u>	<u>47,609</u>
<b>Segment PAT</b>								
Existing business	3,552	870	-	4,422	9,318	1,302	-	10,620
New business	(758)	-	61	(697)	(43)	-	(79)	(122)
	<u>2,794</u>	<u>870</u>	<u>61</u>	<u>3,725</u>	<u>9,275</u>	<u>1,302</u>	<u>(79)</u>	<u>10,498</u>
Investment holding				6				(163)
<b>Core PAT</b>				3,731				10,335
Listing-related expenses				(981)				(438)
<b>Reported PAT</b>				<u>2,750</u>				<u>9,897</u>

Performance Review:

1<sup>st</sup> quarter ended 31 March 2020 (“1Q2020”) vs 1<sup>st</sup> quarter ended 31 March 2019 (“1Q2019”)

The operating environment of the Group in 1Q2020 had been turbulent. The early days of Covid-19 pandemic and the movement control order (“MCO”) imposed by the Malaysian government, led to an unprecedented closure of all our stores in Malaysia. These events coupled with the gloomy outlook of an economic downturn, had significantly impacted the performance of our operations in Malaysia. Consequently, this had contributed to the year-on-year decline in revenue of the Group by -21.5% for 1Q2020.

The quarterly decline in the Group’s revenue was partly mitigated by Vietnam’s +13.5% revenue growth following the net opening of 8 new stores in 2019, and contribution from our new businesses in Cambodia and Malaysia. As MCO in Vietnam was only imposed towards the tail end of March 2020, hence its impact on our operations in the country will be more pronounced in the 2<sup>nd</sup> quarter ending 30 June 2020 (“2Q2020”).

Despite the unprecedented decline in revenue, our Group remained profitable with a reported PAT of RM2.7 million for 1Q2020. Also included in the Group’s 1Q2020 reported PAT was listing-related expenses of RM1.0 million (1Q2019: RM0.4 million), as well as gestational loss from our new business in Malaysia of RM0.8 million.

Notwithstanding the closure of our stores during the MCO period, we have continued to service our customers’ needs through our e-commerce channels. Sales from our Group’s e-commerce channels increased year-on-year by +75.4% to RM1.8 million in 1Q2020, with Malaysia being the main contributor. We pivoted various marketing initiatives to encourage customers and loyalty members to shop online at our e-store, redeployed our people to support the e-commerce operations during the MCO period, and worked closely with our logistic partners in attending to the heightened demand amid capacity restriction due to the MCO.

*Business Continuity Plan*

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 eventual reopening 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.

Given the uncertainty over the containment of Covid-19, we have continued with the work-from-home arrangement by rotation as well as online meetings and trainings upon the resumption of business, to ensure the proper implementation of social-distancing at workplace. Personal protective equipment has also been distributed to our staff, especially those in our stores, for mutual protection. We encourage contactless transaction such as payment through e-wallets or contactless credit cards, and soon we will roll out e-receipt for customers who do not need a paper receipt. Recently we have also launched a premium service of personal consultation and fast delivery service at selected stores, to provide convenience for our customers who prefer personalised service from the comfort of their home.

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Financially, we remain frugal with our spending and cautious with our cashflow despite being in a net cash position as at 31 March 2020. Our variable expenses have reduced following the closure of stores. We have suspended the hiring of new headcounts, 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 effects of Covid-19 on the performance of each store.

On the Group's store expansion plan, we adopt a precautionary approach prior to committing a new location. As at the date of this Interim Financial Report, we expect there will only be 5 new openings (4 in Vietnam, 1 in Cambodia) for The Body Shop operations and 1 new opening (in Malaysia) for Natura operation in 2020.

Nevertheless, this pandemic spotlighted the importance of digitalisation and distance selling. Hence, we will continue to invest in enhancing and accelerating our omnichannel capabilities as well as in developing our Natura social selling channel to future-proof our business.

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

Our financial position remains healthy with a working capital of RM45.3 million and total equity of RM129.5 million as at 31 March 2020. Despite facing challenging environments, the Group generated net cash from operations (including lease payments to landlords classified under financing activities pursuant to MFRS 16) of RM3.0 million during the financial period and maintained a healthy cash balance (including fixed deposits and money market funds under Other Investments) of RM48.3 million as at 31 March 2020.

