



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2020

APPENDIX 4E

Preliminary Final Report

Current reporting year
 Previous corresponding year

Year ended 31 March 2020
 Year ended 31 March 2019

1 Results for announcement to the market

					\$'000
1.1	Revenue	down	3.00%	to	63,428
1.2	Loss after tax from continuing operations	down	186.38%	to	(7,171)
1.3	Loss for the year attributable to owners of the Company	down	186.38%	to	(7,171)
1.4	Total comprehensive (loss) / income for the year attributable to owners of the Company	up	393.56%	to	(1,277)

		Amount per share cents	Franked amount per share cents
1.5	Dividends		
	Final	Nil	Nil
	Interim	Nil	Nil
1.6	Record date for determining entitlement to dividend		No dividend declared
1.7	Brief explanation of figures (if necessary)		

The Group is currently facing an unstable market situation due to tariffs imposed by the USA and the continued increasing cost of manufacturing. The Group is observing customers sourcing products from outside of China, as both the footwear and home textile segments in the Group's Chinese operations are in decline.

The commencement of the USA home textile operation was delayed by a period of eight months due to the slow ramp up from initial commencement of the production. The operational loss has increased from \$0.5 million to \$3.4 million for the US textile segment year on year.

An impairment loss of \$3.0 million has been recognised in one of the Group's footwear manufacturing associates as a result of continued losses.

2 **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Current year \$'000	Previous corresponding year \$'000
Revenue	63,428	65,390
Cost of sales	(55,391)	(54,884)
Gross profit	8,037	10,506
Interest income	187	255
Other gains	682	184
Share of loss of associates	(2,210)	(1,233)
Interest expense	(280)	(70)
Provision for doubtful debts	-	(370)
Selling and distribution costs	(1,258)	(945)
General and administrative expenses	(12,042)	(10,352)
Loss before tax	(6,884)	(2,025)
Income tax expense	(287)	(479)
Loss after tax	(7,171)	(2,504)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	5,900	2,937
Income tax on items that may be reclassified subsequently to profit or loss	(6)	2
Other comprehensive income for the year, net of tax	5,894	2,939
Total comprehensive (loss) / income for the year attributable to owners of the Company	(1,277)	435
Loss per share attributable to owners of the Company		
Basic and diluted (cents per share)	(7.61)	(2.66)

2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Notes to the statement of profit or loss and other comprehensive income

	Current year \$'000	Previous corresponding year \$'000
<i>Revenue</i>		
Sale of goods	63,428	65,390
Interest income from bank deposits	187	255
	63,615	65,645
<i>Other gains / (losses)</i>		
Net exchange gain on foreign currency transactions	347	71
(Loss) / gain on disposal of property, plant and equipment	(51)	12
Other income from government subsidies	339	-
Others	47	101
	682	184
<i>Expenses</i>		
Depreciation of property, plant and equipment	1,854	1,212
Depreciation of right of use assets	239	-
Amortisation of lease premium of leasehold land	35	34
Research and development costs expensed as incurred	395	393
<i>Employee benefits expense</i>		
Key management personnel remuneration	2,083	1,890
Wages and salaries	11,453	9,276
Contributions to defined contribution plans	56	79
Other employee benefits	1,685	1,223
	15,277	12,468

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Current year \$'000	Previous corresponding year \$'000
Current assets		
Cash and cash equivalents	5,292	5,410
Trade and other receivables	5,466	7,376
Inventories	3,388	4,588
Current tax assets	244	48
Pledged fixed deposits	6,949	11,129
Prepayments	290	230
Total current assets	21,629	28,781
Non-current assets		
Other assets under development	5,811	16,558
Interests in associates	8,327	10,890
Property, plant and equipment	37,123	11,942
Right of use assets	339	-
Lease premium for leasehold land	1,235	1,163
Deferred tax assets	28	56
Total non-current assets	52,863	40,609
Total assets	74,492	69,390
Current liabilities		
Trade and other payables	6,864	6,178
Bank borrowings	19,001	13,671
Lease Liabilities	216	-
Provisions	91	131
Total current liabilities	26,172	19,980
Non-current liabilities		
Lease Liabilities	145	-
Deferred tax liabilities	154	121
Total non-current liabilities	299	121
Total liabilities	26,471	20,101
Net assets	48,021	49,289
Equity		
Issued capital	2,944	2,944
Retained earnings	28,504	35,666
Foreign currency translation reserve	16,573	10,679
Total equity	48,021	49,289

