



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4D and
FINANCIAL REPORT

For the half-year ended 30 September 2022

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Appendix 4D

Reporting period (current period)	Half-year ended 30 September 2022
Previous corresponding period	Half-year ended 30 September 2021

Results for announcement to the market

	6 months to 30 Sep 2022 \$'000	6 months to 30 Sep 2021 (restated) \$'000	Percentage increase / (decrease)
Revenue from ordinary activities	10,397	11,321	(8.16)
Loss from continuing operations after income tax attributable to owners of the company	(4,122)	(4,402)	(6.16)
Profit from discontinued operations after income tax attributable to owners of the company	3,170	21,420	(85.20)
Net (loss) / profit attributable to owners of the company	(952)	17,018	(105.65)

Dividend information

	Amount per share (cents)	Franked amount per share (cents)
Final 2022 dividend per share	Nil	Nil
Interim 2022 dividend per share	Nil	Nil

Net tangible assets

	30 Sep 2022	30 Sep 2021
Net tangible assets per ordinary share (cents)	46.17	46.91

Loss of control over entities

Name of entities	Date control lost
N/A	

Details of associates

	Reporting entity's percentage holding		Contribution to profit / (loss)	
	30 Sep 2022 %	30 Sep 2021 %	30 Sep 2022 \$'000	30 Sep 2021 \$'000
<i>Name of associate</i>				
Tianjin Jiahua Footwear Company Limited	-	30.00	-	187
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79	33.79	-	-
<i>Group's aggregate share of associate entities profit</i>				
Profit from ordinary activities before income tax			-	239
Income tax on operating activities			-	(52)

Review of Results

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 September 2022. This Interim Financial Report should be read in conjunction with the most recent annual financial report.

Review Report

This Interim Financial Report has been subject to review by the Company's external auditor.

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 2022.

Directors

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

Ms Loretta Bic Hing Lee	Executive Chairperson
Mr Ian James Burton	Non-executive Director
Ms Peggy Zi Yin Liao	Non-executive Director – resigned on 28 September 2022
Ms Xiao Lan Wu	Non-executive Director
Mr Oliver Hein	Non-executive Director

Principal activities

The principal activities of the Group are the design, manufacture and marketing of leather boots and shoes and home textile products in United States of America ("USA"). Products distributed by the Group include work boots, waterproof and safety toe footwear, and towels. The Group's major sales market is USA.

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: MHI). 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 has been 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 ("USA").

The USA textiles division has reported a reduction in sales compared with the same period last year, despite an increase in manufacturing. This resulted in a small increase in operating loss. Orders despatched during the last six months has resulted in less dependency on the parent company for funding with the division actively sourcing orders for the second half of 2023.

The Footwear division is our major business. As sales in our China operations continue to decline, the Group is focussed on manufacturing its footwear in the USA. The Tennessee factory has been producing at full capacity and continues to investigate possible solutions to improve product quality and efficiency, in particular sourcing skilled local labour. Increased sales have greatly reduced this division's operating loss compared with the same period last year.

Subsequent events

Other than the matters disclosed in note 10 of the notes to the 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 2022 (2021: Nil).

No interim dividend was declared for the half-year ending 30 September 2022 (30 September 2021: Nil).

Signed in accordance with a resolution of Directors.

On behalf of the Directors,



Ian James Burton
Director

Perth, Australia
29 November 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Half-year ended 30 September 2022

	Note	30 Sep 2022 \$'000	30 Sep 2021 \$'000
Revenue	3	10,397	11,321
Cost of sales		(11,329)	(12,258)
Gross loss		(932)	(937)
Government grants and subsidies		986	463
Selling and distribution costs		(151)	(188)
Depreciation and amortisation		(1,156)	(1,078)
Employee benefits expense		(1,802)	(1,748)
Loss on sale of other assets under development		(156)	-
Other losses		(3)	(132)
General and administrative expenses		(896)	(682)
Results from operating activities		(4,110)	(4,302)
Interest income		46	6
Interest expense		(42)	(68)
		4	(62)
Loss before income tax expense from continuing operations		(4,106)	(4,364)
Income tax expense		(16)	(38)
Loss after income tax expense from continuing operations		(4,122)	(4,402)
Profit after income tax expense from discontinued operations	4	3,170	21,420
(Loss) / profit after income tax expense for the period		(952)	17,018

