



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

**APPENDIX 4D and
FINANCIAL REPORT**

For the half-year ended 30 September 2021

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Appendix 4D

Reporting period (current period)	Half-year ended 30 September 2021
Previous corresponding period	Half-year ended 30 September 2020

Results for announcement to the market

Results performance	6 months to 30 Sep 2021 \$'000	6 months to 30 Sep 2020 (Restated) \$'000	Percentage Increase / (decrease)
Revenue from ordinary activities	11,321	7,436	52.24
Loss after tax attributable to owners of the Company	(4,215)	(4,770)	(11.64)
Net profit / (loss) attributable to owners of the Company	17,018	(2,400)	809.08

Results for the previous corresponding period have been adjusted to only disclose revenue and loss from continuing operations.

Dividend information

	Amount per share (cents)	Franked amount per share (cents)
Final 2021 dividend per share	Nil	Nil
Special 2021 dividend per share (paid 11 June 2021)	1	Nil
Interim 2022 dividend per share	Nil	Nil

Net tangible assets

	30 Sep 2021	30 Sep 2020 (Restated)
Net tangible assets per ordinary share (cents)	46.91	35.85

Loss of control over entities

Name of entities	Date control lost
Carsan (Shunde) Manufacturing Co Ltd Carsan Trading Co Ltd	16 April 2021 16 April 2021

Details of associates

	Reporting entity's percentage holding		Contribution to profit / (loss)	
	30 Sep 2021 %	30 Sep 2020 %	30 Sep 2021 \$'000	30 Sep 2020 \$'000
<i>Name of associate</i>				
Tianjin Jiahua Footwear Company Limited	30.00	30.00	187	445
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79	33.79	-	-
Jawa (Jiangsu) Textiles Company Limited	-	33.33	-	-
<i>Group's aggregate share of associate entities profit</i>				
Profit from ordinary activities before income tax			239	539
Income tax on operating activities			(52)	(94)

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 2021. 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 2021.

Directors

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

Ms Loretta Bic Hing Lee

Mr Ian James Burton

Ms Peggy Zi Yin Liao

Ms Xiao Lan Wu

Mr Oliver Hein

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, safety toe footwear and towels. The Group's major sales market is USA.

On 16 April 2021, the Group sold its Chinese investment in Carsan (Shunde) Manufacturing Co. Ltd to focus on its operations in the 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"). 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.

On 16 April 2021, the sale of Carsan (Shunde) Manufacturing Co. Ltd, the Group's its 100% owned subsidiary in China, was completed.

Following the disposal of Carsan, the Group's focus is on the operations of both USA factories.

Since the textile factory in Virginia opened a year ago, labour costs have reduced by 36% as employee's become more skilful in the manufacturing process. Coupled with an increase in sales price, this factory is edging closer to a break-even position.

As we recover from the pandemic, it has been comforting to receive large orders from our long-term, loyal customers since the setup of the Hong Kong and China businesses.

Looking ahead to the second half of the year, exceptional efforts will be aimed at the textile products as well as efficiency improvements on footwear manufacturing.

Subsequent events

Other than the matters disclosed in note 15 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

A special dividend of \$0.01 per ordinary share was paid to shareholders on 11 June 2021.

No final dividend was proposed or paid during the reporting period in respect of the year ended 31 March 2021 (2020: Nil).

No interim dividend was declared for the year ending 31 March 2021 (2021: Nil).

Signed in accordance with a resolution of Directors.

On behalf of the Directors,



Ian James Burton
Director

Perth, Australia
26 November 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Half-year ended 30 September 2021

	Note	30 Sep 2021 \$'000	30 Sep 2020 (Restated) ⁽¹⁾ \$'000
Revenue	3	11,321	7,436
Cost of sales		(12,258)	(8,901)
Gross loss		(937)	(1,465)
Government grants and subsidies		463	887
Selling and distribution costs		(188)	(129)
Depreciation and amortisation	5	(1,078)	(1,088)
Employee benefits expense	5	(1,748)	(1,553)
Other losses	4	(132)	(1,008)
General and administrative expenses	5	(682)	(687)
Results from operating activities		(4,302)	(5,043)
Interest income	5	6	28
Interest expense	5	(68)	(159)
		(62)	(131)
Share of profit of associates		187	445
Loss before income tax expense from continuing operations		(4,177)	(4,729)
Income tax expense		(38)	(41)
Loss after income tax expense from continuing operations		(4,215)	(4,770)
Profit after income tax expense from discontinued operations	6	21,233	2,370
Profit / (loss) after income tax expense for the period		17,018	(2,400)

(1) The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 6.

