



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2023

## APPENDIX 4E

### Preliminary Final Report

Reporting period (current period)	Year ended 31 March 2023
Previous corresponding period	Year ended 31 March 2022

#### Results for Announcement to the Market

	Current Period \$'000	Previous Period \$'000	Percentage increase / (decrease) %
Revenue from ordinary activities	19,463	22,905	(15.03)
Loss from continuing operations after income tax attributable to owners of the Company	(11,204)	(8,274)	35.41
Profit from discontinued operations after income tax attributable to owners of the Company	3,170	21,785	(85.45)
Net (loss) / profit attributable to owners of the Company	(8,034)	13,511	(159.46)

#### Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Amount per share of foreign source dividend (cents)	Total Amount \$'000	Date of payment
Final Dividend	Nil	Nil	Nil	Nil	N/A
Interim Dividend	Nil	Nil	Nil	Nil	N/A
Previous corresponding period: Special Dividend	1.0	Nil	Nil	943	11 June 2021
Record Date for Determining Entitlements	Not Applicable				

### Commentary on results

For the year ending 31 March 2023, the Group recorded a loss of \$11,204 thousand (2022: \$8,274 thousand). The increase in loss is mainly due to an increase in labour costs.

Having completed its disposal of Carsan, and as the US economy continues to steadily recover, the Group is focused on managing inventory and cost control to improve the cash flow position.

Improvements in efficiency and expansion of its customer base resulted in the USA home textiles division reporting revenue of \$3,733 thousand (2022: \$2,668 thousand).

With stable customers and major market players, revenue for the USA footwear trading and manufacturing operations is on a par to the prior year. However, product development, increased labour costs and delays in the supply of raw materials has contributed to this division reporting a loss of \$4,142 thousand (2022: \$2,553 thousand).

### Net tangible assets

	2023	2022
Net tangible assets per ordinary share (cents)	36.75	41.35

### (Loss) / earnings per share

	2023 cents	2022 cents
<b>Basic and diluted (loss) / earnings per share</b>		
Basic and diluted loss per share - continuing operations	(11.88)	(8.78)
Basic and diluted earnings per share – discontinued operations	3.36	23.11
(Loss) / profit attributable to owners of the Company	(8.52)	14.33
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	94,266,496	94,266,496

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
Revenue	19,463	22,905
Cost of sales	(23,245)	(24,668)
Gross loss	(3,782)	(1,763)
Other gains	12	109
Government grants and subsidies	992	951
Finance income	178	11
Gain on disposal of property, plant, and equipment	54	-
Selling and distribution costs	(207)	(335)
Personnel expenses	(3,686)	(3,580)
Depreciation	(2,314)	(2,065)
Amortisation – right-of-use assets	(122)	(115)
General and administrative expenses	(1,947)	(1,377)
Finance costs	(107)	(117)
Loss on sale of other assets under development	(159)	-
Net foreign exchange (losses) / gains	(107)	78
<b>Loss before income tax expense</b>	<b>(11,195)</b>	<b>(8,203)</b>
Income tax expense	(9)	(71)
<b>Loss for the year from continuing operations</b>	<b>(11,204)</b>	<b>(8,274)</b>
Profit from discontinued operations	3,170	21,785
<b>(Loss) / profit for the year</b>	<b>(8,034)</b>	<b>13,511</b>
<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	3,469	(4,418)
Derecognition of foreign currency translation reserve	434	4,729
Other comprehensive income for the year, net of tax	3,903	311
<b>Total comprehensive (loss) / income for the year</b>	<b>(4,131)</b>	<b>13,822</b>
<b>(Loss) / profit per share attributable to owners of the Company</b>		
Basic and diluted (cents per share) – continuing operations	(11.88)	(8.78)
Basic and diluted (cents per share) – discontinued operations	3.36	23.11
Basic and diluted (cents per share)	(8.52)	14.33

