



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

ANNUAL REPORT

2022

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Letter from the Chairperson

Dear shareholder,

Market Review

On behalf of the Board, I am pleased to report on the results of our China and USA operations for the year ending 31 March 2022.

China

Textiles: As previously reported, we completed the sale of the Carsan Shunde Manufacturing Company in April 2021. Total consideration was A\$26,924 thousand of which 15% was needed to cover our liability for employee retirement costs. Net proceeds received was A\$22,067 thousand.

Footwear: Forsan, our China shoe division, made a small profit with its continuing trading business. However, the major activities relate to our associate factories in Tianjin. For Jia Hua, making work boots and cowboy boots, our joint venture partner has retired and therefore the business has been discontinued.

USA

Textiles: American Merchant had a disappointing year for sales. We are dependent on our importer middleman for new business and must renew our efforts at direct marketing to our retail customers. Of note is that cotton prices have increased 80% in the past year, making it very difficult to solicit new business. However, we have re-organized our production lines and believe that both the quality and the efficiency have greatly improved. We feel we are now in a better position to sell our unique Made in America story.

Footwear: Footwear Industries of Tennessee has seen a dramatic increase in sales. We are also pleased to report that our quality has been raised to international standards. We are the only significant OEM work shoe manufacturer remaining in the US.

The increase in orders means we may face on-time delivery constraints in the near term. We will therefore concentrate energies on employee training and improving overall efficiencies.

Summary

We believe this is the right time for Made in America and that our investment in the USA will be rewarded. We expect both US factories will be able to at least break even in the current fiscal year on an EBITDA basis.

Acknowledgements

On behalf of the Board, I would like to express our heartfelt gratitude to all customers, business partners and shareholders for their support. I would also like to thank our employees and my fellow Directors for their dedication and relentless contribution to the Group in the past year.



Loretta Lee
Chairperson
30 June 2022

Operating and Financial Review

Overview

The Group is engaged in the design, manufacturing and marketing of home textile, seasonal and decorative products, and leather shoes with the major market being the United States of America. Refer to the letter from the Chairperson for an update on the significant changes in the Group's business activities during the year.

Financial Results

Revenue from continuing operations of the Group for the year ended 31 March 2022 attributable to home textiles in the USA, footwear trading and footwear manufacturing was 12.24%, 77.45% and 10.32% (2021: 27.80%, 68.82% and 3.38%) respectively.

Home Textiles – USA

Textile sales were A\$2,668 thousand (2021: A\$5,163 thousand). Net loss was A\$3,479 thousand (2021: A\$5,154 thousand). Most of our orders continue to be placed by an importer, however at a price below our breakeven. Labour cost efficiency, material wastage and the tight cotton supply resulted in a 14% increase in yarn costs further deepening our losses.

Footwear Trading

Sales for the financial year were A\$16,887 thousand (2021: A\$12,855 thousand). Net profit was A\$439 thousand (2021: A\$144 thousand).

Footwear Manufacturing – USA

Sales for the year were A\$3,350 thousand (2021: A\$630 thousand). Net loss was A\$2,553 thousand (2021: A\$2,022 thousand).

Liquidity and Financial Resources

On 31 March 2022, the Group had cash and bank balances totalling A\$11,184 thousand (2021: A\$645 thousand) that were denominated substantially in United States dollars. In addition, the Group had banking facilities of A\$2,422 thousand (2021: A\$9,273 thousand) of which A\$nil (2021: A\$3,385 thousand) was not utilised. All bank loans of the Group contain repayment clauses and are therefore treated as 'at call'.

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 year ended 31 March 2022.

Board of Directors and Officers

The Directors of the Company at any time during or since the end of the financial year are:

Name	Period of Directorship
Executive	
Ms Loretta Bic Hing Lee	Director since 15 July 1994
Independent Non-executive	
Mr Ian James Burton	Director since 15 July 1994
Ms Peggy Zi Yin Liao	Director since 15 July 1994
Ms Xiao Lan Wu	Director since 9 June 2004
Mr Oliver Hein	Director since 23 November 2018

Ms Loretta Bic Hing Lee

Executive Chairperson

Experience and expertise

Ms Lee is a UK citizen, born in Hong Kong, to a family with long standing links with China. She is a graduate of Lingnan University in Guangzhou.

