MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

Head Office:
10th Floor, E-Trade Plaza
No. 24 Lee Chung Street
Chai Wan
Hong Kong
Tel: (852) 2889 2000
Fax: (852) 2898 9992

Registered Office:
2/55 Carrington Street
Nedlands WA 6009
Australia

Tel: (61 8) 9423 3200
Fax: (61 8) 9389 8327
Postal Address:
PO Box 985
Nedlands WA 6909

29 November 2013

ASX Limited

Electronic lodgement

Dear Sir / Madam

RE: HALF-YEAR REPORT – 30 SEPTEMBER 2013

We attach the interim report for Merchant House International Limited for the half-year ended 30 September 2013 along with the Appendix 4D.

The board of Merchant House International Limited also wishes to advise that they have declared an interim dividend of 2 cents per share based on the results for the half year ended 30 September 2013.

Payment dates will be advised in due course.

Yours faithfully
MERCHANT HOUSE INTERNATIONAL LIMITED

IAN J BURTON
Director

Rule 4.2A.3

Appendix 4D

Half-year report

Introduced 010/1/2003 Amended 17/12/12

Name of entity:	**MERCHANT HOUSE INTERNATIONAL**
ARBN:	**065 681 138**

1.	**Reporting period ("current period"):** **Previous corresponding period**	**Half-year ended 30 September 2013** **Half-year ended 30 September 2012**

2. Results for announcement to the market

					$A'000
2.1	Revenue	down	-1.50%	to	46,672
2.2	Profit from continuing operations after tax attributable to members	down	-68.15%	to	1,117
2.3	Net profit / (loss) for the period attributable to members	down	-103.19%	to	(112)

		Amount per share cents	**Franked amount per share cents**
2.4	**Dividends**		
	Final – paid 29 August 2013	0.5c	Nil
	Interim - proposed	2c	Nil

2.5 Record date for determining entitlement to dividends: 24 January 2014

2.6 Brief explanation of figures (if necessary):

Net loss attributable to members includes a loss on dissolution of a subsidiary of $1,229 thousand.

+ See chapter 19 for defined terms.

3. Net tangible assets

	Current period cents	Previous Corresponding period cents
Net tangible asset backing per ordinary share	34.06	31.02

4. Details of entities over which control has been gained or lost

4.1 Name of the entity

China Christmas Collection Limited

4.2 Date of the gain or loss of control

21 June 2013

4.3 Contribution to the reporting entity's profit (where applicable)

China Christmas Collection Limited was officially dissolved on 21 June 2013. The resultant loss on dissolution of this subsidiary was $1,229 thousand.

5. 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 period	0.5c	Nil	0.5c
	- previous corresponding period	0.5c	Nil	0.5c
Interim dividend	- current period	2c	Nil	2c
	- previous corresponding period	1c	Nil	1c

Total dividends paid on all securities during the financial year

	Current period $'000	Previous corresponding period $'000
Ordinary securities	471	471
Total	471	471

6. Dividend reinvestment plans

The dividend reinvestment plans shown below are in operation:

N/A

Last date for receipt of election notices for the dividend reinvestment plan:

N/A

7. Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period		Contribution to net profit / (loss)	
	Current period %	Previous corresponding period %	Current period $'000	Previous corresponding period $'000
Tianjin Jiahua Footwear Company Limited	30.00%	30.00%	152	160
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79%	33.79%	356	466
Jawa (Jiangsu) Textiles Company Limited	33.33%	33.33%	(7)	(11)
			501	615

Aggregate share of profits / (losses) of associates and joint ventures

	Current period $'000	Previous corresponding period $'000
Profit / (loss) before income tax	669	826
Income tax expense	(168)	(211)
Profit / (loss) after income tax	501	615
Outside equity interests	-	-
Net profit / (loss) attributable to members	501	615

+ See chapter 19 for defined terms.

8. Accounting standards

For foreign entities, set of accounting standards used in compiling report:

Australian Accounting Standards and Interpretations

9. Auditor’s review report

Note: The audit report or review must be provided as part of the report.

