



MERCHANT HOUSE
INTERNATIONAL LIMITED
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Announcement to ASX

30 October 2023

SEPTEMBER 2023 QUARTERLY ACTIVITY REPORT

Merchant House International Limited (ASX: MHI) (“MHI” or “the Company”) is pleased to provide the Quarterly Activities Report for the quarter ending 30 September 2023.

Business Overview

The Group has more than 30 years’ experience in sourcing, producing, and selling consumer products with an emphasis on footwear and home textile products in the United States of America (“USA”).

Forsan (“FOR”)

Forsan is primarily involved in the export of work boots, waterproof and safety shoes to customers based in the USA from its liaison office located in Tianjin, China.

Revenues from the trading business showed a decrease compared with the previous quarter by 10.16%, equivalent to approximately A\$194k, which is predominantly due to the joint venture agreement with Tianxing expiring. The Company is negotiating with the controlling shareholder to divest Forsan’s 33.79% share of Tianxing back to the controlling shareholder. At this stage, no terms for the divestment have been agreed.

Footwear Industries of Tennessee (“FIT”)

FIT is primarily involved in the design, manufacture and marketing of leather boots and shoes with an emphasis on workboots, waterproof and safety toe footwear in the USA.

The Board of the Company has resolved to permanently cease operations at the FIT factory in the USA¹. The cessation of business follows continued losses generated by the business.

The closure took place on 27 October 2023 to dispose of the business operations, subject to any regulatory or ASX approvals that may be required.

American Merchant Inc. (“AMI”)

AMI designs, manufactures and markets home textile products, particularly towels, valuing the concept of “Made in America”.

Shipments increased by 56% compared to the Q1 of FY 2023-2024, which resulted in increased sales of A\$464k. Based on the results to date, the Board is confident AMI will be less dependent on the parent company going forward.

¹ Refer ASX release dated 4 October 2023

Corporate

As at 30 September 2023, the group has a cash balance of A\$1.94 million in the bank.

Additional Appendix 4C Disclosures

The following information is provided as required under ASX Listing Rule 4.7C that has not been disclosed in the body of the quarterly activities report or other announcements.

Summary of Expenditure incurred

A summary of expenditure incurred in AUD (cash basis) for the quarter on our key divisions is as follows:

- Forsan \$1,747k
- FIT \$1,759k
- AMI \$1,270k
- Overheads \$898k

Payments made to Related Parties

Payments totalling \$319k made to related parties and their associates are for director salaries and fees. All payments were on normal commercial terms.

For and on behalf of the Board of Merchant House International Limited

Ian J Burton
Non-executive Director
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30 October 2023

Appendix 4C

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

Name of entity

Merchant House International Limited

ABN

065 681 138

Quarter ended ("current quarter")

30 September 2023

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	3,512	6,300
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,798)	(5,295)
(c) advertising and marketing	-	-
(d) leased assets	(58)	(123)
(e) staff costs	(2,266)	(4,408)
(f) administration and corporate costs	(552)	(964)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	89
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	267
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,133)	(4,135)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(36)	(53)
(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	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	7
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets (Other assets under development)	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(36)	(46)
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	-	150
3.6	Repayment of borrowings	(175)	(242)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Increase in pledged deposit)	-	(1,497)
3.10	Net cash from / (used in) financing activities	(175)	(1,589)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,165	7,493
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,133)	(4,135)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(46)

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

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)	(175)	(1,589)
4.5	Effect of movement in exchange rates on cash held	121	219
4.6	Cash and cash equivalents at end of period	1,942	1,942

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	1,942	4,165
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)	1,942	4,165

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	319
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	1,556	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,556	-
7.5 Unused financing facilities available at quarter end		1,556
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.		
As at 30 September 2023, the total amount of facilities available to the Group was A\$1,556 thousand:		
<ul style="list-style-type: none"> A\$1,556 thousand (US\$1,000 thousand) revolving loan facility with the Hong Kong & Shanghai Banking Corporation (HSBC) secured by a US\$1,000 thousand pledged deposit. 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,133)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,942
8.3 Unused finance facilities available at quarter end (item 7.5)	1,556
8.4 Total available funding (item 8.2 + item 8.3)	3,498
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.64
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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: No	
The Group anticipates an improvement in operating cash flows following the closure of FIT operations, noting this course of action is expected to result in a reasonable reduction in operational costs.	

8.6.2 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: Yes

The Group monitors cash flows to ensure it has sufficient cash to continue the operations on an ongoing basis.

As in previous periods, the Group maintains the capacity to have increase working capital via Directors loans.

Additionally, the Group continues to assess other avenues for raising requisite capital for operations, being asset sales and capital raisings.

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

Answer: Yes

The Group expects to be able to continue its operations on a going concern basis on the basis of the responses provided.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 October 2023

Authorised by: Ian J Burton – 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.