The above statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Half-year ended 30 September 2022

	30 Sep 2022 \$'000	30 Sep 2021 \$'000
(Loss) / profit for the period	(952)	17,018
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign exchange translation	5,035	(2,670)
Derecognition of foreign currency translation reserve	434	4,729
Other comprehensive income for the period, net of tax	5,469	2,059
Total comprehensive income for the period attributable to owners of the Company	4,517	19,077
(Loss) / profit for the period is attributable to:		
Continuing operations	(4,122)	(4,402)
Discontinued operations	3,170	21,420
	(952)	17,018
Comprehensive income for the period is attributable to:		
Continuing operations	913	(5,472)
Discontinued operations	3,604	24,549
	4,517	19,077
(Loss) / profit per share attributable to owners of the Company:		
Basic and diluted (cents per share) – continuing operations	(4.37)	(4.47)
Basic and diluted (cents per share) – discontinued operations	3.36	22.52
Basic and diluted (cents per share)	(1.01)	18.05

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Note	30 Sep 2022 \$'000	31 Mar 2022 \$'000
Assets			
Cash and cash equivalents		10,578	11,184
Receivables	5	7,938	2,640
Inventories		3,728	2,597
Prepayments		120	161
		22,364	16,582
Assets held for sale		-	1,929
Total current assets		22,364	18,511
Other assets under development		-	386
Property, plant, and equipment	6	30,666	27,435
Right of use assets		78	86
Deferred tax assets		15	33
Total non-current assets		30,759	27,940
Total assets		53,123	46,451
Liabilities			
Trade and other payables	7	7,345	4,736
Borrowings		2,074	2,422
Lease liabilities		30	32
Provisions		10	13
		9,459	7,203
Liabilities associated with assets held for sale		-	-
Total current liabilities		9,459	7,203
Lease liabilities		50	56
Deferred tax liabilities		-	95
Total non-current liabilities		50	151
Total liabilities		9,509	7,354
Net assets		43,614	39,097

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2022

	Note	30 Sep 2022 \$'000	31 Mar 2022 \$'000
Equity			
Issued capital	8	2,944	2,944
Foreign currency translation reserve		13,913	8,444
Retained earnings		26,757	27,709
Total equity		43,614	39,097

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Half-year ended 30 September 2022

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance as of 1 April 2022	2,944	27,709	8,444	39,097
Loss for the period	-	(952)	-	(952)
Other comprehensive income	-	-	5,469	5,469
Total comprehensive income for the period	-	(952)	5,469	4,517
Balance as of 30 September 2022	2,944	26,757	13,913	43,614
Balance as of 1 April 2021	2,944	15,134	8,133	26,211
Profit for the period	-	17,018	-	17,018
Other comprehensive income	-	-	2,059	2,059
Total comprehensive income for the period	-	17,018	2,059	19,077
Reversal of unclaimed dividends	-	(942)	-	(942)
Balance as of 30 September 2021	2,944	31,210	10,192	44,346

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
Half-year ended 30 September 2022

	Note	30 Sep 2022 \$'000	30 Sep 2021 \$'000
Cash flows from operating activities			
Receipts from customers		8,716	12,773
Payments to suppliers and employees		(12,136)	(17,272)
Receipts from government subsidies		63	1,122
Interest paid		(42)	(72)
Net cash used in operating activities	9	(3,399)	(3,449)
Cash flows from investing activities			
Interest received		42	5
Proceeds from disposal of subsidiary		-	22,067
Cash held on disposal of subsidiary		-	(449)
Payments for property, plant, and equipment	6	(78)	(53)
Dividend received from associate		1,094	704
Proceeds from capital reduction of investment in associates		551	-
Proceeds from sale of / (payments for) other assets under development		257	(262)
Net cash generated from investing activities		1,866	22,012
Cash flows from financing activities			
Repayment of borrowings		(677)	(3,130)
Repayment of related party loans		-	(265)
Payments of right of use asset lease liabilities		(21)	(95)
Dividends paid		-	(942)
Net cash used in financing activities		(698)	(4,432)
Net (decrease) / increase in cash and cash equivalents		(2,231)	14,131
Cash and cash equivalents at the beginning of the period		11,184	1,688
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		1,625	1,154
Cash and cash equivalents at the end of the period		10,578	16,973