For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

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

☐	The accounts have been audited.	☑	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

Sign here: Director Date: 29 November 2013

Print name: Ian James Burton

MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

30 SEPTEMBER 2013

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COMPANY DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Loretta Lee
Chairperson

Peggy Zi-Yin Liao
Non-executive Independent Director

Xiao Lan Wu
Non-executive Independent Director

Clifford Einstein
Non-executive Independent Director

Christina Lee
Non-executive Independent Director

Ian Burton
Non-executive Independent Director

David Bell
Non-executive Independent Director

David McArthur
Company Secretary

REGISTERED OFFICE:

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WA 6009

PO Box 985
NEDLANDS
WA 6909

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PRINCIPAL OFFICE:

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Facsimile: +852 2898 9992

SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH
WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

BANKERS:

ANZ Banking Group Limited
Business Relationship Banking
Level 6, 77 St Georges Terrace
PERTH
WA 6000

AUDITORS:

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St George's Terrace
PERTH WA 6000

SOLICITORS:

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

ASX HOME BRANCH:

Australian Securities Exchange Limited
2 The Esplanade
PERTH WA 6000

SECURITIES EXCHANGE:

Merchant House International Limited shares are listed on the Australian Securities Exchange (ASX) – code MHI

DOMICILE:

Hong Kong

COUNTRY OF INCORPORATION:

Bermuda

DIRECTORS' REPORT

The directors of Merchant House International Limited submit herewith the financial report of the Company and its subsidiaries ("the Group") for the half year ended 30 September 2013. The directors report as follows:

1. DIRECTORS

The names of the directors of the Company at any time during or since the end of the financial period are:

Name	Period of Directorship
Executive	
Loretta Lee	Director since 1994
Non-executive	
Ian Burton	Director since 1994
Christina Lee	Director since 1994
Peggy Liao	Director since 1994
Xiao Lan Wu	Director since 2004
Clifford Einstein	Director since 2007
David Bell	Director since 2007

2. PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial period were the design, manufacture and marketing of leather boots and shoes, seasonal decorations and gifts, home decoration items and kitchen textiles.

During the financial period there was no significant change in the nature of those activities.

3. REVIEW OF OPERATIONS

Merchant House International Limited has more than thirty years' experience in sourcing, producing and selling consumer products with an emphasis on footwear, home textiles, seasonal decorations and gifts. 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 company, there are also stringent practices in place to reduce overall risk from operational activities.

The current period was a time of transition for both shoes and textiles as the Group seeks to upgrade to higher margin products with a more branded focus in merchandise assortment. The footwear division continued to maintain steady growth during the period. The textile division will be subject to a review to determine whether a significant portion of the manufacturing operations are moved to the North for cost reasons.

The Group's main export market is the United States of America (USA), although merchandise is also sold to buyers in Australia, Canada, the United Kingdom and Europe. Customers in the USA include major importers as well as many of the leading retailers. Plans are proceeding smoothly for the "re-shoring" of footwear manufacturing to a recently acquired and fitted-out factory in Tennessee, USA.

3. REVIEW OF OPERATIONS (continued)

Financial Results

The net loss of the Group for the half year ended 30 September 2013, after income tax expense, was $112 thousand (2012 profit: $3,508 thousand). This includes the loss on dissolution of a subsidiary of $1,229 thousand recorded in discontinued operations.

Following the sale of its Ming Pao offices in Hong Kong on 1 November 2013, and subsequent gain on disposal, the Group is well cashed up for an expansion in activity as opportunities are assessed.

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In April 2013 the Group established a new US manufacturing subsidiary named Footwear Industries of Tennessee Inc. (FIT) in Tennessee. FIT is a 100% owned subsidiary of the recently incorporated Pacific Bridges Enterprises Inc. (Delaware USA). FIT has acquired premises and will commence a manufacturing operation for the US footwear market. The new premises cost US$ 850,000 (A$ 891,000)

On 14 June 2013, the Board of Directors executed a sale and purchase agreement for the disposal of its premises and parking space in Chai Wan, Hong Kong. The total consideration for the sale was HK$ 88 million (A$ 11.9 million). A 10% deposit was received on the execution of the agreement, with the balance of the proceeds received on 1 November 2013 when the title transferred to the purchaser. As at 30 September 2013, the assets of the premises and parking space has been held as assets held for sale, with the HK$ 8.8 million (A$ 1.2 million) 10% deposit recognised as other current liabilities in the condensed consolidated statement of financial position.

