



MERCHANT HOUSE
INTERNATIONAL LIMITED
ARBN 065 681 138

Head Office:
Unit B & C, 16th Floor,
E-Trade Plaza
No. 24 Lee Chung Street
Chai Wan
Hong Kong
Tel: (852) 2889 2000
Fax: (852) 2898 9992

Registered Office:
First Floor,
31-33 Cliff Street
Fremantle
WA 6160 Australia
Tel: (61 8) 9435 3200
Fax: (61 8) 6444 7408

Postal Address:
PO Box 584
Fremantle
WA 6959 Australia

Announcement to ASX

SEPTEMBER 2021 QUARTERLY ACTIVITY REPORT

Highlights

- **Loretta Lee Limited (“LLL”)** acts as investment management company.
- **Footwear Trading (“Forsan”)** sales have improved over the last quarter contributing to positive cashflow and profits for the Group.
- **Footwear Manufacturing – USA (“FIT”)** Good sales prospect but further efficiency improvements required.
- **Home Textile Manufacturing – USA (“AMI”)** labour efficiency much improved with intra-group funding support sharply reduced by 40%.

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

Loretta Lee Limited

The company is responsible for managing Group investments.

Forsan

Sales grew 17% over the last quarter and continue to improve with more orders delivered. Results could be much better if the global container issue gets resolved.

FIT

Sales orders from sizable customers for both whole products and processing procedures were received. Container issues and labour efficiency caused bottleneck on delivery. The US factory team continues to investigate possible solutions to complete all orders with quality.

AMI

Business growth is still the key focus for the year, however, over-dependency on an over-budgeted hospitality project resulted in unsatisfactory growth for this quarter.

New projects with sustainable prices are under negotiation with big names, expected to realize in Q4.

Substantial saving in cash outflow on operating expenses after tough efficiency improvement and headcount trimming plans, resulting in 25% savings on staff costs and 40% reduction on group financial support. All these are good signs of improved operational independence of the factory.

Corporate

As at 30 September, the group has a cash balance of over A\$17 million at the bank.

Appendix 4C Related Party Disclosures

Further details of selected items from the accompanying September 2021 Appendix 4C:

Payments of salaries to and on behalf of Directors	\$298,000
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For and on behalf of the Board of Merchant House International Limited

Ian J Burton
Non-executive Director
+61 8 9435 3200

29 October 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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,655	13,204
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,349)	(12,781)
(c) advertising and marketing	-	-
(d) leased assets	(37)	(89)
(e) staff costs	(1,786)	(3,701)
(f) administration and corporate costs	(326)	(649)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	4
1.5 Interest and other costs of finance paid	(27)	(65)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,089
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,865)	(2,988)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(172)	(283)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	22,627
	(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)	-	706
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(172)	23,050

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	(730)	(3,401)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(943)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(730)	(4,344)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,069	645
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,865)	(2,988)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(172)	23,050

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(730)	(4,344)
4.5	Effect of movement in exchange rates on cash held	750	689
4.6	Cash and cash equivalents at end of period	17,052	17,052

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	17,052	20,069
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)	17,052	20,069

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
298
-

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

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	8,086	4,522
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	8,086	4,522

7.5 **Unused financing facilities available at quarter end** 3,564

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\$867 thousand working capital loan denominated in US\$625 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\$2,730 thousand working capital loan denominated in US\$1,969 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\$443 thousand working capital loan denominated in HK\$2,483 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\$482 thousand term loan denominated in US\$349 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)	(2,865)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	17,052
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,564
8.4 Total available funding (Item 8.2 + Item 8.3)	20,616
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.20

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:

N/A

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:
N/A

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:
N/A

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: 29 October 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.