



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2024

## APPENDIX 4E

### Preliminary Final Report

Reporting period (current period)	Year ended 31 March 2024
Previous corresponding period	Year ended 31 March 2023

#### Results for Announcement to the Market

	Current Period \$'000	Previous Period (Restated) \$'000	Percentage increase / (decrease) %
Revenue from ordinary activities	5,634	3,733	50.92
Loss from continuing operations after income tax attributable to owners of the Company	(5,915)	(7,089)	(16.56)
Loss from discontinued operations after income tax attributable to owners of the Company	(1,477)	(1,134)	30.25
Net loss attributable to owners of the Company	(7,392)	(8,223)	(10.11)

#### Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Amount per share of foreign source dividend (cents)	Total Amount \$'000	Date of payment
Final Dividend	Nil	Nil	Nil	Nil	N/A
Interim Dividend	Nil	Nil	Nil	Nil	N/A
Previous corresponding period	Nil	Nil	Nil	Nil	N/A
Record Date for Determining Entitlements	Not Applicable				

## Commentary on results

For the year ending 31 March 2024, the Group recorded a loss of \$5,916 thousand (2023 restated: \$7,089 thousand) from continuing operations.

Following continued, sustained losses generated by the Footwear Division, the Footwear Industries of Tennessee Inc. ("FIT") factory closed on 27 October 2023. The Company completed the sale of its land, buildings, residential property and plant and machinery in March 2024 for US\$3,280 thousand. The proceeds from the sale were used to repay loans from its associated companies.

On 9 August 2023, Forsan Limited ("Forsan"), a subsidiary of Merchant House International Limited, did not renew its 33.79% co-operation agreement with Tianjin Tianxing Kesheng Leather Products Company Limited ("Tianxing"), its associate responsible for producing work boots, waterproof and safety shoes.

On 30 May 2024, the Group announced that Forsan had entered into a binding agreement for the sale of its 33.79% interest in Tianxing for approximately \$8,300,000 (RMB 40,000,000) before taxes and other fees.

The Home Textiles division, American Merchant Inc. ("AMI") reported a 51% increase in sales compared with the prior year, however ongoing higher than anticipated raw material costs reduced the overall benefit. To address this, the division is exploring alternatives to mitigate the impact of rising costs.

## Net tangible assets

	<b>2024</b>	<b>2023</b>
Net tangible assets per ordinary share (cents)	29.93	36.55

## Loss per share

	<b>2024</b>	<b>2023</b>
	<b>cents</b>	<b>Restated cents</b>
<b>Basic and diluted loss per share</b>		
Basic and diluted loss per share - continuing operations	(6.27)	(7.51)
Basic and diluted loss per share – discontinued operations	(1.57)	(1.20)
Loss attributable to owners of the Company	(7.84)	(8.71)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	94,266,496	94,266,496

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2024**

	2024	2023
	\$'000	Restated \$'000
Revenue	5,634	3,733
Cost of sales	(6,323)	(4,977)
Gross loss	(689)	(1,244)
Other gains	8	4
Government grants and subsidies	27	306
Finance income	181	152
Reversal of prior year accruals	296	-
Net foreign exchange gains	19	34
Gain on disposal of property, plant, and equipment	-	54
Gain on disposal of right-of-use assets	4	-
Selling and distribution costs	(51)	(56)
Personnel expenses	(2,318)	(2,443)
Depreciation	(2,010)	(1,997)
Amortisation – right-of-use assets	(166)	(122)
General and administrative expenses	(1,209)	(1,502)
Finance costs	(9)	(107)
Loss on sale of other assets under development	-	(159)
<b>Loss before income tax expense</b>	<b>(5,917)</b>	<b>(7,080)</b>
Income tax benefit / (expense)	2	(9)
<b>Loss for the year from continuing operations</b>	<b>(5,915)</b>	<b>(7,089)</b>
Loss from discontinued operations	(1,477)	(1,134)
<b>Loss for the year</b>	<b>(7,392)</b>	<b>(8,223)</b>
<b>Other comprehensive income, net of tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	935	3,464
Derecognition of foreign currency translation reserve	-	434
Other comprehensive income for the year, net of tax	935	3,898
<b>Total comprehensive (loss) / income for the year</b>	<b>(6,457)</b>	<b>(4,325)</b>
<b>Loss per share attributable to owners of the Company</b>		
Basic and diluted (cents per share) – continuing operations	(6.27)	(7.51)
Basic and diluted (cents per share) – discontinued operations	(1.57)	(1.20)
Basic and diluted (cents per share)	(7.84)	(8.71)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2024 (continued)**