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 2021

	Note	30 Sep 2021 \$'000	30 Sep 2020 (Restated) ⁽¹⁾ \$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation		(2,670)	(4,827)
Derecognition of foreign currency translation reserve	6	4,729	-
Other comprehensive income / (loss) for the period, net of tax		2,059	(4,827)
Total comprehensive income / (loss) for the period attributable to owners of the Company		19,077	(7,227)
Profit / (loss) for the year is attributable to:			
Continuing operations		(4,215)	(4,770)
Discontinued operations		21,233	2,370
		17,018	(2,400)
Comprehensive income / (loss) for the year is attributable to:			
Continuing operations		(5,472)	(9,717)
Discontinued operations		24,549	2,490
		19,077	(7,227)
Profit / (loss) per share attributable to owners of the Company:			
Basic and diluted (cents per share) – continuing operations		(4.47)	(5.06)
Basic and diluted (cents per share) – discontinued operations		22.52	2.51
Basic and diluted (cents per share)		18.05	(2.55)

(1) The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 6.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Assets			
Cash and cash equivalents	7	16,973	645
Receivables		4,109	4,062
Inventories		3,118	1,659
Current tax assets		113	-
Prepayments		340	265
		24,653	6,631
Assets held for sale		-	8,035
Total current assets		24,653	14,666
Other assets under development	8	815	4,099
Interests in associates		1,622	1,325
Property, plant, and equipment	9	29,207	24,704
Right of use assets		116	194
Deferred tax assets		13	31
Total non-current assets		31,773	30,353
Total assets		56,426	45,019
Liabilities			
Payables		7,252	6,166
Borrowings	10	4,522	5,888
Lease liabilities		46	118
Contract liabilities		108	4,035
Provisions		38	45
		11,966	16,252
Liabilities associated with assets held for sale		-	2,449
Total current liabilities		11,966	18,701
Lease liabilities		72	86
Deferred tax liabilities		42	21
Total non-current liabilities		114	107
Total liabilities		12,080	18,808
Net assets		44,346	26,211

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 2021

	Note	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Equity			
Issued capital	11	2,944	2,944
Foreign currency translation reserve		10,192	8,133
Retained earnings		31,210	15,134
Total equity		44,346	26,211

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 2021

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
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
Dividends provided for or paid	-	(942)	-	(942)
Balance as of 30 September 2021	2,944	31,210	10,192	44,346
Balance as of 1 April 2020	2,944	22,858	16,539	42,341
Loss for the period	-	(2,400)	-	(2,400)
Other comprehensive income	-	-	(4,827)	(4,827)
Total comprehensive income for the period	-	(2,400)	(4,827)	(7,227)
Reversal of unclaimed dividends	-	2	-	2
Balance as of 30 September 2020	2,944	20,460	11,712	35,116

(1) The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 6.

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 2021

	Note	30 Sep 2021 \$'000	30 Sep 2020 \$'000
Cash flows from operating activities			
Receipts from customers		12,773	16,237
Payments to suppliers and employees		(17,272)	(19,484)
Receipts from government subsidies		1,122	1,298
Repayment of government subsidies		-	(52)
Interest paid		(72)	(191)
Income tax paid		-	(171)
Net cash used in operating activities	17	(3,449)	(2,363)
Cash flows from investing activities			
Interest received		5	31
Proceeds from disposal of subsidiary		22,067	-
Cash held on disposal of subsidiary		(449)	-
Payments for property, plant, and equipment	9	(53)	(139)
Dividend received from associate		704	1,263
Payments for other assets under development	8	(262)	(89)
Net cash generated from investing activities		22,012	1,066
Cash flows from financing activities			
Proceeds from bank borrowings		-	3,304
Repayment of bank borrowings		(3,130)	(7,285)
Repayment of related party loans		(265)	-
Payments of right of use asset lease liabilities		(95)	(96)
Dividends paid		(942)	-
Decrease in pledged deposit		-	2,650
Net cash used in financing activities		(4,432)	(1,427)
Net increase / (decrease) in cash and cash equivalents		14,131	(2,724)
Cash and cash equivalents at the beginning of the period		1,688	5,292
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		1,154	(603)
Cash and cash equivalents at the end of the period		16,973	1,965

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 2021

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 26 November 2021.