Ms Lee began her career in market research, working for an international advertising agency as research director. In 1972 she founded TransMarket Research Limited, in partnership with ASI of Los Angeles.

TransMarket grew into one of South-East Asia's largest market research organisations. It conducted consumer and industrial research throughout the area for a wide range of major international corporations, including Philip Morris, General Motors, Toyota, and IBM. TransMarket was one of the first research companies to conduct market studies in China after the country began to normalise its relations with the outside world. As China continued to open its economy, Ms Lee recognised both the unlimited opportunities and the considerable risks involved in exploiting those opportunities. In 1978 she decided to capitalise on her international experience and explore those business opportunities.

Other current and former directorships

Ms Lee did not hold any directorships in other listed companies in the last three years.

Director's shareholdings

As at the date of this report, Ms Lee has beneficial interest in 50,401,588 ordinary shares of the Company.

Board of Directors and Officers (continued)

Mr Ian James Burton

Independent Non-executive Director

Experience and expertise

Ian Burton is a resident of Australia and has 40 years' experience in many facets of commercial, industrial, and mining activities. He was first appointed to the board of a public listed company in 1972 and he has held many directorships of listed companies since that date.

Mr Burton's experience in the successful running, operation and budgeting of large and small public listed companies is of great assistance to the Board.

Other current and former directorships

Mr Burton did not hold any directorships in other listed companies in the last three years.

Director's shareholdings

As at the date of this report, Mr Burton holds 305,500 ordinary shares of the Company.

Ms Peggy Zi Yin Liao

Independent Non-executive Director

Experience and expertise

Ms Liao obtained her BA degree at Smith College in the USA and law degrees at Oxford University. She also holds an MBA from the Kellogg School of Management at the Northwestern University in the USA and the Hong Kong University of Science and Technology (HKUST).

Ms Liao is a Hong Kong-based attorney, investor, and listed company director with extensive managing partner experience in the legal field.

Ms Liao is active in public service. She was appointed by the Hong Kong Chief Executive to serve on several government bodies. Among others, she has been a member of the Hong Kong government's think-tank, the Central Policy Unit.

Ms Liao's particular interest is in the areas of women and education. She is a trustee of Smith College and the HKUST's Pension Board. She also serves her alma mater at the University of Oxford and sits on the China Oxford Advisory Group with an office in Hong Kong.

Other current and former directorships

Ms Liao did not hold any directorships in other listed companies in the last three years.

Director's shareholdings

As at the date of this report, Ms Liao holds 635,455 ordinary shares of the Company.

Board of Directors and Officers (continued)

Ms Xiao Lan Wu

Independent Non-executive Director

Experience and expertise

Ms Wu graduated from an engineering school in China majoring in Mechanical Engineering. Ms Wu was the General Manager of Beijing Machinery Factory and subsequently promoted to the Deputy General Manager of Beijing Machinery Import and Export Company. Ms Wu was a director of CITIC Shenzhen, PRC. She has taken various civil services in Shenzhen, PRC and has made an outstanding contribution for Shenzhen Municipal Government. She has extensive experience in mechanical engineering, corporate management, and public administration. Ms Wu's experience is of great assistance to the Board and the operations of the Group.

Other current and former directorships

Ms Wu did not hold any directorships in other listed companies in the last three years.

Director's shareholdings

As at the date of this report, Ms Wu does not hold any shares of the Company.

Mr Oliver Hein

Independent Non-executive Director

Experience and expertise

Mr. Hein was recently appointed as Senior Vice President Global Supply Chain for Phillips-Van Heusen and will be based in New York. He has extensive experience in manufacturing in Asia given his previous position as the Hong Kong Managing Director for the German retailer Oliver. His expertise is in supply chain management including accounting, planning, purchasing and production.