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

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Personnel expenses</b>		
Key management personnel remuneration	1,034	1,005
Wages and salaries	2,790	2,357
Contributions to defined contribution plans	16	15
Other employee benefits	590	570
Total personnel expenses	4,430	3,947
Less: amount allocated to cost of sales	(2,112)	(1,504)
Amount allocated to personnel expenses	2,318	2,443
<b>General and administrative expenses</b>		
Auditors' remuneration	247	218
Legal and consultancy fees	345	579
Insurance	64	72
Travelling	98	94
Low value / short term lease payments	27	112
Others	428	427
	1,209	1,502
<b>Discontinued operations - summary</b>		
Revenue	6,481	15,738
Gain on disposal of fixed assets	3,250	-
Government grant and subsidies	-	685
Reversal of / (provision for) expected credit losses	31	(189)
Cost of sales	(9,247)	(18,269)
Selling and distribution costs	(30)	(150)
Personnel expenses	(829)	(1,243)
Depreciation	(232)	(317)
General and administrative expenses	(443)	(444)
Fines and penalties	(415)	-
Net foreign exchange gain / (losses)	2	(142)
Finance income	-	27
Finance costs	(45)	-
Gain on disposal of associate	-	2,295
Dividend received from associate	-	1,216
Loss on discontinued operations prior to disposal	-	(341)
Loss after income tax expense on discontinued operations	(1,477)	(1,134)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2024**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Cash and cash equivalents	6,612	7,493
Trade and other receivables	637	1,750
Inventories	429	2,809
Prepayments	191	183
Assets held for sale	352	-
<b>Total current assets</b>	<b>8,221</b>	<b>12,235</b>
Property, plant, and equipment	25,231	28,450
Right of use assets	78	298
Deferred tax assets	24	22
<b>Total non-current assets</b>	<b>25,333</b>	<b>28,770</b>
<b>Total assets</b>	<b>33,554</b>	<b>41,005</b>
<b>Liabilities</b>		
Trade and other payables	2,191	5,833
Borrowings	-	88
Lease Liabilities	69	192
Liabilities associated with assets held for sale	2,968	9
<b>Total current liabilities</b>	<b>5,228</b>	<b>6,122</b>
Lease Liabilities	11	111
<b>Total non-current liabilities</b>	<b>11</b>	<b>111</b>
<b>Total liabilities</b>	<b>5,239</b>	<b>6,233</b>
<b>Net assets</b>	<b>28,315</b>	<b>34,772</b>
<b>Equity</b>		
Issued capital	2,944	2,944
Foreign currency translation reserve	13,277	12,342
Retained earnings	12,094	19,486
<b>Total equity</b>	<b>28,315</b>	<b>34,772</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2024**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	13,372	20,459
Payments to suppliers and employees	(19,256)	(27,565)
Receipts from government subsidies	271	64
Refund of government subsidies	-	(3)
Finance costs paid	(9)	(108)
Net cash used in operating activities	<u>(5,622)</u>	<u>(7,153)</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of associates	-	2,766
Interest received	139	163
Proceeds from disposal of property, plant, and equipment	4,986	117
Payments for property, plant, and equipment	(37)	(138)
Proceeds from sale of other assets under development	-	263
Dividend received from an associate	-	1,094
Proceeds from capital reduction of investment in an associate	-	551
Net cash from investing activities	<u>5,088</u>	<u>4,816</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(89)	(2,562)
Proceeds from related party loans	151	144
Repayment of related party loans	(151)	(144)
Payments of right of use asset lease liabilities	(165)	(119)
Net cash used in financing activities	<u>(254)</u>	<u>(2,681)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(788)</b>	<b>(5,018)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,493</b>	<b>11,184</b>
Effects of exchange rate fluctuations on cash held	225	1,327
<b>Cash and cash equivalents at the end of the year</b>	<u><b>6,930</b></u>	<u><b>7,493</b></u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2024**

	<b>2024</b>	<b>2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash on hand and at bank	2,048	324
Fixed bank deposits with original maturities less than 3 months	4,564	5,896
Bank balances and cash held in continuing operations	6,612	6,220
Cash included in assets held for sale / discontinued operations	318	1,273
Bank balances and cash	6,930	7,493
<b>Discontinued operations cash flow information</b>		
Net cash used in operating activities	(1,994)	(2,304)
Net cash from investing activities	1,008	3,431
Net cash used in financing activities	-	(1)
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(986)	1,126



