



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2021

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APPENDIX 4E

Preliminary Final Report

Reporting period (current period)	Year ended 31 March 2021
Previous corresponding period	Year ended 31 March 2020

Results for announcement to the market

Results performance	Current period \$'000	Corresponding period \$'000	Change %
Revenue	40,710	63,391	-35.78
Loss for the year	(8,801)	(12,817)	-31.33
Net loss attributable to owners of the Company	(8,801)	(12,817)	-31.33
Basic loss per share (cents per share)	(9.34)	(13.60)	-31.33

Commentary on the results for the period

The Board has been aware of increasing difficulties with the home textile manufacturing business in China due to the increasing cost of production, trade relations between the USA and China, and adverse exchange rates between the USD and RMB, resulting in an operating loss of A\$2.5 million. The board agreed to dispose of Carsan (Shunde) Manufacturing Co. Ltd ("Carsan").

The USA home textiles operations has been focussed on improving efficiency and expanding its customer base. Despite generating revenues of A\$5.2 million, the results were disappointing after reporting a loss before interest, depreciation, and amortisation of A\$3.4 million.

The COVID-19 pandemic had a significant impact on the USA footwear manufacturing operations with sales of A\$630k resulting in a loss of A\$1.4 million before interest, depreciation, and amortisation.

The footwear trading business generated a small profit (A\$145k) for the year.

Overall, adverse exchange rates and expenses incurred by the parent company resulted in a net loss for year of A\$8,801k.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Current year \$'000	Previous corresponding year \$'000
Revenue	40,710	63,391
Cost of sales	(21,091)	(24,355)
Gross profit	19,619	39,036
Other gains / (losses)	28	(13)
Government grants and subsidies	914	34
Reversal of / (impairment) of investment in associate	1,340	(5,341)
Selling and distribution costs	(663)	(1,254)
Personnel expenses	(3,772)	(5,180)
Depreciation	(1,976)	(960)
Amortisation – right-of-use assets	(191)	(239)
General and administrative expenses	(1,360)	(1,775)
Net foreign exchange (losses) / gains	(1,409)	645
Results from operating activities	12,530	24,953
Finance income	28	185
Finance costs	(282)	(280)
	(254)	(95)
Share of profit / (loss) of associates	88	(2,210)
Profit before income tax expense	12,364	22,648
Income tax expense	(181)	(258)
Profit for the year from continuing operations	12,183	22,390
Loss from discontinued operations	(20,984)	(35,207)
Loss for the year	(8,801)	(12,817)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(7,331)	5,860
Other comprehensive (loss) / income for the year, net of tax	(7,331)	5,860
Total comprehensive (loss) / income for the year attributable to owners of the Company	(16,132)	(6,957)
Profit / (loss) per share attributable to owners of the Company		
Basic and diluted (cents per share) – continuing operations	12.92	23.75
Basic and diluted (cents per share) – discontinued operations	(22.26)	(37.35)
Basic and diluted (cents per share)	(9.34)	(13.60)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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

	Current year \$'000	Previous corresponding year \$'000
Personnel expenses		
Key management personnel remuneration	1,068	2,083
Wages and salaries	4,840	6,253
Contributions to defined contribution plans	39	56
Other employee benefits	1,127	1,194
Total personnel expenses	7,074	9,586
Less: amount allocated to cost of sales	(3,302)	(4,406)
Amount allocated to personnel expenses	3,772	5,180
Administrative expenses		
Auditors' remuneration	219	161
Legal and consultancy fees	476	582
Insurance	74	465
Travelling	50	336
Low value / short term lease payments	24	50
Others	517	181
	1,360	1,775
Discontinued operations		
Revenue	17	37
Cost of sales	(16,502)	(31,031)
Other gains	33	6
Selling and distribution expenses	(454)	(4)
Personnel expenses	(3,103)	(1,604)
Depreciation & amortisation	(843)	(929)
General and administrative expenses	(415)	(1,355)
Net foreign exchange gains / (losses)	328	(298)
Loss before income tax expense	(20,939)	(35,178)
Income tax expense	(45)	(29)
Loss after income tax expense on discontinued operations	(20,984)	(35,207)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Current year \$'000	Previous corresponding year \$'000
Current assets		
Cash and cash equivalents	645	5,292
Trade and other receivables	5,560	5,466
Inventories	1,659	3,388
Prepayments	265	290
Assets held for sale	6,430	-
Pledged fixed deposits	-	4,291
Current tax assets Prepayments	106	244
Total current assets	14,665	18,971
Non-current assets		
Other assets under development	4,099	5,811
Interests in associates	1,325	2,986
Property, plant, and equipment	24,704	37,123
Right of use assets	195	1,574
Pledged fixed deposits	-	2,658
Deferred tax assets	31	28
Total non-current assets	30,354	50,180
Total assets	45,019	69,151
Current liabilities		
Trade and other payables	6,311	7,203
Borrowings	7,554	19,001
Lease Liabilities	118	216
Liabilities associated with assets held for sale	622	-
Contract liabilities	4,035	-
Provisions	61	91
Total current liabilities	18,701	26,511
Non-current liabilities		
Lease Liabilities	86	145
Deferred tax liabilities	21	154
Total non-current liabilities	107	299
Total liabilities	18,808	26,810
Net assets	26,211	42,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 MARCH 2021

