MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4D AND INTERIM REPORT

FOR THE HALF-YEAR ENDED

30 SEPTEMBER 2019

Contents

Appendix 4D

Reporting period (current period)	Half-year ended 30 September 2019
Previous corresponding period	Half-year ended 30 September 2018

Results for announcement to the market

Results performance	**Current period $'000**	**Corresponding period $'000**	**Change %**
Revenue	42,673	39,157	8.98
Profit before tax	2,391	433	452.19
Net profit attributable to owners of the Company	1,972	31	6,261.29
Basic earnings per share (cents per share)	2.09	0.03	6,866.67

Dividends	**Current period**		**Corresponding period**	
	Amount per share cents	**Franked amount per share cents**	**Amount per share cents**	**Franked amount per share cents**
Final dividend in respect of year ended 31 March 2019 (2018)	Nil	Nil	Nil	Nil
Interim dividend in respect of year ending 31 March 2020 (2019)	Nil	Nil	Nil	Nil

Net tangible assets	**30 September 2019**	**31 March 2019**
Net tangible assets per ordinary share (cents)	56.04	52.29

During the current period, our China footwear and textile business maintained similar profit levels as last year. While the additional tariff penalties are negatively impacting our business, we are doing our best to manage the situation with tighter control on production cost. With share of associates' profit $1.19 million, the Group report $1.97 million profit after tax for the first half of the year.

Accounting standards

The financial information provided in Appendix 4D is based on the half-year condensed consolidated financial statements attached. The condensed consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"). The condensed consolidated financial statements also comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

Independent auditor's review

The half-year condensed consolidated financial report has been independently reviewed. The financial report is not subject to a qualified independent review report.

Directors' Report

The directors of Merchant House International Limited (the "Company") present their report on the Company and the entities it controlled (the "Group") for the half year ended 30 September 2019.

Directors

The Directors of the Company (the "Directors") during or since the end of the reporting period are:

Ms Loretta Bic Hing Lee

Mr Robert Lincoln Burton

Mr Ian James Burton

Ms Peggy Zi Yin Liao

Ms Xiao Lan Wu

Mr Clifford Jay Einstein

Mr David John Thomas Bell

Mr Oliver Hein

Principal activities

The principal activities of the Group are the design, manufacture and marketing of leather boots and shoes and home textile products in China and the United States of America ("USA"). Products distributed by the Group include work boots, waterproof and safety toe footwear, towels, oven mitts, pot and utensil holders, placemats, table runners, aprons, napkins, decorative pillows, tree skirts. The Group's major sales market is USA.

During the reporting period, there was no significant change in the nature of these activities.

Review of operations

The Group has more than 30 years' experience in sourcing, producing and selling consumer products with an emphasis on footwear and home textile products. The Group is headquartered in Hong Kong and is listed on the Australian Securities Exchange ("ASX"). Where practical, the Group adheres to ASX best practices in relation to corporate governance. As a manufacturing group, there are also stringent practices in place to reduce overall risk from operational activities.

The Group is engaged in the design, manufacturing and marketing of home textile, seasonal and decorative products and leather shoes with the major market in the United States of America. There is no significant change in the Group's business activities during the first half of the year.

In China, the Group's footwear and textile business maintained similar profit levels as last year. While the additional tariff penalties are negatively impacting the business, the Group is endeavouring to manage the situation with tighter controls on purchasing and production.

The Group's return to American initiatives is proving to be the right direction for the business, although there are still many challenges being faced. Home textile factory has not progressed as anticipated. For the footwear manufacturing segment, the Group's customer base continues to expand. However, the first six months of the fiscal year still delivered a loss for this segment.

Subsequent events

Other than the matters disclosed in note 17 of the notes to the condensed consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the reporting period that have affected or may affect, significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

No final dividend was proposed or paid during the reporting period in respect of the year ended 31 March 2019 (2018: Nil).

No interim dividend was declared for the year ending 31 March 2020 (2019: Nil).

Signed in accordance with a resolution of Directors.