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL REPORT Half-year ended 30 September 2022

CORPORATE INFORMATION

The financial statements cover Merchant House International Limited as a consolidated entity consisting of Merchant House International Limited (the "Company" or "MHI") and the entities it controlled at the end of, or during, the half year. The financial statements are presented in Australian dollars, which is the Company's presentation currency.

MHI is a listed public company limited by shares incorporated in Bermuda and domiciled in Hong Kong. Its registered office and principal place of business are:

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

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the directors, on 29 November 2022.

1. Significant Accounting Policies

These general-purpose financial statements for the interim half-year reporting period ended 30 September 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting", as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2022 and any public announcements made by the company during the interim reporting period.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise state.

New or amended Accounting Standards and Interpretations adopted

Standards and interpretations applicable to 30 September 2022

For the half-year ended 30 September 2022, 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 April 2022.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

The Directors have also reviewed all 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 April 2022.

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 Group accounting policies.

2. Operating Segments

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group currently operates in 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.

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with AASB 8 *Operating Segments*.

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 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021 (Restated)
	\$'000	\$'000	\$'000	\$'000
Home textile	1,493	1,855	(2,311)	(1,644)
Footwear trading	7,046	8,556	19	193
Footwear manufacturing	1,858	910	(456)	(1,621)
	10,397	11,321	(2,748)	(3,072)
Eliminations	-	-	3	228
Total	10,397	11,321	(2,745)	(2,844)
Finance income			46	6
Finance costs			(42)	(68)
Central administrative expenses			(1,365)	(1,458)
Loss before tax from continuing operations			(4,106)	(4,364)

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

2. Operating Segments (continued)

Segment profit / (loss) represents the profit / (loss) before tax earned by each segment without allocation of central administrative expenses and directors' remuneration. These are the measures reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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 2022 \$'000	31 Mar 2022 \$'000	30 Sep 2022 \$'000	31 Mar 2022 \$'000
Home textile – USA	30,662	27,332	3,667	3,568
Footwear trading	6,858	1,576	3,624	1,504
Footwear manufacturing	5,873	4,233	1,422	1,374
Total segment assets and liabilities	43,393	33,141	8,713	6,446
Corporate and other segment assets and liabilities	9,730	11,381	796	908
Assets and liabilities held for sale	-	1,929	-	-
Total	53,123	46,451	9,509	7,354

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

- all assets are allocated to reportable segments other than 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.

3. Revenue

	30 Sep 2022 \$'000	30 Sep 2021 \$'000
From continuing operations		
<i>Revenue from contracts with customer</i>		
Sale of goods	10,397	11,321
Revenue from continuing operations	10,397	11,321

3. Revenue (continued)

Sale of goods

Revenue is recognised when control over a product or services is transferred to the customers at the amount of promised consideration to which the company is expected to be entitled. Revenue is recognised when the customer has obtained control of the goods and is stated after deduction of any trade discounts.

Control of goods for both the Textile and Footwear divisions, transfers to the customer Free on Board, ex-warehouse, per the terms of the sales agreements.

	30 Sep 2022 \$'000	30 Sep 2021 \$'000
<i>Revenue by geographical region</i>		
USA	10,397	11,321
Rest of World	-	-
	10,397	11,321
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	10,397	11,321

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.

4. Discontinued operations

Disposal of associate Tianjin Jiahua Footwear Company Limited ("Jiahua")

As advised to the market on 18 February 2022, associate Tianjin Jiahua Footwear Company Limited ("Jiahua") (30% owned by MHI) ceased operations in the first quarter of 2022 due to the change of business environment in China. On 26 September 2022, the sale of Jiahua was settled, for consideration of RMB 15.45 million (\$3,036 thousand) after 10% withholding tax deducted at source. Funds were received on 1 November 2022 (refer note 10).

