



**MERCHANT HOUSE
INTERNATIONAL LIMITED**
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31 May 2013

ASX Limited

Electronic lodgement

ASX Code: MHI

2013/14 FORECAST FINANCIAL PERFORMANCE:

Despite tough economic conditions, the increasing cost of raw materials, and competitive pricing impacting on profit margins, the Company is very pleased to be able to report a profit before tax of AUD\$ 3.686 million, a 41% increase over the prior year result. The Company is also pleased to advise that a final dividend of 0.5 cents has been declared, bringing the total dividend for the year to 1.5 cents.

The next financial year is expected to see a continuation of the difficult economic conditions, and ongoing cost pressures are going to continue to place pressure on profit margins.

Whilst the Company is implementing a number of strategies to increase productivity, reduce overall costs and improve customer penetration, it is possible that the profit for the coming year may be less than the current year. This is also driven by the fact the Company's main market remains the USA, where consumers continue to be cautious with spending. The Company has forecast a profit before tax of AUD\$ 2.74 million (based on 1.04 US\$ / AUD\$ exchange rate) for the 2013/14 financial year, however hopes to improve on this forecast as a range of business strategies and initiatives begin to show positive results.

US MANUFACTURING PLANT:

As stated, the USA continues to be the Company's largest customer market, and cost pressure within China continues to impact on the Company's competitiveness in the Chinese market. The Company has agreed to proceed with the establishment of a factory in East Tennessee in the USA. The business has been registered under the name "Footwear Industries of Tennessee, Inc.". An order has been placed for a 30 station automated injection machine and a technical manager with over 20 years experience has been appointed.

The concept of developing a manufacturing facility in the USA received a high level of support from the major customers in the USA.

Merchant House International Limited

David McArthur
Company Secretary

3. **Statement of profit or loss and other comprehensive income for the year ended 31 March 2013**

	Current period \$'000	Previous corresponding period \$'000
Continuing operations		
Revenue from sale of goods	80,884	73,770
Cost of sales	<u>(70,104)</u>	<u>(63,684)</u>
Gross profit	10,780	10,086
Financial income	65	60
Other income	251	258
Share of profit of associated entities accounted for using the equity method	852	476
Loss on disposal of investment	-	(103)
Administration expenses	(6,937)	(6,642)
Finance costs	(11)	(45)
Other expenses	<u>(1,314)</u>	<u>(1,481)</u>
Profit before tax	3,686	2,609
Income tax (expense) / benefit	<u>(644)</u>	<u>955</u>
Profit for the year	<u>3,042</u>	<u>3,564</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	(14)	674
Income tax relating to components of other comprehensive income	<u>1</u>	<u>2</u>
Other comprehensive income for the period (net of tax)	<u>(13)</u>	<u>676</u>
Total comprehensive income for the period	<u>3,029</u>	<u>4,240</u>
Profit attributable to owners of the parent	<u>3,042</u>	<u>3,564</u>
Total comprehensive income attributable to owners of the parent	<u>3,029</u>	<u>4,240</u>
Earnings per share from continuing operations		
Basic and diluted (cents per share)	<u>3.23</u>	<u>3.79</u>

3. Statement of profit or loss and other comprehensive income for the year ended 31 March 2013
(continued)

	Current period \$'000	Previous corresponding period \$'000
<i>Notes to the statement of profit or loss and other comprehensive income for the year ended 31 March 2013</i>		
<i>Income</i>		
Sales	80,884	73,770
Interest income	65	60
Equity share of associates' profit	852	476
Net exchange gains on foreign currency translation	-	218
Other	251	40
Total income	<u><u>82,052</u></u>	<u><u>74,564</u></u>
<i>Expenses</i>		
Depreciation and amortisation	(949)	(977)
Loss on disposal of investment in associate	-	(103)
Interest expenses	(11)	(45)
Salaries and wages	<u><u>(5,980)</u></u>	<u><u>(5,373)</u></u>

4. Statement of Financial Position

	Current period	Previous corresponding period
	\$'000	\$'000
CURRENT ASSETS		
Cash or cash equivalents	5,419	5,626
Trade and other receivables	7,855	6,206
Inventories	2,281	1,884
Other	242	310
TOTAL CURRENT ASSETS	<u>15,797</u>	<u>14,026</u>
NON CURRENT ASSETS		
Investments accounted for using the equity method	6,775	6,591
Property, plant and equipment	9,968	10,376
Leasehold land	1,003	1,025
Deferred tax assets	4	171
Goodwill	229	229
TOTAL NON CURRENT ASSETS	<u>17,979</u>	<u>18,392</u>
TOTAL ASSETS	<u>33,776</u>	<u>32,418</u>
CURRENT LIABILITIES		
Trade and other payables	5,547	5,897
Current tax payable	160	98
Provisions	61	32
TOTAL CURRENT LIABILITIES	<u>5,768</u>	<u>6,027</u>
NON CURRENT LIABILITIES		
Provisions	71	71
TOTAL NON CURRENT LIABILITIES	<u>71</u>	<u>71</u>
TOTAL LIABILITIES	<u>5,839</u>	<u>6,098</u>
NET ASSETS	<u>27,937</u>	<u>26,320</u>
EQUITY		
Issued capital	2,913	2,913
Reserves	(5,105)	(5,092)
Retained earnings	30,129	28,499
TOTAL EQUITY	<u>27,937</u>	<u>26,320</u>