#### Prospect

The MCO has resulted in the closure of our stores in Malaysia from 18 March 2020 to 3 May 2020, and in Vietnam largely from 28 March 2020 to 22 April 2020. Accordingly, we expect our performance in 2Q2020 will continue to be significantly impacted by the MCO.

We expect consumers to remain cautious beyond the MCO period, as efforts to contain the virus is still a work-in-progress at this juncture. As such, it may take a while to rebuild footfall to our stores, and social-distancing is expected to become the new normal in the foreseeable future. Nonetheless, we expect to be able to capitalise on new opportunities presented by this situation for our e-commerce and social selling channels, as we are prepared with our omnichannel capabilities.

Assuming that consumer sentiment is to recover gradually by the final quarter of the year, we believe our Group will remain profitable for the financial year ending 31 December 2020.



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

	Quarter ended	
	31.3.2020	31.12.2019
	RM'000	RM'000
<b>Group</b>		
Revenue	37,387	53,489
Profit before tax	4,167	10,254

Revenue of the Group for 1Q2020 declined -30.1% quarter-on-quarter, mainly the effects of Covid-19 pandemic as elaborated in the Performance Review section of Note 16. Consequently, profit before tax of the Group had reduced to RM4.2 million in 1Q2020.

18. 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.

19. PROFIT BEFORE TAX

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

	Quarter ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
<b>Group</b>		
Revenue		
- Sale of goods	37,365	47,599
- Consultancy fees	22	10
	37,387	47,609
Gain/(loss) on foreign exchange		
- realised	85	290
- unrealised	101	-
	186	290
Rental income	9	9
Rental expenses		
- total before MFRS 16 adjustments	(5,030)	(5,510)
- less: minimum lease payments (MFRS 16 adjustments)	4,334	4,773
	(696)	(737)

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	Quarter ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
<b>Group</b>		
Depreciation and amortisation		
- plant and equipment	(1,305)	(829)
- intangible assets	(76)	(30)
- right-of-use assets (MFRS 16 adjustments)	(3,447)	(4,313)
	(4,828)	(5,172)
Royalty expense	(386)	-
Finance income		
- interest income on		
bank balances and fixed deposits	73	154
money market funds	94	-
	167	154
Finance costs		
- interest expenses on		
hire purchase	(5)	(5)
revolving credit	(75)	(161)
lease liabilities (MFRS 16 adjustments)	(355)	(433)
	(435)	(599)

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

20. TAX EXPENSES

	Quarter ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
<b>Group</b>		
Tax expenses		
- arising from Malaysia	1,212	2,949
- arising outside Malaysia	205	140
	1,417	3,089
<b>Effective tax rate (%)</b>	34.0%	23.8%

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

ETR for 1Q2020 was higher than the statutory tax rate in Malaysia of 24%, mainly due to listing-related expenses which were not tax deductible, and loss from our new business where deferred tax benefit had yet to be recognised.

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21. EARNINGS PER SHARE (“EPS”)

	Quarter ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
Profit attributable to owners of the Company	2,750	9,897
Weighted average number of ordinary shares in issue ('000)	665,181	360,000
<b>Basic EPS (sen)</b>	<u>0.41</u>	<u>2.75</u>

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 March 2019 and 31 March 2020.

22. OTHER INVESTMENTS

	31.3.2020	31.12.2019
	RM'000	RM'000
<b>Group</b>		
Fixed deposits of more than 3 months but less than 12 months	183	46
Money market funds	35,359	-
	<u>35,542</u>	<u>46</u>

23. LOANS AND BORROWINGS

	31.3.2020	31.12.2019
	RM'000	RM'000
<b>Group</b>		
<b>Non-current</b>		
Hire purchase (unsecured)	238	276
<b>Current</b>		
Hire purchase (unsecured)	211	300
Revolving credit (secured)	-	16,000
	<u>211</u>	<u>16,300</u>
<b>Total loans and borrowings</b>	<u>449</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.

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#### 24. SUBSEQUENT EVENT

The significant subsequent event impacting the Group as at the date of this Interim Financial Report is the Covid-19 pandemic. Please refer to Performance Review and Prospect sections of Note 16 for elaboration on the effects of Covid-19 pandemic.