	Current year \$'000	Previous corresponding year \$'000
Equity		
Issued capital	2,944	2,944
Retained earnings	14,059	22,858
Foreign currency translation reserve	9,208	16,539
Total equity	26,211	42,341

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**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 MARCH 2021**

	Current year \$'000	Previous corresponding year \$'000
Cash flows from operating activities		
Receipts from customers	40,193	66,172
Payments to suppliers and employees	(46,219)	(64,940)
Receipts from government subsidies	1,295	339
Finance costs paid	(301)	(339)
Income tax paid	(248)	(400)
Net cash (used in) / generated from operating activities	(5,280)	832
Cash flows from investing activities		
Interest received	32	195
Proceeds / (payments for) disposal of property, plant, and equipment	2	(7)
Payments for property, plant, and equipment	(181)	(3,344)
Payments for other assets under development	(136)	(7,956)
Proceeds from assets held for sale	4,168	-
Dividend received from an associate	1,292	1,163
Net cash from / (used in) investing activities	5,177	(9,949)
Cash flows from financing activities		
Proceeds from borrowings	7,720	24,758
Repayment of borrowings	(16,140)	(22,002)
Proceeds from related party loans	278	-
Increase in pledged fixed deposit	5,942	5,427
Payments of right of use asset lease liabilities	(200)	(223)
Net cash (used in) / generated from financing activities	(2,400)	7,960
Net decrease in cash and cash equivalents	(2,503)	(1,157)
Cash and cash equivalents at the beginning of the year	5,292	5,410
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(1,101)	1,039
Cash and cash equivalents at the end of the year	1,688	5,292

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 MARCH 2021**

	Current year \$'000	Previous corresponding year \$'000
Reconciliation of cash and cash equivalents		
Cash on hand and at bank	645	5,292
Cash included in assets held for sale	1,043	-
Bank balances and cash	1,688	5,292
Discontinued operations cash flow information		
Net cash (used in) / from operating activities	(2,161)	3,158
Net cash from / (used in) investing activities	2,871	(2,856)
Net increase in cash and cash equivalents from discontinued operations	710	302

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance on 1 April 2019	2,944	35,666	10,679	49,289
Prior period adjustment	-	(3)	-	(3)
Loss for the year	-	(12,817)	-	(12,817)
Exchange differences arising on translation of foreign operations	-	-	5,860	5,860
Total comprehensive loss for the year	-	(12,820)	5,860	(6,960)
Reversal of unclaimed dividends	-	12	-	12
Balance on 31 March 2020	2,944	22,858	16,539	42,341
Balance on 1 April 2020	2,944	22,858	16,539	42,341
Loss for the year	-	(8,801)	-	(8,801)
Exchange differences arising on translation of foreign operations	-	-	(7,331)	(7,331)
Total comprehensive loss for the year	-	(8,801)	(7,331)	(16,132)
Reversal of unclaimed dividends	-	2	-	2
Balance on 31 March 2021	2,944	14,059	9,208	26,211

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	-	-

Net tangible assets

	Current year cents	Previous corresponding year cents
Net tangible asset backing per ordinary share	27.57	43.25

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%	743	1,409
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79%	33.79%	(655)	(3,619)
			88	(2,210)

Details of associates (continued)

Aggregate share of loss of associates

	Current year \$'000	Previous corresponding year \$'000
Profit / (loss) before income tax	355	(1,888)
Income tax expense	(267)	(322)
Net profit / (loss) attributable to owners of the Company	<u>88</u>	<u>(2,210)</u>

Accounting standards

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

Results for the year

Loss per security

	Current year cents	Previous corresponding year cents
Basic and diluted loss per share		
Basic and diluted earnings per share - continuing operations	12.92	23.75
Basic and diluted loss per share – discontinued operations	(22.26)	(37.35)
Loss attributable to owners of the Company	<u>(9.34)</u>	<u>(13.60)</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>

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Segment results

	Current year \$'000	Previous corresponding year \$'000
Home textile - China	19,678	35,860
Home textile - USA	(5,154)	(3,875)
Footwear trading	152	582
Footwear manufacturing	(2,022)	(3,551)
	12,654	29,016
Eliminations	241	584
	12,895	29,600
Share of profit / (loss) of associates	88	(2,210)
Reversal of impairment / (impairment) in associate	1,340	(5,341)
Net exchange gain on foreign currency transactions of parent company	(1,760)	869
Central administrative expenses and directors' remuneration	(199)	(270)
Profit before tax for continuing operations	12,364	22,648

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.

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

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



David M McArthur
 Company Secretary
 28 May 2021

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