1. Significant Accounting Policies

These general-purpose financial statements for the interim half-year reporting period ended 30 September 2021 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 2021 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

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 – USA
- Footwear trading
- Footwear manufacturing

2. Operating Segments (continued)

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 2021	30 Sep 2020 (Restated)	30 Sep 2021	30 Sep 2020 (Restated)
	\$'000	\$'000	\$'000	\$'000
Home textile – USA	1,855	1,650	(1,644)	(2,486)
Footwear trading	8,556	5,585	193	16
Footwear manufacturing	910	209	(1,621)	(693)
	11,321	7,444	(3,072)	(3,163)
Eliminations	-	(8)	228	77
Total	11,321	7,436	(2,844)	(3,086)
Share of profit of associates			187	445
Finance income			6	28
Finance costs			(68)	(160)
Net exchange loss on foreign currency transactions of parent company			-	(1,270)
Central administrative expenses			(1,458)	(686)
Loss before tax from continuing operations			(4,177)	(4,729)

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

Segment profit / (loss) represents the profit / (loss) before tax earned by each segment without allocation of central administrative expenses and directors' remuneration, share of profit of associates and net exchange loss on foreign currency transactions of the parent company. These are the measures reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

2. Operating Segments (continued)

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 2021 \$'000	31 Mar 2021 \$'000	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Home textile – USA	30,564	28,737	5,538	6,288
Footwear trading	2,849	3,370	2,754	2,509
Footwear manufacturing	4,684	2,996	2,295	1,510
Total segment assets and liabilities	38,097	35,103	10,587	10,307
Interests in associates	1,622	1,325	-	-
Corporate and other segment assets and liabilities	16,707	556	1,493	6,052
Assets and liabilities held for sale	-	8,035	-	2,449
Total	56,426	45,019	12,080	18,808

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 2021 \$'000	30 Sep 2020 (Restated) \$'000
From continuing operations		
<i>Revenue from contracts with customer</i>		
Sale of goods	11,321	7,436
Revenue from continuing operations	11,321	7,436

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.

USA: control of goods is transferred when goods are packed and ready for dispatch for Textile and ex-factory basis for Footwear.

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
<i>Revenue by geographical region</i>		
USA	11,321	7,349
Rest of World	-	87
	11,321	7,436
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	11,321	7,436

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. Other losses

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
Net exchange loss on foreign currency transactions	(132)	(1,023)
Other	-	15
	(132)	(1,008)

5. Other expenses

Profit before income tax from continuing operations includes the following specific expenses:

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
<i>Depreciation and amortisation expenses</i>		
Depreciation of property, plant, and equipment	990	996
Amortisation of right-of-use assets	88	92
	1,078	1,088
<i>Employee benefits expense</i>		
Key management personnel remuneration	594	467
Wages and salaries	2,289	1,963
Contributions to defined contribution plans	20	20
Other employee benefits	696	535
Total employee benefits expense	3,599	2,985
Less: amount allocated to cost of sales	(1,851)	(1,432)
Amount allocated to employee benefits expense	1,748	1,553
<i>Finance costs</i>		
Interest and finance charges paid / payable on borrowings	65	153
Interest and finance charges paid / payable on lease liabilities	3	6
	68	159
<i>Administrative expenses</i>		
Auditor's remuneration	127	140
Legal and consultancy fees	207	228
Insurance	29	33
Travelling	30	19
Low value / short term lease payments	14	20
Other	275	247
	682	687

6. Discontinued operations

Summary

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
Gain on disposal of subsidiaries	21,224	-
Gain on disposal of associates	10	-
Loss on discontinued operations prior to disposal	(1)	-
	21,233	-

Disposal of Carsan (Shunde) Manufacturing Company Ltd

On 16 April 2021, the Group sold Carsan (Shunde) Manufacturing Company Ltd ("Carsan"), a subsidiary of Merchant House International Limited, for consideration of RMB 135 million (\$26,924 thousand).

To adequately reflect the continuing operations of the Group, the financial performance for Carsan is disclosed as a discontinued operation for half-years ending 30 September 2021 and 30 September 2020.