On behalf of the Directors,

Ian James Burton
Director

Perth, Australia
29 November 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 30 September 2019

	Note	Half-year ended 30 Sep 2019 $'000	30 Sep 2018 $'000
Revenue	4	42,673	39,157
Cost of sales		(35,311)	(32,307)
Gross profit		7,362	6,850
Interest income		102	113
Other gains / (losses)	5	394	(457)
Share of profit of associates		1,193	55
Interest expense		(42)	(38)
Provision for doubtful debts		-	(363)
Selling and distribution costs		(669)	(508)
General and administrative expenses	6	(5,949)	(5,219)
Profit before tax		2,391	433
Income tax expense		(419)	(402)
Profit for the period attributable to owners of the Company		1,972	31
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		1,562	1,237
Income tax relating to components of other comprehensive income		2	3
Other comprehensive income for the period, net of tax		1,564	1,240
Total comprehensive income for the period attributable to owners of the Company		3,536	1,271
Earnings per share attributable to owners of the Company			
From continuing operations		2.09	0.03
Basic and diluted (cents per share)		2.09	0.03

The financial statements are to be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Financial Position as at 30 September 2019

	Note	As at 30 Sep 2019 $'000	As at 31 Mar 2019 $'000
Current assets			
Cash and cash equivalents		3,442	5,410
Pledged deposit		5,981	11,129
Receivables		21,947	7,376
Inventories		4,702	4,588
Current tax assets		-	48
Prepayments		274	230
Total current assets		36,346	28,781
Non-current assets			
Other assets under development	10	22,058	16,558
Interests in associates		10,847	10,890
Property, plant and equipment	8	11,921	11,942
Right of use assets	9	417	-
Lease premium for leasehold land		1,132	1,163
Deferred tax assets		57	56
Total non-current assets		46,432	40,609
Total assets		82,778	69,390
Current liabilities			
Payables		13,455	6,178
Bank borrowings	11	15,498	13,671
Lease liabilities	12	195	-
Current tax payable		318	-
Provision		166	131
Total current liabilities		29,632	19,980
Non-current liabilities			
Lease liabilities	12	230	-
Deferred tax liabilities		92	121
Total non-current liabilities		322	121
Total liabilities		29,954	20,101
Net assets		52,824	49,289

The financial statements are to be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Financial Position as at 30 September 2019 (continued)

	Note	As at 30 Sep 2019 $'000	As at 31 Mar 2019 $'000
Equity			
Issued capital	14	2,944	2,944
Retained earnings		37,637	35,666
Foreign currency translation reserve		12,243	10,679
Total equity		52,824	49,289

The financial statements are to be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 30 September 2019

	Attributable to owners of the Company			
	Issued capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Total $'000
Balance at 1 April 2019	2,944	35,666	10,679	49,289
Prior period adjustment (Note 2)	-	(3)	-	(3)
Profit for the period	-	1,972	-	1,972
Other comprehensive income	-	-	1,564	1,564
Total comprehensive income for the period	-	1,969	1,564	3,533
Reversal of unclaimed dividends	-	2	-	2
Balance at 30 September 2019	2,944	37,637	12,243	52,824
Balance at 1 April 2018	2,944	38,163	7,740	48,847
Profit for the period	-	31	-	31
Other comprehensive income	-	-	1,240	1,240
Total comprehensive income for the period	-	31	1,240	1,271
Reversal of unclaimed dividends	-	2	-	2
Balance at 30 September 2018	2,944	38,196	8,980	50,120

The financial statements are to be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Cash Flows for the half year ended 30 September 2019

	Note	Half-year ended 30 Sep 2019 $'000	 30 Sep 2018 $'000
Cash flows from operating activities			
Receipts from customers		28,872	26,951
Payments to suppliers and employees		(34,246)	(33,173)
Receipts from government subsidy		300	-
Interest paid		(42)	(31)
Income tax paid		(85)	-
Net cash used in operating activities		(5,201)	(6,253)
Cash flows from investing activities			
Interest received		113	2
Decrease in pledged deposit		5,591	-
Proceeds from disposal of property, plant and equipment		2	173
Payments for property, plant and equipment	8	(341)	(575)
Dividend received from associate		1,142	-
Payments for other assets under development		(4,702)	(1,613)
Net cash from / (used in) investing activities		1,805	(2,013)
Cash flows from financing activities			
Proceeds from bank borrowings		16,026	6,254
Repayment of bank borrowings		(14,944)	-
Payments of right of use asset lease liabilities		(122)	-
Net cash generated from financing activities		960	6,254
Net decrease in cash and cash equivalents		(2,436)	(2,012)
Cash and cash equivalents at the beginning of the period		5,410	7,179
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		468	410
Cash and cash equivalents at the end of the period		3,442	5,577

The financial statements are to be read in conjunction with the notes to the financial statements.