5. SUBSEQUENT EVENTS

Effective from 15 October 2013, the Group's Hong Kong head office was relocated to 10th Floor, E-Trade Plaza, No.24 Lee Chung Street, Chai Wan, Hong Kong.

On 31 October 2013, the directors declared an unfranked dividend of 0.5 cent per share for the half year ended 30 September 2013, and a special dividend of 1.5 cents per share, to the holders of fully paid ordinary shares to be paid on 30 January 2014.

On 1 November 2013 the sale of the group's leasehold land and buildings and leasehold improvements for HK$88 million (A$11.9 million) less costs was completed

On 13 November 2013, Euro 870 thousand (A$ 1,200 thousand), being 75% of the total cost, was paid for the purchase of plant and equipment to be fitted in its new USA manufacturing operations facility in Tennessee.

Other than the above, there have been no matters or circumstances that have arisen since the end of the reporting 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 years.

Signed in accordance with a resolution of directors.

On behalf of the Directors.

I J BURTON
Director
Perth, Western Australia
29 November 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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, which comprises the condensed consolidated statement of financial position as at 30 September 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of as set out on pages 6 to 19. The consolidated entity comprises the company (Merchant House International Limited) 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* and for 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.

Deloitte.

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 2013 and of its financial performance for the half-year ended on that date in accordance with Australian Accounting Standards 134 *Interim Financial Reporting*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 29 November 2013

DIRECTORS' DECLARATION

The directors declare that:

(a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) In the directors' opinion, the attached financial statements and notes thereto are in compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

I J BURTON
Director

Perth, Western Australia
29 November 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013

	Note	Half-year ended 30 Sept 2013 $'000	30 Sept 2012 $'000
Continuing operations			
Revenue		46,672	47,381
Cost of sales		(40,598)	(39,999)
Gross profit		6,074	7,382
Other revenues		27	6
Other income		94	50
Share of profit of associated entities accounted for using the equity method	7	501	615
Impairment of investment		-	(16)
Administration expenses		(3,991)	(3,522)
Finance costs		-	(8)
Other expenses		(624)	(588)
Profit before tax		2,081	3,919
Income tax expense		(964)	(411)
Profit from continuing operations		1,117	3,508
Discontinued operations			
Loss on dissolution of subsidiary	10	(1,229)	-
(Loss) / profit for the period		(112)	3,508

Notes to the condensed financial statements are included on pages 12 to 19.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (continued)

	Note	Half-year ended 30 Sept 2013 $'000	Half-year ended 30 Sept 2012 $'000
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Total items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Reversal of foreign currency translation reserve on dissolution of subsidiary		921	-
Foreign currency transaction difference of foreign operations		4,018	66
Income tax on items that may be reclassified subsequently to profit or loss		(2)	-
Total items that may be reclassified subsequently to profit or loss		4,937	-
Other comprehensive income / (loss) for the period (net of tax)		4,937	66
Total comprehensive income for the period		4,825	3,574
(Loss) / profit attributable to owners of the parent		(112)	3,508
Total comprehensive income attributable to owners of the parent		4,825	3,574
Earnings per share from continuing operations			
Basic and diluted (cents per share)		1.19	3.73
(Loss) / earnings per share from discontinued operations			
Basic and diluted (cents per share)		(1.31)	3.73
(Loss) / earnings per share for profit attributable to owners of the parent			
Basic and diluted (cents per share)		(0.12)	3.73