5. Statement of Cash Flows

	Current period	Previous corresponding period
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	79,967	71,994
Payments to suppliers and employees	(78,485)	(66,817)
Interest and other costs of finance paid	(11)	(45)
Income tax paid	(413)	(90)
Net cash provided by operating activities	<u>1,058</u>	<u>5,042</u>
Cash flows from investing activities		
Interest received	65	60
Proceeds from disposal of property, plant and equipment	14	35
Payment for property, plant and equipment	(501)	(268)
Proceeds from disposal of investment	-	526
Payment for investments in associates	-	(392)
Dividends received from associates	688	-
Net cash used in investing activities	<u>266</u>	<u>(39)</u>
Cash flows from financing activities		
Repayment of borrowings	(3,605)	(13,466)
Proceeds from borrowings	3,605	13,466
Dividends paid	(1,412)	(940)
Net cash used in financing activities	<u>(1,412)</u>	<u>(940)</u>
Net increase / (decrease) in cash and cash equivalents	(88)	4,063
Cash and cash equivalents at the beginning of the period	5,626	1,390
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(119)	173
Cash and cash equivalents at the end of the period the financial year	<u>5,419</u>	<u>5,626</u>
Reconciliation of cash and cash equivalents		
Cash on hand and at bank	<u>5,419</u>	<u>5,626</u>
	<u>5,419</u>	<u>5,626</u>

6. Statement of Changes in Equity

	Attributable to owners of the parent			TOTAL
	Issued capital	Retained earnings	Foreign currency translation reserve	
	\$'000	\$'000	\$'000	
Balance at 1 April 2011	2,884	25,875	(5,768)	22,991
Profit for the period	-	3,564	-	3,564
Exchange differences arising on translating of foreign operations	-	-	676	676
Total comprehensive income for the period	-	3,564	676	4,240
Recognition of share-based payments	29	-	-	29
Dividends provided for or paid	-	(940)	-	(940)
Balance at 31 March 2012	2,913	28,499	(5,092)	26,320
Balance at 1 April 2012	2,913	28,499	(5,092)	26,320
Profit for the period	-	3,042	-	3,042
Exchange differences arising on translating of foreign operations	-	-	(13)	(13)
Total comprehensive income for the period	-	3,042	(13)	3,029
Recognition of share-based payments	-	-	-	-
Dividends provided for or paid	-	(1,412)	-	(1,412)
Balance at 31 March 2013	2,913	30,129	(5,105)	27,937

7. 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	0.5 ¢	Nil	0.5
- previous corresponding period	0.5 ¢	Nil	0.5
Interim dividend - current period	1.0 ¢	Nil	1
- previous corresponding period	0.5 ¢	Nil	0.5

Total dividends paid on all securities during the financial year

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities	1,412	940
Total	1,412	940

8. 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

9. Net tangible assets

	Current period cents	Previous corresponding period cents
Net tangible asset backing per ordinary share	29.44	27.72

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

10.1 Control gained over entities

N/A

10.2 Control lost over entities

N/A

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

N/A

11. Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period	
	Current period	Previous corresponding period
Tianjin Jiahua Footwear Co Ltd	30.00%	30.00%
Tianjin Tianxing Kesheng Leather Products Co Ltd	33.79%	33.79%
Jawa (Jiangsu) Textiles Co Ltd	33.33%	33.33%

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

	Current period	Previous corresponding period
	\$'000	\$'000
Profit / (loss) before income tax	1,152	679
Income tax expense	(300)	(203)
Profit / (loss) after income tax	852	476
Outside equity interests	-	-
Net profit / (loss) attributable to members	852	476

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:

During the financial year the Group established a new US holding company named Pacific Bridges Enterprises Inc (PBE) for manufacturing footwear in the USA. PBE was incorporated on 27 March 2013.

In April 2013 the Group established a new US manufacturing subsidiary named Footwear Industries of Tennessee Inc (FIT) in Tennessee. PBE is the holding company of FIT. FIT will acquire factory premises and install the necessary plant and equipment.

13. Accounting standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations

14. Results for the period

14.1 Earnings per security

	Current period	Previous corresponding period
	cents	cents
Basic and diluted earnings per share	3.23	3.79
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	94,119,126	93,977,388
	<u> </u>	<u> </u>

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	2,821	1,282
Home textile manufacturing	(1,991)	(821)
Footwear	3,022	1,901
Total for all segments	3,852	2,362
Eliminations	(731)	(168)
	3,121	2,194
Central administration and directors' salaries	(341)	(341)
Finance costs	(11)	(45)
Impairment of investment in associate	-	265
Share of profit of associates	852	476
Investment revenue	65	60
Profit before tax	3,686	2,609
Income tax expense	(644)	955
Consolidated profit for the period	3,042	3,564

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 2013