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
<i>Cash flow information</i>		
Net cash (used in) / from operating activities	(589)	4,608
Net cash used in investing activities	(449)	(4,767)
Net decrease in cash and cash equivalents from discontinued operations	(1,038)	(159)
<i>Financial performance information</i>		
Revenue	-	16,211
Cost of sales	-	(11,719)
Gross profit	-	4,492
Selling and distribution costs	-	(492)
Depreciation and amortisation	-	(439)
Employee benefits expense	-	(903)
Other gains	-	265
General and administrative expenses	(1)	(279)
Finance costs	-	(23)
(Loss) / profit before income tax	(1)	2,621
Income tax expense	-	(251)
(Loss) / profit after income tax expense on discontinued operations	(1)	2,370

6. Discontinued operations (continued)

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
<i>Carrying amounts of assets and liabilities disposed</i>		
Cash and cash equivalents	449	-
Trade and other receivables	10	-
Inventories	144	-
Property, plant, and equipment	4,123	-
Right-of-use assets	1,032	-
Trade and other payables	(32)	-
Net assets	5,726	-
<i>Details of the disposal</i>		
Total sale consideration	26,924	-
Liabilities settled	(4,665)	-
Carrying amount of net assets disposed	(5,726)	-
Derecognition of foreign currency reserve	4,729	-
Disposal costs	(38)	-
Gain on disposal before income tax	21,224	-
Gain on disposal after income tax	21,224	-

Disposal of associate Jawa (Jiangsu) Textiles Co. Ltd

On 28 April 2021, the Group sold its 33.33% investment in Jawa (Jiangsu) Textiles Co Ltd, a dormant associate of Loretta Lee Limited, for \$30 thousand (RMB 150 thousand) payable in three instalments of RMB 50 thousand. A deposit of \$10 thousand (RMB 50 thousand) was received in December 2020, with the balance payable in equal instalments of \$10 thousand (RMB 50 thousand) in December 2021 and December 2022, respectively.

There is a risk that the final two payments for the sale of Jawa will not be paid, so management resolved to impair the outstanding balance of \$20 thousand (RMB 100 thousand). The net effect of the above transactions resulted in a gain on disposal of \$10 thousand.

7. Cash and cash equivalents

	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Cash at bank and on hand	3,170	645
Fixed bank deposits with original maturities less than three months	13,803	-
	16,973	645

8. Other assets under development

	30 Sep 2021 \$'000	31 Mar 2021 \$'000
<i>Movements</i>		
Opening balance	4,099	5,811
Additions	262	136
Transfers to property, plant, and equipment	(3,672)	(1,363)
Transfers to government grants	-	670
Items recognised in profit or loss	(5)	(16)
Exchange differences	131	(1,139)
Closing balance	815	4,099

9. Property, plant, and equipment

	Buildings \$'000	Freehold land \$'000	Building improvements \$'000	Plant and equipment \$'000	Total \$'000
Balance on 1 April 2020	9,541	725	6,640	20,217	37,123
Additions	5	-	98	78	181
Transfers from other assets under development (note 8)	-	-	-	1,363	1,363
Classified as held for sale	(4,155)	-	-	(1,594)	(5,749)
Depreciation	(171)	-	(354)	(1,451)	(1,976)
Exchange differences	(1,081)	(146)	(1,328)	(3,683)	(6,238)
Balance on 31 March 2021	4,139	579	5,056	14,930	24,704
Additions	35	-	-	18	53
Transfers from other assets under development (note 8)	8	-	-	3,664	3,672
Depreciation	(80)	-	(160)	(750)	(990)
Exchange differences	279	39	337	1,113	1,768
Balance on 30 September 2021	4,381	618	5,233	18,975	29,207

10. Borrowings

	Note	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Current			
Working capital loans – secured	(i)	4,040	4,722
Term loans – secured	(ii)	482	907
Related party loan – unsecured		-	259
		4,522	5,888
		Working capital loans \$'000	Export Loans \$'000
			Term loans \$'000
			Loans from a director \$'000
Balance on 1 April 2020		9,792	1,630
Loans and borrowings received		718	7,002
Interest expense		151	42
Less repaid		(4,178)	(6,644)
Loans associated with assets held for sale		-	(1,670)
Foreign exchange		(1,761)	(360)
Balance on 31 March 2021		4,722	-
Loans and borrowings received		-	-
Interest expense		56	-
Less repaid		(1,016)	-
Foreign exchange		278	-
Balance on 30 September 2021		4,040	-

- (i) There are two working capital loans. The first denominated in US Dollars, has a balance of \$3,597 thousand or US\$2,594 thousand (31 March 2021: US\$3,637 thousand) is secured by both the Group's assets in the United States and negative pledge of the Bristol property in the United States, accruing interest at LIBOR+2%. The second denominated in HK Dollars, has a balance of \$443 thousand or HK\$2,483 thousand (31 March 2021: HK\$3,139 thousand) is secured by both the HKSAR Government and director, Ms. Loretta Bic Hing Lee, accruing interest at 2.75% per annum, maturing on 9 July 2023. All are repayable on demand.
- (ii) The export loans are denominated in US dollars accruing interest at LIBOR+2% per annum with a balance of nil (31 March 2021: US\$1,288 thousand). The proceeds from the loans have been used to meet short-term expenditure needs and secured by trade receivables under recourse arrangement. The loans were fully repaid in June 2021.
- (iii) The term loans are denominated in US Dollars, bear interest at LIBOR+1% per annum with a balance of US\$349 thousand (31 March 2021: US\$700 thousand). The proceeds have been used to finance the capital expenditure of the new factory in Virginia, USA. They are repayable on demand.