Notes to the condensed financial statements are included on pages 12 to 19.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	Note	30 Sep 2013 $'000	31 Mar 2013 $'000
CURRENT ASSETS			
Cash or cash equivalents		2,705	5,419
Trade and other receivables		20,437	7,855
Assets held for sale	9	2,790	-
Inventories		4,467	2,281
Other		471	242
TOTAL CURRENT ASSETS		30,870	15,797
NON CURRENT ASSETS			
Investments accounted for using the equity method	7	7,475	6,775
Property, plant and equipment	11	9,667	9,968
Leasehold land		1,131	1,003
Deferred tax assets		-	4
Goodwill		229	229
TOTAL NON CURRENT ASSETS		18,502	17,979
TOTAL ASSETS		49,372	33,776
CURRENT LIABILITIES			
Trade and other payables		12,349	5,547
Other current liabilities	9	1,219	-
Borrowings		2,245	-
Current tax payable		1,111	160
Provisions		72	61
TOTAL CURRENT LIABILITIES		16,996	5,768
NON CURRENT LIABILITIES			
Provisions		80	71
Deferred tax liabilities		5	-
TOTAL NON CURRENT LIABILITIES		85	71
TOTAL LIABILITIES		17,081	5,839
NET ASSETS		32,291	27,937
Issued capital		2,913	2,913
Reserves		(168)	(5,105)
Retained earnings		29,546	30,129
TOTAL EQUITY		32,291	27,937

Notes to the condensed financial statements are included on pages 12 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2013

		Attributable to owners of the parent			
	Note	Issued Capital $'000	Retained Earnings $'000	Foreign Currency Translation Reserve $'000	TOTAL $'000
Balance at 1 April 2013		2,913	30,129	(5,105)	27,937
Loss for the period		-	(112)	-	(112)
Reversal of foreign currency translation reserve on dissolution of subsidiary		-	-	921	921
Exchange differences arising on translation of foreign operations (net of tax)		-	-	4,016	4,016
Total comprehensive income for the period		-	(112)	4,937	4,825
Dividends provided for or paid	5	-	(471)	-	(471)
Balance at 30 September 2013		2,913	29,546	(168)	32,291
Balance at 1 April 2012		2,913	28,499	(5,092)	26,320
Profit for the period		-	3,508	-	3,508
Exchange differences arising on translating of foreign operations (net of tax)		-	-	66	66
Total comprehensive income for the period		-	3,508	66	3,574
Dividends provided for or paid	5	-	(471)	-	(471)
Balance at 30 September 2012		2,913	31,536	(5,026)	29,423

Notes to the condensed financial statements are included on pages 12 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	Half-year ended 30 Sep 2013 $'000	30 Sep 2012 $'000
Cash flows from operating activities			
Receipts from customers		34,463	35,870
Payments to suppliers and employees		(40,007)	(41,464)
Interest and other costs of finance paid		-	(8)
Income tax paid		(51)	(12)
Net cash used in operating activities		(5,595)	(5,614)
Cash flows from investing activities			
Interest received		27	6
Dividends received	7	922	692
Proceeds from disposal of property, plant and equipment		1,196	-
Payment for property, plant and equipment		(1,605)	(205)
Net cash provided by investing activities		540	493
Cash flows from financing activities			
Repayment of borrowings		-	(2,501)
Proceeds from borrowings		2,191	3,627
Dividends paid		(471)	(471)
Net cash provided by financing activities		1,720	655
Net decrease in cash and cash equivalents		(3,335)	(4,466)
Cash and cash equivalents at the beginning of the period		5,419	5,626
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		621	189
Cash and cash equivalents at the end of the period		2,705	1,349

Notes to the condensed financial statements are included on pages 12 to 19.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013

1. 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 the Corporations Act 2001. It does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual consolidated financial report of the Group as at and for the year ended 31 March 2013 and any public announcements made by Merchant House International Limited during the interim reporting period.

The condensed consolidated interim financial report was approved by the Board of Directors on 29 November 2013.