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023 (continued)**

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

	<b>2023</b> <b>\$'000</b>	<b>2022</b> <b>\$'000</b>
<b><i>Personnel expenses</i></b>		
Key management personnel remuneration	1,271	1,206
Wages and salaries	6,230	5,315
Contributions to defined contribution plans	28	35
Termination benefits	84	111
Other employee benefits	1,367	1,219
Total personnel expenses	8,980	7,886
Less: amount allocated to cost of sales	(5,294)	(4,306)
Amount allocated to personnel expenses	3,686	3,580
<b><i>General and administrative expenses</i></b>		
Auditors remuneration	293	213
Legal and consultancy fees	767	418
Insurance	72	58
Travelling	148	89
Low value / short term lease payments	122	102
Others	545	497
	1,947	1,377
<b><i>Discontinued operations - summary</i></b>		
Gain on disposal of subsidiaries	-	21,224
Gain on disposal of associate	2,295	31
Dividend received from associate	1,216	-
Share of profit of associate	-	531
Loss on discontinued operations prior to disposal	(341)	(1)
Profit after income tax expense on discontinued operations	3,170	21,785

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2023**

	<b>2023 \$'000</b>	<b>2022 \$'000</b>
<b>Assets</b>		
Cash and cash equivalents	7,493	11,184
Trade and other receivables	1,943	2,640
Inventories	2,809	2,597
Prepayments	183	161
Assets held for sale	-	1,929
<b>Total current assets</b>	<b>12,428</b>	<b>18,511</b>
Other assets under development	-	386
Property, plant, and equipment	28,450	27,435
Right of use assets	298	86
Deferred tax assets	22	33
<b>Total non-current assets</b>	<b>28,770</b>	<b>27,940</b>
<b>Total assets</b>	<b>41,198</b>	<b>46,451</b>
<b>Liabilities</b>		
Trade and other payables	5,833	4,736
Borrowings	88	2,422
Lease Liabilities	192	32
Provisions	9	13
<b>Total current liabilities</b>	<b>6,122</b>	<b>7,203</b>
Lease Liabilities	111	56
Deferred tax liabilities	-	95
<b>Total non-current liabilities</b>	<b>111</b>	<b>151</b>
<b>Total liabilities</b>	<b>6,233</b>	<b>7,354</b>
<b>Net assets</b>	<b>34,965</b>	<b>39,097</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**  
**AS AT 31 MARCH 2023**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Equity</b>		
Issued capital	2,944	2,944
Retained earnings	19,675	27,709
Foreign currency translation reserve	12,346	8,444
<b>Total equity</b>	<b>34,965</b>	<b>39,097</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	20,459	25,377
Payments to suppliers and employees	(27,566)	(33,507)
Receipts from government subsidies	64	1,589
Refund of government subsidies	(3)	-
Finance costs paid	(108)	(121)
Income tax received	-	111
Net cash used in operating activities	(7,154)	(6,551)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of subsidiaries	-	22,067
Proceeds from disposal of associates	2,766	10
Interest received	163	8
Proceeds from disposal of property, plant, and equipment	117	-
Payments for property, plant, and equipment	(138)	(218)
Payments for other assets under development	-	(268)
Proceeds from sale of other assets under development	263	-
Dividend received from an associate	1,094	716
Proceeds from capital reduction of investment in an associate	551	-
Cash held on disposal of subsidiaries	-	(449)
Net cash from investing activities	4,816	21,866
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(2,562)	(5,137)
Proceeds from related party loans	144	-
Repayment of related party loans	(144)	(269)
Dividends paid	-	(943)
Payments of right of use asset lease liabilities	(119)	(122)
Net cash used in financing activities	(2,681)	(6,471)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(5,019)</b>	<b>8,844</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11,184</b>	<b>1,688</b>
Effects of exchange rate fluctuations on cash held	1,328	652
<b>Cash and cash equivalents at the end of the year</b>	<b>7,493</b>	<b>11,184</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash on hand and at bank	1,597	612
Fixed bank deposits with original maturities less than 3 months	5,896	10,572
Bank balances and cash	<u>7,493</u>	<u>11,184</u>
<b>Discontinued operations cash flow information</b>		
Net cash used in operating activities	-	(589)
Net cash from / (used in) investing activities	4,411	(449)
Net increase (decrease) in cash and cash equivalents from discontinued operations	<u>4,411</u>	<u>(1,038)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
<b>Balance on 1 April 2021</b>	2,944	15,134	8,133	26,211
Profit for the year	-	13,511	-	13,511
Other comprehensive income	-	-	311	311
<b>Total comprehensive income for the year</b>	-	13,511	311	13,822
Reversal of unclaimed dividends	-	7	-	7
Dividends paid	-	(943)	-	(943)
<b>Balance on 31 March 2022</b>	<b>2,944</b>	<b>27,709</b>	<b>8,444</b>	<b>39,097</b>
Loss for the year	-	(8,034)	-	(8,034)
Other comprehensive income	-	-	3,902	3,902
<b>Total comprehensive loss for the year</b>	-	(8,034)	3,902	(4,132)
<b>Balance on 31 March 2023</b>	<b>2,944</b>	<b>19,675</b>	<b>12,346</b>	<b>34,965</b>