Notes to the Condensed Consolidated Financial Statements for the half year ended 30 September 2019

1. General Information

Merchant House International Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and distribution of footwear and home textile products in China, Hong Kong and the United States of America ("USA").

The Company is incorporated in Bermuda and listed on The Australian Securities Exchange. The addresses of its registered office and its principal place of business are as follows:

Registered office	Unit B & C, 16th Floor, E-trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong
Principal place of business	1st Floor, 31 Cliff Street, Fremantle, Western Australia, 6160

Going concern

The consolidated financial statements have been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group incurred a profit before tax during the period of $2,391 thousand (2018: $433 thousand profit) and experienced net cash outflows from operating activities of $5,201 thousand (2018: $6,253 thousand). The Group's bank borrowings as at 30 September 2019 of $15,498 thousand (2018: $13,671 thousand) contain repayment on demand clauses.

The Directors believe that the Group will be able to pay its debts as and when they become due and payable based upon:

- the future trading prospects of the Group;
- the improvement in production and management of US footwear manufacturing segment; and
- the ability to realise current assets held at balance date.

2. Significant Accounting Policies

Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 "Interim Financial Reporting" and is in compliance with International Accounting Standard 34 "Interim Financial Reporting". It does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 March 2019 and any public announcements made by the Company during the interim reporting period.

The condensed consolidated interim financial report was approved by the Board of Directors of the Company (the "Board") on 29 November 2019.

2. Significant Accounting Policies (Continued)

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments, where applicable. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, rounded to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 31 March 2019. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

Application of new and revised accounting standards

Standards and interpretations applicable to 30 September 2019

For the half-year ended 30 September 2019, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2019.

AASB 16 *Leases* and Interpretation 23 *Uncertainty over Income Tax Treatments* became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 and Interpretation 23 for the first time to the interim period ended 30 September 2019. Changes to the Group's accounting policies arising from these standards and interpretations are summarised on the following pages:

AASB 16 *Leases*

AASB 16 replaces AASB 117 *Leases.* AASB 16 eliminates the operating and finance lease classifications for lessees.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

Impact on operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and an interest portion (presented in operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free periods) will be recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12-months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

2. Significant Accounting Policies (Continued)

AASB 16 *Leases (continued)*

Impact on finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual guarantees provided by the lessee or lessor.

AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

On initial application, the Group has present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowings, will be presented in a separate line for lease liabilities.

The Group has adopted AASB 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application, being 1 April 2019.

Application as at 1 April 2019

	$ '000
Operating lease commitments disclosed as at 31 March 2019	132
Discounted using the lessee's incremental borrowing rate at the date of initial application	130
Lease liability recognised as at 1 April 2019	**130**

The recognised right-of-use assets relate to the following types of assets:

	$ '000
Property, plant and equipment leases	4
Building leases	123
Total Right of use Assets as at 1 April 2019	**127**

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right of use assets – increase by $127,000
- Lease liabilities – increase by $130,000
- Retained earnings – decrease by $3,000

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for operating lease with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases, with no right of use asset nor lease liability recognised;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Significant Accounting Policies (Continued)

Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax assets or liabilities applying the requirements of AASB 112 based on taxable profit (or tax loss), unused tax losses, unused tax credits and tax rates determined applying this interpretation.

The Directors have determined that there is no material impact of the application of this Interpretation and, therefore, no change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 October 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Group and therefore no material change is necessary to the Group's accounting policies.

3. Accounting Estimates

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual report as at and for the year ended 31 March 2019.

4. Segment Information

AASB 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segment and to assess its performance.

The Group has three distinct segments:

- Home textile
- Footwear trading
- Footwear manufacturing

The home textile 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

4. Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of the reporting period.

	Assets		Liabilities	
	30 Sep 2019 $'000	31 Mar 2019 $'000	30 Sep 2019 $'000	31 Mar 2019 $'000
Home textile	61,916	52,783	22,556	16,649
Footwear trading	5,335	2,021	5,166	2,041
Footwear manufacturing	4,604	3,590	2,037	1,179
Total segment assets and liabilities	71,855	58,394	29,759	19,869
Interests in associates	10,847	10,890	-	-
Corporate and other segment assets and liabilities	76	106	195	232
Total	82,778	69,390	29,954	20,101

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill and deferred tax assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities and deferred tax liabilities.

The chief operating decision maker monitors the cash, receivables and payables positions. This is the information that the chief operating decision maker receives and reviews to make decisions.