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 values 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 2013 annual financial report for the financial year ended 31 March 2013. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB Standards and Interpretations		
AASB 10	-	*Consolidated Financial Statements*
AASB 11	-	*Joint Arrangements*
AASB 12	-	*Disclosure of Interests in Other Entities*
AASB 13	-	*Fair Value Measurement*
AASB 119 (2011)	-	*Employee Benefits*
AASB 127 (2011)	-	*Separate Financial Statements*
AASB 128 (2011)	-	*Investment in Associates and Joint Ventures*
AASB 2011-7	-	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard*
AASB 2011-8	-	*Amendments to Australian Accounting Standards arising from AASB 13*
AASB 2011-10	-	*Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
AASB 2012-2	-	*Offsetting Financial Assets and Financial Liabilities – Disclosures (AASB 7)*
AASB 2012-5	-	*Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle*
AASB 2012-10	-	*Amendments to Australian Accounting Standards – Transition Guidance and other amendments*

The new and revised Australian Accounting Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

There have been new and revised Australian Accounting Standards and Interpretations that have recently been issued or amended, but not yet effective, that are relevant to the entity. The Group has elected not to early adopt any of these new or revised standards.

2. SEGMENT INFORMATION

AASB 8 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 within the Group which are reported to the chief operating decision maker to make decisions on resource allocation and to assess performance. These are:

- Home textile manufacturing
- Home textile trading (consisting of two aggregated operating segments)
- Footwear

The home textiles manufacturing segment manufacture home textile products for sale by the home textiles trading segment.

The home textiles trading segment supply seasonal decorations such as Christmas decorations.

The footwear segment manufactures and supplies work boots.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment for the periods under review:

	Assets		Liabilities	
	30 Sep 2013 $'000	31 Mar 2013 $'000	30 Sep 2013 $'000	31 Mar 2013 $'000
Continuing operations				
Home textile trading	13,383	8,688	1,974	412
Home textile manufacturing	14,268	11,923	7,061	1,914
Footwear	18,901	13,151	6,748	3,389
Total segment assets and liabilities	46,552	33,762	15,783	5,715
Corporate and other segment assets and liabilities	30	14	79	124
Assets held for sale	2,790	-	1,219	-
Total	49,372	33,776	17,081	5,839

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the cash, receivables and payables position.

Goodwill has been allocated to reportable segments.

2. 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 2013 $'000	30 Sep 2012 $'000	30 Sep 2013 $'000	30 Sep 2012 $'000
Continuing operations				
Home textile trading				
External customers	19,292	20,611	2,111	2,455
Intra-segment	5,945	4,567	-	-
Total home textile trading	25,237	25,178	2,111	2,455
Home textile manufacturing				
Inter-segment	16,591	16,119	(1,395)	(175)
Total home textile manufacturing	16,591	16,119	(1,395)	(175)
Footwear				
External customers	27,380	26,769	2,041	1,993
Total footwear	27,380	26,769	2,041	1,993
Eliminations	(22,536)	(20,685)	(1,098)	(803)
	46,672	47,381	1,659	3,470
Central administration and directors' salaries			(106)	(148)
Finance costs			-	(8)
Impairment of investment in subsidiary			-	(16)
Loss on dissolution of subsidiary			(1,229)	-
Share of profit of associates			501	615
Investment revenue			27	6
Profit before tax			852	3,919
Income tax expense			(964)	(411)
Consolidated segment revenue and profit for the period	46,672	47,381	(112)	3,508

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

2. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of profits of associates, investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. 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 demand by consumers in the USA and Canada for home textile products between June and October for Harvest, Halloween and Christmas. There is no seasonality fluctuation in the footwear division.

4. ACCOUNTING ESTIMATES

The preparation of the interim financial report 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 expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 31 March 2013.

5. DIVIDENDS

During the period, Merchant House International Limited made the following dividend payments:

	Half-year ended 30 September 2013		Half-year ended 30 September 2012	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Final dividend	0.5	471	0.5	471

On 31 October 2013, the directors declared an unfranked dividend of 0.5 cent per share for the half year ended 30 September 2013, and a special dividend of 1.5 cents per share, to the holders of fully paid ordinary shares to be paid on 27 January 2014. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $1,884 thousand.

6. ISSUANCES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Issued capital as at 30 September 2013 amounted to $2,913 thousand (94,119,126 ordinary shares). There were no movements in the issued capital of the Company in either the current or the prior interim reporting periods.