To adequately reflect the continuing operations of the Group, the associated asset (previously classified as held for sale) is disclosed as a discontinued operation for the financial periods ending 30 September 2022 and 30 September 2021.

4. Discontinued operations

	\$'000
Consideration	3,265
Value of investment on disposal	(289)
Realisation of cumulative translation adjustments	500
	<u>3,476</u>
Withholding tax deducted at source	(306)
Gain on disposal	<u>3,170</u>
Consideration	3,265
Withholding tax deducted at source	(306)
Exchange differences	77
Balance due *	<u>3,036</u>

* Paid on 1 November 2022 (refer note 10).

5. Receivables

	Note	30 Sep 2022 \$'000	31 Mar 2022 \$'000
Current			
Trade receivables		4,784	2,558
Proceeds from sale of associate	4	3,036	-
Interest and other receivables		48	22
Deposits		70	60
		<u>7,938</u>	<u>2,640</u>

6. Property, plant, and equipment

	Buildings \$'000	Freehold land \$'000	Building improvements \$'000	Plant and equipment \$'000	Total \$'000
Balance on 1 April 2021	4,139	579	5,056	14,930	24,704
Additions	35	-	-	183	218
Transfers from other assets under development	8	-	-	3,916	3,924
Depreciation	(165)	-	(310)	(1,590)	(2,065)
Exchange differences	118	16	147	373	654
Balance on 31 March 2022	4,135	595	4,893	17,812	27,435
Additions	-	-	-	78	78
Depreciation	(86)	-	(150)	(900)	(1,136)
Exchange differences	653	95	768	2,773	4,289
Balance on 30 September 2022	4,702	690	5,511	19,763	30,666

7. Payables

	30 Sep 2022 \$'000	31 Mar 2022 \$'000
Current		
Trade payables	1,448	786
Amounts payable to associates	3,526	1,420
Accruals	585	302
Deferred government grant where conditions have not been satisfied	1,228	1,910
Others	558	318
	7,345	4,736

8. Issued capital

Issued capital as of 30 September 2022 amounted to \$2.94 million (94,266,496 ordinary shares). There were no movements in the issued capital of the Company in the current and prior interim reporting periods.

9. Reconciliation of loss after tax to net cash used in operating activities

	30 Sep 2022 \$'000	30 Sep 2021 (Restated) \$'000
Loss for the period	(4,122)	(4,402)
Income tax expense for the period	-	38
Depreciation and amortisation of non-current assets	1,156	1,079
Net exchange loss on foreign currency transactions	1	132
Interest income	(46)	(6)
Deferred government grants – conditions now satisfied	(951)	(463)
Loss on sale of other assets under development	156	-
Other expenses	-	5
Change in receivables and prepayments	(1,638)	988
Change in inventories	(663)	(1,290)
Changes in deferred tax assets	16	-
Change in payables	2,697	397
Change in interest bearing liabilities	-	(4)
Change in contract liabilities	-	103
Change in provisions	(5)	(26)
Cash used in continuing operations	(3,399)	(3,449)
Income tax paid	-	-
Net cash used in continuing operating activities	(3,399)	(3,449)
Operating profit from discontinued operations	3,170	-
Net cash used in operating activities	(229)	(3,449)

10. Events after the reporting date

On 1 November 2022, the Group received the outstanding balance of \$3,036 thousand completing the sale of its investment in Jiahua.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and the Group continues to work closely with its customers and suppliers in managing its customer orders and production schedules particularly within the US economy.

Other than the above 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 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 of 30 September 2022 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 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Merchant House International Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Merchant House International Limited (the company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 September 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 30 September 2022, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Group*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the Group are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Applicable financial reporting framework and for such internal control as the directors determine is necessary to enable 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not present fairly, in all material respects, the financial position of the Group as at 30 September 2022 and of its financial performance and its cash flows for the half-year ended on that date, accordance with AASB 134 *Interim Financial Reporting*.



A review of a 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.

BDO Audit (WA) Pty Ltd

BDO


Dean Just
Director

Perth

29 November 2022