4. Segment Information (Continued)

Segment revenue and results

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

	Revenue		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	30 Sep 2019 $'000	30 Sep 2018 $'000	30 Sep 2019 $'000	30 Sep 2018 $'000
Home textile	27,935	26,808	2,135	1,647
Footwear trading	12,174	11,199	425	297
Footwear manufacturing	2,564	1,150	(1,876)	(2,049)
	42,673	39,157	684	(105)
Eliminations	-	-	200	110
Total	42,673	39,157	884	5
Share of profit of associates			1,193	55
Interest income			102	113
Net exchange gain on foreign currency transactions of parent company			403	442
Central administrative expenses and directors' remuneration			(149)	(144)
Interest expense			(42)	(38)
Profit before tax			2,391	433

The elimination figure reported in the table above represents intercompany revenues and expenses which have been eliminated on consolidation.

Segment profit represents the profit before tax earned by each segment without allocation of central administrative expenses and directors' remuneration, share of profit of associates, interest income and interest expense.

5. Other gains / (losses)

	Half-year ended	
	30 Sep 2019 $'000	30 Sep 2018 $'000
Net exchange gain / (loss) on foreign currency transactions	114	(497)
(Loss) / gain on disposal of property, plant and equipment	(34)	7
Other income from government subsidy	300	-
Others	14	33
	394	(457)

6. General and administrative expenses

Significant expenses for the period are as follows:

	Half-year ended	
	30 Sep 2019 $'000	30 Sep 2018 $'000
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	660	592
Depreciation of right of use assets	126	-
Amortisation of lease premium for leasehold land	18	17
	804	609
Employee benefits expense		
Total employee benefits expense	8,069	6,888
Less: Amount allocated to cost of sales	(4,791)	(4,290)
Amount allocated to general and administrative expenses	3,278	2,598

7. Results for the Period

Seasonality of operations

The operating results of the Group are significantly affected by seasonal fluctuations. This is particularly due to increased consumer demand in the USA for home textile products between June and October for Harvest, Halloween and Christmas. There is less seasonality fluctuation in the footwear business.

During the period under review, the Group's revenue was $42.7 million, 9% higher than last year and the profit before tax was $2.39 million, $1.96 million higher than last year, due to the improvement in the China Textile and Footwear business as a result of improved management control and favourable exchange rates, as well as the improvement in the performance of associates.

8. Property, Plant and Equipment

	Buildings $'000	Freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Net book value at 1 April 2019	8,041	627	466	2,808	11,942
Additions	-	-	101	240	341
Disposals	-	-	-	(37)	(37)
Depreciation	(345)	-	(25)	(290)	(660)
Exchange differences	141	32	26	136	335
Net book value at 30 September 2019	7,837	659	568	2,857	11,921
Net book value at 1 April 2018	7,178	580	397	3,671	11,826
Additions	166	-	-	409	575
Disposals	(80)	-	-	(86)	(166)
Depreciation	(342)	-	(16)	(234)	(592)
Transfer	1,125	-	-	(1,125)	-
Exchange differences	105	37	25	1	168
Net book value at 30 September 2018	8,152	617	406	2,636	11,811

9. Right of Use Assets

	Note	Buildings $'000	Plant and equipment $'000	Total $'000
Net book value at 1 April 2019	2	123	4	127
Additions		297	106	403
Disposals		-	-	-
Depreciation		(115)	(11)	(126)
Exchange differences		11	2	13
Net book value at 30 September 2019		316	101	417
Net book value at 1 April 2018		-	-	-
Additions		-	-	-
Disposals		-	-	-
Depreciation		-	-	-
Exchange differences		-	-	-
Net book value at 30 September 2018		-	-	-

10. Other Assets under Development

As at 30 September 2019, the prepaid assets of $22,058 thousand (31 March 2019: $16,558 thousand) were not yet transferred to Property, Plant and Equipment as they had not yet been installed ready for use for the equipment located in Virginia, USA.

11. Bank Borrowings

		As at	
	Note	**30 Sep 2019 $'000**	**31 Mar 2019 $'000**
Working capital loans – unsecured	a	5,490	874
Export loan – secured	b	1,464	-
Term loans - secured	c	8,544	12,797
		15,498	13,671
Classified as:			
- Current liabilities	d	15,498	13,671

(a) As at 30 September 2019, the Group had short-term bank loans amounting to $5,490 thousand (31 March 2019: $874 thousand). The loans were denominated in US$3,707 thousand (31 March 2019: US$620 thousand) and borne interest at LIBOR+2% per annum. They were unsecured and were repayable on demand.