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 Sep 2013 $'000	31 Mar 2013 $'000
Investments in associates	7,475	6,775
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 April	6,775	6,591
Share of profit for the period	501	852
Dividend received	(922)	(688)
Exchange difference	1,121	20
Closing balance	7,475	6,775

8. BORROWINGS

During the period, the Group obtained new short-term loans to the amount of $2,191 thousand (2012: $3,627 thousand). The loans bear interest at variable market rates, are secured by one of the Group's properties and are repayable within one year. The proceeds from the loans have been used to meet short-term expenditure needs.

Repayments of other bank loans amounting to $nil thousand (2012: $2,501 thousand) were made in line with previously disclosed repayment terms.

9. ASSETS HELD FOR SALE

On 14 June 2013 the group signed an agreement to sell its leasehold land and buildings and leasehold improvements for HK$88 million (A$11.9 million) less costs. Until the sale is completed, the net book value of the land and building and leasehold improvements have been classified as assets held for sale. No impairment has been recognised on reclassification to assets held for sale.

A deposit of HK$8.8 million (A$1.2 million) was received which has been classified as other current liabilities until the sale is completed. The sale was completed on 1 November 2013.

	HK$'000	A$'000
Leasehold land	13,964	1,934
Buildings	6,080	842
Leasehold improvements	98	14
Assets held for sale	20,142	2,790
10% deposit received	(8,800)	(1,219)
	11,342	1,571

10. DISSOLUTION OF A SUBSIDIARY

On 21 June 2013, a subsidiary company, China Christmas Collection Limited was officially deregistered.

	30 Sep 2013 $'000	30 Sep 2012 $'000
Loss on dissolution of subsidiary	(1,229)	-
Basic loss per share (cents)	(1.31)	-

The loss on dissolution of the subsidiary is attributable to a foreign operation which was de-registration in June 2013 and the resulting reversal of the initial investment in the subsidiary and of the foreign currency translation reserve carried forward from prior years.

11. PROPERTY, PLANT AND EQUIPMENT

On 12 June 2013 the Group entered into an agreement to purchase property and improvements for US$850,000 (A$891,000) at its new USA Operations at Footwear Industries of Tennessee.

On 14 June 2013, the Board of Directors executed a sale and purchase agreement for the disposal of its premises and parking space in Chai Wan, Hong Kong. The total consideration for the sale was HK$ 88 million (A$ 11.9 million). A 10% deposit was received on the execution of the agreement, with the balance of the proceeds received on 1 November 2013 when the title transferred to the purchaser. As at 30 September 2013, the assets of the premises and parking space has been held as assets held for sale, with the HK$ 8.8 million (A$ 1.2 million) 10% deposit recognised as other current liabilities in the condensed consolidated statement of financial position.

12. FINANCIAL RISK MANAGEMENT

The directors have determined that the carrying amounts of the financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

13. COMMITMENTS FOR EXPENDITURE

	30 Sep 2013 $'000	30 Sep 2012 $'000
Capital expenditure commitments		
Property, plant and equipment not longer than 1 year	1,490	97

14. ADDITIONAL COMPANY INFORMATION

Merchant House International Limited is a listed public company, incorporated in Bermuda and operating in China, Hong Kong, Australia and the United States of America.

15. SUBSEQUENT EVENTS

Effective from 15 October 2013, the Group's Hong Kong head office was relocated to 10th floor, E-Trade Plaza, No.24 Lee Chung Street, Chai Wan, Hong Kong.

On 31 October 2013, the directors declared an unfranked dividend of 0.5 cent per share for the half year ended 30 September 2013, and a special dividend of 1.5 cents per share, to the holders of fully paid ordinary shares to be paid on 27 January 2014.

On 1 November 2013 the sale of the group's leasehold land and buildings and leasehold improvements for HK$88 million (A$11.9 million) less costs was completed

On 13 November 2013, Euro 870 thousand (A$1,200 thousand), being 75% of the total cost was paid for the purchase of plant and equipment to be fitted in its new USA manufacturing operations facility in Tennessee.