## Operating segments

The Group has identified the following three operating segments that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources:

- Home textiles – USA
- Footwear trading
- Footwear manufacturing and trading

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

Segment revenue and results	Revenue		Segment profit / (loss)	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Home textiles	3,733	2,668	(4,191)	(3,479)
Footwear trading	12,358	16,887	1	439
Footwear manufacturing and trading	3,372	3,350	(4,142)	(2,553)
	19,463	22,905	(8,332)	(5,593)
Eliminations	-	-	2	-
	19,463	22,905	(8,330)	(5,593)
Finance income			178	11
Finance costs			(107)	(117)
Central administrative expenses			(2,936)	(2,504)
<b>Loss before tax from continuing operations</b>			<b>(11,195)</b>	<b>(8,203)</b>
Segment assets and liabilities	Assets		Liabilities	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Home textiles	28,044	27,332	1,737	3,568
Footwear trading	1,961	1,576	2,481	1,504
Footwear manufacturing and trading	4,482	4,233	1,031	1,374
Total segment assets and liabilities	34,487	33,141	5,249	6,446
Corporate and other segment assets/liabilities	6,711	11,381	984	908
Assets held for sale	-	1,929	-	-
<b>Total</b>	<b>41,198</b>	<b>46,451</b>	<b>6,233</b>	<b>7,354</b>

### Operating segments (continued)

Geographical information	Revenue		Non-current assets	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
USA	19,463	22,905	28,442	27,816
China / Hong Kong	-	-	306	91
	<b>19,463</b>	<b>22,905</b>	<b>28,748</b>	<b>27,907</b>

Revenue from external customers is attributed to individual countries where customers are located.

Non-current assets comprise property, plant, and equipment and right of use assets.

### Loss of control over entities

Name of entities	Date control lost
<b>Associate</b> Tianjin Jiahua Footwear Company Limited	26 September 2022

### Details of associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Details of each of the Groups significant associates on 31 March 2023 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2023 %	2022 %
Tianjin Jiahua Footwear Company Limited	Footwear manufacturing	China	-	30.00
Tianjin Tianxing Kesheng Leather Products Company Limited	Footwear manufacturing	China	33.79	33.79

### **Details of associates (continued)**

#### ***Tianjin Jiahua Footwear Company Limited***

As advised to the market on 5 October 2022, the sale of associate Tianjin Jiahua Footwear Company Limited (30% owned by MHI), was settled for consideration of RMB 15,450 thousand (\$3,036 thousand) after 10% withholding tax deducted at source. Funds were received on 1 November 2022.

#### ***Tianjin Tianxing Kesheng Leather Products Company Limited***

In the prior year, due to sustained losses and a challenging business outlook, the Group wrote-off its investment in Tianxing because recoverability of the carrying amount was uncertain.

### **Accounting standards**

The financial report is prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board (AASB). This report also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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.

### **Audited Financial Report**

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report.

In line with previous years, the Preliminary Final Report is unaudited and contains disclosures which are extracted and derived from the Annual Financial Report for the year ended 31 March 2023. The Annual Financial Report is in the process of being audited.



David M McArthur  
Company Secretary  
26 May 2023