



**MERCHANT HOUSE
INTERNATIONAL LIMITED**
ARBN 065 681 138

Head Office:

1807-1812 Ming Pao Industrial Centre
Block B 18 Ka Yip Street
Chai Wan
Hong Kong
Tel: (852) 2889 2000
Fax: (852) 2898 9992

Registered Office:

Level 2
45 Stirling Highway
Nedlands WA 6009
Australia
Tel: (61 8) 9423 3200
Fax: (61 8) 9389 8327
Postal Address:
PO Box 985
Nedlands WA 6909

31 May 2010

ASX Limited

Electronic lodgement

Dear Sir / Madam

RE: 2010 ANNUAL REPORT

We attach the Appendix 4E for Merchant House International Limited for the year ended 31 March 2010.

Yours faithfully

MERCHANT HOUSE INTERNATIONAL LIMITED

DAVID M MCARTHUR
Company Secretary

Appendix 4E

Preliminary final report

Rule 4.3A
Introduced 1/1/2003

Name of entity: **MERCHANT HOUSE INTERNATIONAL LIMITED**

ABN: **065 681 138**

1. **Reporting period (“current period”):** **Year ended 31 March 2010**
Previous corresponding period **Year ended 31 March 2009**

2. **Results for announcement to the market**

\$A'000

Revenue	up	3.46%	to	75,832
Profit from ordinary activities after tax attributable to members	up	24.33%	to	3,991
Net profit for the period attributable to members	up	24.33%	to	3,991

	Amount per share cents	Franked amount per share cents
Dividends		
Final	1 ¢	Nil
Interim	0.5 ¢	Nil

Record date for determining entitlements to dividends: To be advised

Brief explanation of figures (if necessary): N/A

3. Statement of Comprehensive Income

	Current period \$'000	Previous corresponding period \$'000
Continuing operations		
Revenue from sale of goods	75,832	73,295
Cost of sales	<u>(62,676)</u>	<u>(61,237)</u>
Gross profit	13,156	12,058
Other revenues	8	33
Other income	64	335
Share of profit of associated entities accounted for using the equity method	833	411
Administration expenses	(7,061)	(7,472)
Finance costs	(172)	(327)
Other expenses	<u>(1,621)</u>	<u>(1,411)</u>
Profit before tax	5,207	3,627
Income tax expense	<u>(1,216)</u>	<u>(417)</u>
Profit for the year	<u>3,991</u>	<u>3,210</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(8,411)	7,816
Income tax relating to components of other comprehensive income	<u>-</u>	<u>-</u>
Other comprehensive income for the period (net of tax)	<u>(8,411)</u>	<u>7,816</u>
Total comprehensive income for the period	<u>(4,420)</u>	<u>11,026</u>
Profit attributable to owners of the parent	<u>3,991</u>	<u>3,210</u>
Total comprehensive income attributable to owners of the parent	<u>(4,420)</u>	<u>11,026</u>
Earnings per share from continuing operations		
Basic and diluted (cents per share)	<u>4.26</u>	<u>3.43</u>

3. Statement of Comprehensive Income (continued)

Notes to the statement of comprehensive income

Income

Sales	75,832	73,295
Interest income	8	33
Equity share of associates' profit	833	411
Net exchange gains on foreign currency translation	-	201
Other	64	134
Total income	<u><u>76,737</u></u>	<u><u>74,074</u></u>

Expenses

Depreciation and amortisation	(1,065)	(1,119)
Interest expenses	(172)	(327)
Salaries and wages	<u><u>(5,872)</u></u>	<u><u>(6,108)</u></u>

4. Statement of Financial Position

	Current period	Previous corresponding period
	\$'000	\$'000
CURRENT ASSETS		
Cash or cash equivalents	2,822	3,324
Trade and other receivables	8,291	6,584
Inventories	1,796	2,939
Current tax assets	-	230
Other	157	321
TOTAL CURRENT ASSETS	<u>13,066</u>	<u>13,398</u>
NON CURRENT ASSETS		
Trade and other receivables	54	73
Investments accounted for using the equity method	5,781	7,552
Property, plant and equipment	13,645	19,189
Deferred tax assets	39	241
Goodwill	434	451
TOTAL NON CURRENT ASSETS	<u>19,953</u>	<u>27,506</u>
TOTAL ASSETS	<u>33,019</u>	<u>40,904</u>
CURRENT LIABILITIES		
Trade and other payables	6,246	6,285
Borrowings	1,591	4,274
Current tax payable	1,107	852
Provisions	125	143
TOTAL CURRENT LIABILITIES	<u>9,069</u>	<u>11,554</u>
NON CURRENT LIABILITIES		
Provisions	71	133
TOTAL NON CURRENT LIABILITIES	<u>71</u>	<u>133</u>
TOTAL LIABILITIES	<u>9,140</u>	<u>11,687</u>
NET ASSETS	<u>23,879</u>	<u>29,217</u>
EQUITY		
Issued capital	2,856	2,838
Reserves	(3,539)	4,872
Retained earnings	24,562	21,507
TOTAL EQUITY	<u>23,879</u>	<u>29,217</u>