(b) During the half year ended 30 September 2019, the Group obtained short-term export loan to the amount of $1,464 thousand. The loan was denominated in US$1 million and borne interest at LIBOR+2% per annum and was repayable on demand. The proceeds from the loans have been used to meet short-term expenditure needs.

(c) As at 30 September 2019, the Group had a 3-year term loan amounting to $8,544 thousand (31 March 2019: $12,797 thousand). The loans were denominated in US$5,836 thousand and borne interest at LIBOR+1% per annum. The proceeds had been used to finance the capital expenditure of the new factory in Virginia, USA. They were secured by pledged fixed deposit of US$4,085 thousand (equivalent to $5,981 thousand) (31 March 2019: $11,129 thousand).

(d) All bank loans of the Group as at 30 September 2019 and 31 March 2019 contain repayment on demand clauses and are included in current liabilities.

(e) The following table shows the total amount of facilities available to the Group as at 30 September 2019 and 31 March 2019.

	As at	
	30 Sep 2019 $'000	**31 Mar 2019 $'000**
Amounts used	15,498	13,671
Amounts unused	5,853	11,096
	21,351	24,767

12. Lease Liabilities

	Note	As at 30 Sep 2019 $'000	31 Mar 2019 $'000
Opening balance	2	130	-
Additions		403	-
Repayments	a	(125)	-
Interest expense		3	-
Exchange differences		14	-
Closing Balance		425	-
Classified as:			
- Current liabilities		195	-
- Non-current liabilities		230	-
		425	-

(a) Repayments of the lease liabilities are inclusive of effective interest rate calculated under the requirements of AASB 116 and therefore differ from the amount disclosed in the Condensed Consolidated Statement of Cash Flows by this amount.

13. Capital Commitment

	As at 30 Sep 2019 $'000	31 Mar 2019 $'000
Capital expenditure commitments		
Property, plant and equipment not later than 1 year	4,725	3,244

14. Issuances, Repurchases and Repayments of Equity Securities

Issued capital as at 30 September 2019 amounted to $2,944 thousand (94,266,496 ordinary shares). There were no movements in the issued capital of the Company in the current and prior interim reporting periods.

15. Dividends

During the half year ended 30 September 2019, the Board does not recommend the payment of an interim dividend. No dividend was declared and paid in respect of the year ended 31 March 2019.

16. Related Party Transactions

Key management personnel compensation

The aggregate compensation paid to key management personnel of the Group during the period:

	Half-year ended	
	30 Sep 2019 $'000	**30 Sep 2018 $'000**
Short-term employee benefits	1,020	920
Post-employment benefits	2	3
	1,022	923

Transactions and balances due with related parties

The Group entered into the following related party transactions during the period:

	Transactions		**Payables**	
	Half-year ended		**As at**	
	30 Sep 2019 $'000	**30 Sep 2018 $'000**	**30 Sep 2019 $'000**	**31 Mar 2019 $'000**
Purchases from associates				
Tianjin Jiahua Footwear Company Limited	7,312	5,887	3,219	966
Tianjin Tianxing Kesheng Leather Products Company Limited	3,927	4,423	1,697	830
Dividend received from an associate				
Tianjin Jiahua Footwear Company Limited	1,142	-		

Purchases from related parties were transacted at normal trading terms and conditions agreed mutually.

17. Subsequent Events

There have been no matters or circumstances that have arisen since the end of the interim period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the opinion of the Directors:

(a) The attached condensed consolidated financial statements and notes thereto:

- (i) comply with Australian Accounting Standards (including the Australian Accounting Interpretations);
- (ii) give a true and fair view of the Group's financial position as at 30 September 2019 and of its performance and cash flows for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors,

Ian James Burton
Director

Perth, Australia
29 November 2019

Deloitte.

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Independent Auditor's Review Report to the members of Merchant House International Limited

We have reviewed the accompanying half-year financial report of Merchant House International Limited ("the Company"), which comprises the condensed consolidated statement of financial position as at 30 September 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 21. The consolidated entity comprises the Company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards 134 *Interim Financial Reporting.* The directors' responsibility also includes such internal control as the directors' determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards 134 *Interim Financial Reporting*. As the auditor of Merchant House International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Merchant House International Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 30 September 2019 and its financial performance for the half-year ended on that date in accordance with Australian Accounting Standards 134 *Interim Financial Reporting*.

Deloitte.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants
Perth, 29 November 2019