



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2019

## APPENDIX 4E

### Preliminary Final Report

<b>Current reporting year</b>	<b>Year ended 31 March 2019</b>
<b>Previous corresponding year</b>	<b>Year ended 31 March 2018</b>

#### 1 Results for announcement to the market

					<b>\$'000</b>
1.1	Revenue	up	2.94%	to	65,390
1.2	Loss after tax from continuing operations	down	509.82%	to	(2,504)
1.3	Loss for the year attributable to owners of the Company	down	319.65%	to	(2,504)
1.4	Total comprehensive income for the year attributable to owners of the Company	down	63.23%	to	435

		<b>Amount per share cents</b>	<b>Franked amount per share cents</b>
1.5	<b>Dividends</b>		
	Final	Nil	Nil
	Interim	Nil	Nil
1.6	Record date for determining entitlement to dividend		No dividend declared
1.7	Brief explanation of figures (if necessary)		

During the year, revenue has increased predominantly in relation to the organic sales growth from one of the Group's major Home Textile customers.

However, due to issues surrounding order timings, the Group has been required to meet a shorter shipment window than originally anticipated. Increased temporary labourers and subcontractors were engaged which has led to a substantial decrease in operating profits in the Home Textile segment.

Furthermore, one of the Group's major customers within its Footwear segment declared bankruptcy under US Chapter 11 in October 2018. This has resulted in a full provision for the amounts receivable and for the share of loss in one of the Group's associates. These factors have additionally contributed to the loss made during the year.

**2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Current year \$'000</b>	<b>Previous corresponding year \$'000</b>
<b>Continuing operations</b>		
Revenue	65,390	63,521
Cost of sales	(54,884)	(53,587)
Gross profit	10,506	9,934
Interest income	255	155
Other gains	184	851
Share of (loss) / profit of associates	(1,233)	452
Interest expense	(70)	(48)
Provision for doubtful debts	(370)	-
Selling and distribution costs	(945)	(967)
General and administrative expenses	(10,352)	(9,223)
(Loss) / profit before tax from continuing operations	(2,025)	1,154
Income tax expense	(479)	(543)
(Loss) / profit after tax from continuing operations	(2,504)	611
<b>Discontinued operations</b>		
Gain on dissolution of a subsidiary	-	529
(Loss) / profit for the year attributable to owners of the Company	(2,504)	1,140
<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	2,937	580
Reversal of foreign currency translation reserve on dissolution of a subsidiary	-	(529)
Income tax on items that may be reclassified subsequently to profit or loss	2	(8)
Other comprehensive income for the year, net of tax	2,939	43
Total comprehensive income for the year attributable to owners of the Company	435	1,183
<b>(Loss) / earnings per share attributable to owners of the Company</b>		
From continuing operations	(2.66)	0.65
From discontinued operations	-	0.56
Basic and diluted (cents per share)	(2.66)	1.21

2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Current year \$'000	Previous corresponding year \$'000
<i>Revenue</i>		
Sale of goods	65,390	63,521
Interest income from bank deposits	255	155
	65,645	63,676
<i>Other gains / (losses)</i>		
Net exchange gain on foreign currency transactions	71	873
Gain / (loss) on disposal of property, plant and equipment	12	(163)
Others	101	141
	184	851
<i>Expenses</i>		
Depreciation and amortisation	1,246	1,113
Research and development costs expensed as incurred	393	307
Minimum lease payments under operating lease rental expense	252	318
<i>Employee benefits expense</i>		
Key management personnel remuneration	1,890	1,497
Wages and salaries	9,276	8,970
Contributions to defined contribution plans	79	63
Other employee benefits	1,223	1,313
	12,468	11,843

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Current year \$'000	Previous corresponding year \$'000
<b>Current assets</b>		
Cash and cash equivalents	5,410	7,179
Trade and other receivables	7,376	6,862
Inventories	4,588	3,520
Current tax assets	48	29
Pledged certificate of deposit	-	10,290
Pledged fixed deposit	11,129	-
Prepayments	230	263
<b>Total current assets</b>	<b>28,781</b>	<b>28,143</b>
<b>Non-current assets</b>		
Other assets under development	14,790	3,030
Interests in associates	10,890	11,892
Property, plant and equipment	13,710	11,826
Lease premium for leasehold land	1,163	1,184
Deferred tax assets	56	50
<b>Total non-current assets</b>	<b>40,609</b>	<b>27,982</b>
<b>Total assets</b>	<b>69,390</b>	<b>56,125</b>
<b>Current liabilities</b>		
Trade and other payables	6,178	5,897
Bank borrowings	13,671	1,172
Current tax payable	-	63
Provisions	131	90
<b>Total current liabilities</b>	<b>19,980</b>	<b>7,222</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	121	56
<b>Total liabilities</b>	<b>20,101</b>	<b>7,278</b>
<b>Net assets</b>	<b>49,289</b>	<b>48,847</b>
<b>Equity</b>		
Issued capital	2,944	2,944
Retained earnings	35,666	38,163
Foreign currency translation reserve	10,679	7,740
<b>Total equity</b>	<b>49,289</b>	<b>48,847</b>