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2024**

	Attributable to owners of the Company			
	Issued capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance on 1 April 2022</b>	2,944	8,444	27,709	39,097
Loss for the year	-	-	(8,223)	(8,223)
Other comprehensive income	-	3,898	-	3,898
<b>Total comprehensive income / (loss) for the year</b>	-	3,898	(8,223)	(4,325)
<b>Balance on 31 March 2023</b>	<b>2,944</b>	<b>12,342</b>	<b>19,486</b>	<b>34,772</b>
Loss for the year	-	-	(7,392)	(7,392)
Other comprehensive income	-	935	-	935
<b>Total comprehensive income / (loss) for the year</b>	-	935	(7,392)	(6,457)
<b>Balance on 31 March 2024</b>	<b>2,944</b>	<b>13,277</b>	<b>12,094</b>	<b>28,315</b>

## Operating segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group currently operates in three distinct segments:

- Home textiles
- Footwear trading
- Footwear manufacturing

The home textiles segment manufactures and sells home textile products to both local and overseas customers.

The footwear trading segment is engaged in the export trading of work boots and safety shoes to overseas customers.

The footwear manufacturing segment manufactures work boots and safety shoes in the USA and sells directly to domestic customers.

During the reporting period, the Group made the strategic decision to discontinue the footwear trading and footwear manufacturing business segments. Discontinued operations are reported separately from continuing operations in the financial statements in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review.

Segment revenue and results	Revenue		Segment profit / (loss)	
	2024	2023	2024	2023
	\$'000	Restated \$'000	\$'000	Restated \$'000
Home textiles	5,634	3,733	(3,695)	(4,188)
Finance income			181	152
Finance costs			(9)	(107)
Central administrative expenses			(2,394)	(2,937)
<b>Loss before tax from continuing operations</b>			<b>(5,917)</b>	<b>(7,080)</b>
Segment assets and liabilities	Assets		Liabilities	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Home textiles	26,328	28,044	1,977	1,737
Footwear trading	-	1,961	-	2,481
Footwear manufacturing and trading	-	4,289	-	1,031
Total segment assets and liabilities	26,328	34,294	1,977	5,249
Corporate and other segment assets/liabilities	6,874	6,711	294	984
Assets held for sale	352	-	2,968	-
<b>Total</b>	<b>33,554</b>	<b>41,005</b>	<b>5,239</b>	<b>6,233</b>

### Operating segments (continued)

Geographical information	Revenue		Non-current assets	
	2024	2023	2024	2023
	\$'000	Restated \$'000	\$'000	Restated \$'000
USA	5,634	3,733	25,240	28,442
Hong Kong	-	-	69	306
	<b>5,634</b>	<b>3,733</b>	<b>25,309</b>	<b>28,748</b>

Revenue from external customers is attributed to individual countries where customers are located.

Non-current assets comprise property, plant, and equipment and right of use assets.

### Loss of control over entities

Name of entities	Date control lost
N/A	

### Details of associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Details of each of the Groups significant associates on 31 March 2024 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2024 %	2023 %
Tianjin Tianxing Kesheng Leather Products Company Limited	Footwear manufacturing	China	33.79	33.79

## Details of associates (continued)

### ***Tianjin Tianxing Kesheng Leather Products Company Limited***

On 13 July 2023, the Group announced it would not be renewing the co-operation agreement with the controlling shareholders of Tianjin Tianxing Kesheng Leather Products Company Limited (“Tianxing”). Forsan Limited (“Forsan”), a subsidiary of Merchant House International Limited (“MHI”), holds a 33.79% interest in Tianxing. The decision by the Board of MHI not to continue its investment in Tianxing follows a progressive decline in profits in recent years.

On 30 May 2024, the Group announced that Forsan had entered into a binding agreement for the sale of its 33.79% interest in Tianxing for approximately \$8,300,000 (RMB 40,000,000) before taxes and other fees. As the investment in Tianxing has previously been fully impaired in the accounts of MHI, the financial impact will result in a profit on the disposal of the Group’s investment in Tianxing.

## Accounting standards

The financial report is prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board (AASB). This report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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.

## Audited Financial Report

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report.

In line with previous years, the Preliminary Final Report is unaudited and contains disclosures which are extracted and derived from the Annual Financial Report for the year ended 31 March 2024. The Annual Financial Report is in the process of being audited.



David M McArthur  
Company Secretary  
31 May 2024