5. Statement of Cash Flows

	Current period	Previous corresponding period
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	72,213	71,552
Payments to suppliers and employees	(68,148)	(66,630)
Interest and other costs of finance paid	(172)	(330)
Income tax paid	(373)	(471)
Net cash provided by operating activities	<u>3,520</u>	<u>4,121</u>
Cash flows from investing activities		
Interest received	8	33
Proceeds from disposal of property, plant and equipment	-	3
Payment for property, plant and equipment	(389)	(558)
Payment for investments in associates	-	(314)
Loans repaid by / (paid to) associated entities	-	247
Net cash (used in) / provided by investing activities	<u>(381)</u>	<u>(589)</u>
Cash flows from financing activities		
Repayment of borrowings	(3,308)	(24,552)
Proceeds from borrowings	1,589	23,368
Dividends paid	(936)	(1,404)
Net cash used in financing activities	<u>(2,655)</u>	<u>(2,588)</u>
Net increase / (decrease) in cash and cash equivalents	484	944
Cash and cash equivalents at the beginning of the period	3,324	1,661
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(986)	719
Cash and cash equivalents at the end of the period the financial year	<u><u>2,822</u></u>	<u><u>3,324</u></u>
Reconciliation of cash and cash equivalents		
Cash on hand and at bank	<u>2,822</u>	<u>3,324</u>
	<u><u>2,822</u></u>	<u><u>3,324</u></u>

6. Dividends

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	cents	cents	cents
Final dividend - current period	1 ¢	Nil	1 ¢
- previous corresponding period	0.5 ¢	Nil	0.5 ¢
Interim dividend - current period	0.5 ¢	Nil	0.5 ¢
- previous corresponding period	0.5 ¢	Nil	0.5 ¢

Total dividends paid on all securities during the financial year

	Current period	Previous corresponding period
	\$'000	\$'000
Ordinary securities	936	1,404
Total	936	1,404

7. Dividend reinvestment plans

The dividend reinvestment plans shown below are in operation:

None

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

N/A

8. Retained earnings

	Current period	Previous corresponding period
	\$'000	\$'000
Retained earnings		
Retained earnings at beginning of financial period	21,507	19,701
Net profit / (loss) attributable to members of the parent	3,991	3,210
Dividends paid or payable	(936)	(1,404)
Retained earnings at end of financial period	24,562	21,507

9. Net tangible assets

	Current period	Previous corresponding period
	cents	cents
Net tangible asset backing per ordinary share	25.00	30.71

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

Control gained over entities

N/A

Control lost over entities

N/A

11. Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period	Previous corresponding period
	Current period	period
Tianjin Jiahua Footwear Co Ltd	30.00%	30.00%
Tianjin Tianxing Kesheng Leather Products Co Ltd	33.79%	33.79%
Nantong Young Jia Textiles Co Ltd	-	33.33%
Zhao An Xin Jia Decorations Co Ltd	40.00%	30.42%

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

	Current period	Previous corresponding period
	\$'000	\$'000
Profit / (loss) before income tax	1,270	510
Income tax expense	(437)	(99)
Profit / (loss) after income tax	833	411
Net profit / (loss) attributable to members	833	411

During the current financial year it was identified that a long term loan had been given to Nantong Young Textiles Company Limited as per Chapter 7 of the M&AA Agreement. It should not have been recorded as an associate.

12. Any other significant information

Details of any other significant information needed by an investor to make an informed assessment of the entity's financial performance and position:

N/A

13. Accounting standards

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

N/A

14. Results for the period

14.1 Earnings per security

	Current period	Previous corresponding period
	cents	cents
Basic and diluted earnings per share	4.26	3.43
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	93,672,254	93,596,038
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14.2 Returns to shareholders

N/A

14.3 Significant features of operating performance

N/A

14.4 Segment results

	Current period	Previous corresponding period
	\$'000	\$'000
Continuing operations		
Home textile trading	2,586	2,041
Home textile manufacturing	(34)	59
Footwear	2,241	1,808
Total for all segments	4,793	3,908
Eliminations	76	371
	4,869	4,279
Central administration and directors' salaries	(331)	(769)
Finance costs	(172)	(327)
Share of profit of associates	833	411
Investment revenue	8	33
Profit before tax	5,207	3,627
Income tax expense	(1,216)	(417)
Consolidated profit for the period	3,991	3,210

14.5 Trends in performance

N/A

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

N/A

15. 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. |

16. Description of any likely audit dispute or qualification

N/A



David M McArthur
Company Secretary
31 May 2010