4 **CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Current year \$'000	Previous corresponding year \$'000
Cash flows from operating activities		
Receipts from customers	66,172	65,164
Payments to suppliers and employees	(64,940)	(65,791)
Receipts from government subsidies	339	-
Finance costs paid	(339)	(70)
Income tax paid	(400)	(504)
Net cash generated from / (used in) operating activities	832	(1,201)
Cash flows from investing activities		
Interest received	195	268
(Payments) / proceeds on disposal of property, plant and equipment	(7)	179
Payments for property, plant and equipment	(3,344)	(993)
Payments for other assets under development	(7,956)	(12,858)
Dividend received from an associate	1,163	-
Decrease in pledged certificate of deposit	-	10,843
Decrease / (increase) in pledged fixed deposits	5,427	(10,843)
Net cash used in investing activities	(4,522)	(13,404)
Cash flows from financing activities		
Proceeds from borrowings	24,758	14,536
Repayment of borrowings	(22,002)	(2,452)
Payments of right of use asset lease liabilities	(223)	-
Net cash generated from financing activities	2,533	12,084
Net decrease in cash and cash equivalents	(1,157)	(2,521)
Cash and cash equivalents at the beginning of the year	5,410	7,179
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	1,039	752
Cash and cash equivalents at the end of the year	5,292	5,410
Reconciliation of cash and cash equivalents		
Bank balances and cash	5,292	5,410

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 1 April 2018	2,944	38,163	7,740	48,847
Loss for the year	-	(2,504)	-	(2,504)
Exchange differences arising on translation of foreign operations	-	-	2,939	2,939
Total comprehensive (loss) / income for the year	-	(2,504)	2,939	435
Reversal of unclaimed dividends	-	7	-	7
Balance at 31 March 2019	2,944	35,666	10,679	49,289
Balance at 1 April 2019	2,944	35,666	10,679	49,289
Prior period adjustment	-	(3)	-	(3)
Loss for the year	-	(7,171)	-	(7,171)
Exchange differences arising on translation of foreign operations	-	-	5,894	5,894
Total comprehensive (loss) / income for the year	-	(7,174)	5,894	(1,280)
Reversal of unclaimed dividends	-	12	-	12
Balance at 31 March 2020	2,944	28,504	16,573	48,021

6 Dividends

Amount per security

		Amount per security cents	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend cents
Final dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	Nil	Nil	Nil
Interim dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	Nil	Nil	Nil

Total dividends paid on all securities during the financial year

	Current year \$'000	Previous corresponding year \$'000
Ordinary shares	-	-

7 Net tangible assets

	Current year cents	Previous corresponding year cents
Net tangible asset backing per ordinary share	50.58	52.29

8 Details of associates

Name of entity	Percentage of ownership interest held at end of year		Contribution to net profit / (loss)	
	Current year %	Previous corresponding year %	Current year \$'000	Previous corresponding year \$'000
Tianjin Jiahua Footwear Company Limited	30.00%	30.00%	1,409	703
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79%	33.79%	(3,619)	(1,936)
			(2,210)	(1,233)

8 Details of associates (continued)

Aggregate share of loss of associates

	Current year \$'000	Previous corresponding year \$'000
Loss before income tax	(1,889)	(1,114)
Income tax expense	(321)	(119)
Net loss attributable to owners of the Company	<u>(2,210)</u>	<u>(1,233)</u>

9 Any other significant information

No other significant information.

10 Accounting standards

The financial report is prepared in accordance with Australian Accounting Standards and Interpretations.

11 Results for the year

11.1 Loss per security

	Current year cents	Previous corresponding year cents
Basic and diluted loss per share		
For profit attributable to owners of the Company	<u>(7.61)</u>	<u>(2.66)</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	<u>94,266,496</u>	<u>94,266,496</u>

11.2 Returns to shareholders

N/A

11.3 Significant features of operating performance

Refer to note 9.

11.4 Segment results

	Current year \$'000	Previous corresponding year \$'000
Home textile - China	872	1,042
Home textile - USA	(3,422)	(544)
Footwear trading	279	479
Footwear manufacturing	(3,492)	(3,401)
	(5,763)	(2,424)
Eliminations	584	915
	(5,179)	(1,509)
Share of loss of associates	(2,210)	(1,233)
Interest income	187	255
Net exchange gain on foreign currency transactions of parent company	868	776
Central administrative expenses and directors' remuneration	(270)	(244)
Interest expense	(280)	(70)
Loss before tax	(6,884)	(2,025)

11.5 Trends in performance

N/A

11.6 *Any other factors which have affected the results in the year or which are likely to affect the results in the future, including those where the effect could not be quantified:*

The COVID-19 pandemic has caused significant market contraction in Q1 & Q2 of 2020. Management are implementing cost control measures, such as staffing reductions and re-negotiation of supplier contracts, to minimize the impact.

Other than the disclosures made within this report, there are no other factors which have affected the results in the year or which are likely to affect the results in the future.

12 This report is based on accounts to which one of the following applies:

- | | | | |
|-------------------------------------|------------------------------------------------------------------------|--------------------------|------------------------------------------------------------|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

13 Description of any likely audit dispute or qualification

N/A



David M McArthur
Company Secretary
28 May 2020