4 **CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Current year \$'000</b>	<b>Previous corresponding year \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	65,164	63,118
Payments to suppliers and employees	(65,791)	(63,315)
Finance costs paid	(70)	(48)
Income tax paid	(504)	(715)
Net cash used in operating activities	<u>(1,201)</u>	<u>(960)</u>
<b>Cash flows from investing activities</b>		
Interest received	268	183
Proceeds from disposal of property, plant and equipment	179	7
Payments for property, plant and equipment	(2,714)	(3,441)
Dividend received from an associate	-	735
Decrease / (increase) in pledged certificate of deposit	10,843	(10,262)
Increase in pledged fixed deposit	(10,843)	-
Payments for other assets under development	(11,137)	(3,007)
Net cash used in investing activities	<u>(13,404)</u>	<u>(15,785)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	14,536	65
Repayment of borrowings	(2,452)	-
Net cash generated from financing activities	<u>12,084</u>	<u>65</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,521)</b>	<b>(16,680)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,179</b>	<b>24,004</b>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	752	(145)
<b>Cash and cash equivalents at the end of the year</b>	<u><b>5,410</b></u>	<u><b>7,179</b></u>
<b>Reconciliation of cash and cash equivalents</b>		
Bank balances and cash	<u><u>5,410</u></u>	<u><u>7,179</u></u>

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
<b>Balance at 1 April 2017</b>	2,944	37,012	7,697	47,653
Profit for the year	-	1,140	-	1,140
Exchange differences arising on translation of foreign operations	-	-	580	580
Reversal of foreign currency translation reserve on dissolution of a subsidiary	-	-	(529)	(529)
Income tax on items that may be reclassified subsequent to profit or loss	-	-	(8)	(8)
<b>Total comprehensive income for the year</b>	-	1,140	43	1,183
Reversal of unclaimed dividends	-	11	-	11
<b>Balance at 31 March 2018</b>	2,944	38,163	7,740	48,847
<b>Balance at 1 April 2018</b>	2,944	38,163	7,740	48,847
Loss for the year	-	(2,504)	-	(2,504)
Exchange differences arising on translation of foreign operations	-	-	2,939	2,939
<b>Total comprehensive income for the year</b>	-	(2,504)	2,939	435
Reversal of unclaimed dividends	-	7	-	7
<b>Balance at 31 March 2019</b>	2,944	35,666	10,679	49,289

**6 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	-	-

**7 Net tangible assets**

	Current year cents	Previous corresponding year cents
Net tangible asset backing per ordinary share	52.29	51.82

**8 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%	703	498
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79%	33.79%	(1,936)	(46)
			(1,233)	452



**8 Details of associates (continued)**

**Aggregate share of (loss) / profit of associates**

	Current year \$'000	Previous corresponding year \$'000
(Loss) / profit before income tax	(1,114)	779
Income tax expense	(119)	(327)
Net (loss) / profit attributable to owners of the Company	<u>(1,233)</u>	<u>452</u>

**9 Any other significant information**

American Merchant Inc. (AMI), a wholly owned subsidiary of the Group in Virginia, USA, is anticipated to commence operations in the fourth quarter of calendar 2019. AMI has been established as a manufacturer and distributor of textile products in the USA market.

**10 Accounting standards**

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

**11 Results for the year**

11.1 (Loss) / earnings per security

	Current year cents	Previous corresponding year cents
<b>Basic and diluted (loss) / earnings per share</b>		
From continuing operations	(2.66)	0.65
From discontinued operations	-	0.56
For profit attributable to owners of the Company	<u>(2.66)</u>	<u>1.21</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>

11.2 Returns to shareholders

N/A

11.3 Significant features of operating performance

Refer to note 9.

11.4 Segment results

	Current year \$'000	Previous corresponding year \$'000
Home textile	498	3,223
Footwear trading	479	265
Footwear manufacturing	(3,401)	(3,343)
	(2,424)	145
Eliminations	915	710
	(1,509)	855
Share of (loss) / profit of associates	(1,233)	452
Interest income	255	155
Net exchange gain on foreign currency transactions of parent company	776	39
Central administrative expenses and directors' remuneration	(244)	(299)
Interest expense	(70)	(48)
(Loss) / profit before tax	(2,025)	1,154

11.5 Trends in performance

N/A

11.6 *Any other factors which have affected the results in the year or which are likely to affect the results in the future, including those where the effect could not be quantified:*

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.

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

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

13 Description of any likely audit dispute or qualification

N/A



David M McArthur  
Company Secretary  
30 May 2019