The Group's primary banking facilities contain clauses that do not afford the Group an unconditional right to defer settlement of outstanding amounts beyond 12 months from the end of the financial year. All bank loans contain repayment on demand clauses. Consequently, the bank loans are classified as current liabilities in the statement of financial position.

10. Borrowings (continued)

The banking facilities of the Group were secured by:

- unlimited corporate guarantee provided by certain subsidiaries and the parent entity of the Group, and
- negative pledge on the Bristol property in the United States.

Financing arrangements

The Group's banking facilities cover import loan facilities, trust receipt financing, post-shipment seller loans, revolving loans, and overdrafts. They are reviewed annually. The following table shows the total amount of facilities available to the Group:

	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Amounts used at the reporting date	4,522	5,888
Amounts unused at the reporting date	3,564	3,385
	8,086	9,273

11. Issued capital

Issued capital as of 30 September 2021 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.

12. Dividends

Dividends paid during the financial half-year were as follows:

	30 Sep 2021 \$'000	31 Mar 2021 \$'000
Special dividend at 1 cent per ordinary share	942	-

For the half-year ended 30 September 2021, the Board does not recommend the payment of an interim dividend. No dividend was declared and paid in respect of the year ended 31 March 2021.

13. Fair value measurement

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of receivables, payables and borrowings are considered a reasonable approximation of their fair value.

14. Related party transactions

On 8 February 2021 Ms Loretta Bic Hing Lee provided a \$259 thousand (HK\$1,550 thousand) interest-free cash loan to the Group. The loan was repaid on 20 April 2021.

15. Events after the reporting date

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.

16. Earnings per share

	30 Sep 2021 \$'000	30 Sep 2020 (Restated) \$'000
Basic and diluted loss per share from continuing operations		
Loss after income tax attributable to the owners of the Company used in calculating basic and diluted earnings per share	(4,215)	(4,770)
	Cents	Cents
Basic and diluted loss per share	(4.47)	(5.06)
	\$'000	\$'000
Basic and diluted earnings per share from discontinued operations		
Profit after income tax attributable to the owners of the Company used in calculating basic and diluted earnings per share	\$ 21,233	2,370
	Cents	Cents
Basic and diluted earnings per share	22.52	2.51
	\$'000	\$'000
Basic and diluted earnings per share		
Profit / (loss) after income tax attributable to the owners of the Company used in calculating basic and diluted earnings per share	\$ 17,018	(2,400)
	Cents	Cents
Basic and diluted earnings / (loss) per share	18.05	(2.55)
	Number	Number
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	94,226,496	94,226,496

17. Reconciliation of profit after tax to net cash from operating activities

	30 Sep 2021	30 Sep 2020 (Restated)
	\$'000	\$'000
Loss for the year	(4,215)	(4,770)
Income tax expense for the year	38	292
Depreciation and amortisation of non-current assets	1,079	1,527
Share of (profit) / loss of associates	(187)	(445)
Net exchange gain on foreign currency transactions	132	845
Interest income	(6)	(28)
Provision for impairment of inventory	-	(77)
Deferred government grants – conditions now satisfied	(463)	-
Other expenses	5	-
Change in receivables and prepayments	988	(7,435)
Change in inventories	(1,290)	(1,115)
Change in payables	397	6,601
Change in interest bearing liabilities	(4)	(8)
Change in contract liabilities	103	-
Change in provisions	(26)	51
Cash used in continuing operations	(3,449)	(4,562)
Income tax paid	-	(171)
Net cash used in continuing operating activities	(3,449)	(4,733)
Operating profit from discontinued operations	-	2,370
Net cash used in operating activities	(3,449)	(2,363)

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 2021 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
26 November 2021

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 consolidated statement of financial position as at 30 September 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2021, 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 Entity*. 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 Company 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 Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with AASB 134 *Interim Financial Reporting* 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 Company as at 30 September 2021 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

A handwritten signature in black ink, appearing to read 'Dean Just', written in a cursive style.

Dean Just

Director

Perth, 26 November 2021