



MERCHANT HOUSE
INTERNATIONAL LIMITED
ARBN 065 681 138

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Announcement to ASX

June 2021 QUARTERLY ACTIVITY REPORT

Highlights

- **Home Textiles – China (“Carsan”)** disposal completed.
- **Loretta Lee Limited (“LLL”)** acts as investment management company commencing 1 April 2021.
- **Footwear Trading (“Forsan”)** resulted with better sales.
- **Footwear Manufacturing – USA (“FIT”)** prepares for the mass shipment in August 2021.
- **Home Textile Manufacturing – USA (“AMI”)** to promote their own brand, more marketing efforts and improvement on quality and efficiency.

Merchant House International Limited (ASX: MHI) (“MHI” or “the Company”) is pleased to provide the Quarterly Activities Report for the calendar quarter ending 30 June 2021.

Carsan (Shunde) Manufacturing Co. Ltd.

On 16 April 2021, the disposal of the Chinese wholly owned subsidiary Carsan was completed following receipt of \$22,115,000 proceeds.

Loretta Lee Limited

The company has the responsibility to manage the investments of the Group.

Forsan

Sales were better than the corresponding period last year with more orders delivered with positive cashflow achieved.

FIT

The factory has been in full capacity preparing for the mass production for orders from three large customers with planned delivery in August 2021. Labour efficiency and material importation were two challenges due to the drastic capacity increase plus the global container issues affecting the on-time delivery of raw materials.

AMI

The management team has been initiating new business to diversify the clientele and improve the margin by distinguishing the 100% US-made product quality with other imported brands.

More marketing efforts were initiated to promote the Company's own brand "American Choice" which is the key to build up the reputation in America.

From a quality and efficiency perspective, improvements have been commenced to fully utilise the automation facility in the factory.

Corporate

At the end of the quarter, the company provided its 2021 Annual Report to Shareholders.

Appendix 4C Related Party Disclosures

The Company makes the following disclosures in relation to the \$285,000 noted as paid to related parties of the Company as detailed in section 6.1 of the accompanying Appendix 4C to this report:

Payments of salaries to and on behalf of Directors	\$285,000
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For and on behalf of the Board of Merchant House International Limited

Ian J Burton
Non-executive Director
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30 July 2021

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Merchant House International Limited

ARBN

065 681 138

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,506	7,506
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,430)	(6,430)
(c) advertising and marketing	-	-
(d) leased assets	(52)	(52)
(e) staff costs	(1,912)	(1,912)
(f) administration and corporate costs	(324)	(324)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(38)	(38)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,064	1,064
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(186)	(186)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(111)	(111)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	22,115	22,115
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	690	690
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	22,694	22,694

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,627)	(2,627)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(943)	(943)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(3,570)	(3,570)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	645	645
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(186)	(186)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	22,694	22,694

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,570)	(3,570)
4.5	Effect of movement in exchange rates on cash held	486	486
4.6	Cash and cash equivalents at end of period	20,069	20,069

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	20,069	645
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	20,069	645

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
285
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	8,493	5,060
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	8,493	5,060

7.5 **Unused financing facilities available at quarter end** 3,433

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Four secured loans with The Hongkong and Shanghai Banking Corporation ("HSBC"):

- A\$999 thousand working capital loan denominated in US\$750 thousand dollars, secured by the Group's assets in the USA and negative pledge of the Bristol property, accruing interest at LIBOR+2%, maturity on 31 March 2022.
- A\$2,881 thousand working capital loan denominated in US\$2,162 thousand dollars secured by the Group's assets in the USA and negative pledge of the Bristol property, accruing interest at LIBOR+2% maturity on 31 March 2023.
- A\$483 thousand working capital loan denominated in HK\$2,812 thousand dollars secured by both the HKSAR Government and director, Ms. Loretta Bic Hing Lee, accruing interest at 2.75% per annum, maturity on 9 July 2023.
- A\$697 thousand term loan denominated in US\$524 thousand dollars, unsecured, bearing interest at LIBOR+1%, maturity on 31 March 2022.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(186)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	20,069
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,433
8.4 Total available funding (Item 8.2 + Item 8.3)	23,502
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	126

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021

Authorised by: Ian J Burton – Non-executive Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.