Mr. Hein has a business administration degree and has completed Executive Management Programs in Germany, Switzerland, and London.

Other current and former directorships

Mr Hein did not hold any directorships in other listed companies in the last three years.

Director's shareholdings

As at the date of this report, Mr Hein does not hold any shares of the Company.

Mr David McArthur

Company Secretary

Experience and expertise

Mr McArthur is a chartered accountant and was appointed to the position of company secretary in 1999. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

Directors' meetings

The number of Board meetings of the Company held and the attendance of Directors during the year were:

Director	Full Board	
	Attended	Held
Ms Loretta Bic Hing Lee	3	3
Mr Ian James Burton	3	3
Ms Peggy Zi Yin Liao	3	3
Ms Xiao Lan Wu	-	3
Mr Oliver Hein	3	3

Remuneration of Directors and Senior Management

As Merchant House International Limited is a foreign company registered in Bermuda, the Company is not required to comply with the Corporations Act 2001. As such, a remuneration report is not required.

Share options granted to directors and senior management

No share options were granted during the year and up to the date of this report.

Issued capital

There was no change in the issued capital during the year.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this reports have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Indemnification and insurance of officers and auditors

The Company has not, during the year and up to the date of this report, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer or auditor for the costs or expenses to defend legal proceedings.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) complies with the generally accepted standards of independence for auditors.

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing, or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Independent auditor's report

The independent auditor's report is included on page 56.

The Directors' report is signed in accordance with a resolution of Directors.

On behalf of the Directors.



Ian James Burton
Director
Perth, Australia
30 June 2022

Financial Statements

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022

	Note	2022 \$'000	2021 Restated \$'000
Revenue	4	22,905	18,574
Cost of sales		(24,668)	(21,091)
Gross loss		(1,763)	(2,517)
Other gains		109	28
Government grants and subsidies		951	914
Finance income	4	11	28
Selling and distribution costs		(335)	(308)
Personnel expenses	6	(3,580)	(3,304)
Depreciation	10	(2,065)	(1,976)
Amortisation – right-of-use assets	11	(115)	(191)
General and administrative expenses	6	(1,377)	(1,339)
Finance costs		(117)	(240)
Net foreign exchange (losses) / gains		78	352
Loss before income tax expense		(8,203)	(8,553)
Income tax expense	22	(71)	(87)
Loss for the year from continuing operations		(8,274)	(8,640)
Share of profit of associate		531	742
Gain on disposal of associate		31	-
Profit on disposal of subsidiaries		21,223	172
Profit from discontinued operations	3	21,785	914
Profit / (loss) for the year		13,511	(7,726)

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

Consolidated Statement of Other Comprehensive Income
For the year ended 31 March 2022

	Note	2022 \$'000	2021 \$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(4,418)	(8,406)
Derecognition of foreign currency translation reserve		4,729	-
Other comprehensive income / (loss) for the year, net of tax		311	(8,406)
Total comprehensive income / (loss) for the year		13,822	(16,132)
Profit / (loss) for the year is attributable to:			
Continuing operations		(8,274)	(8,640)
Discontinued operations	3	21,785	914
		13,511	(7,726)
Comprehensive profit / (loss) for the year is attributable to:			
Continuing operations		(11,279)	(8,128)
Discontinued operations		25,101	(8,004)
		13,822	(16,132)
Profit / (loss) per share attributable to owners of the Company			
Basic and diluted (cents per share) – continuing operations		(8.78)	(8.38)
Basic and diluted (cents per share) – discontinued operations		23.11	0.18
Basic and diluted (cents per share)	7	14.33	(8.20)

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

**Consolidated Statement of Financial Position
As of 31 March 2022**

	Note	2022 \$'000	2021 \$'000
Assets			
Cash and cash equivalents	17	11,184	645
Trade and other receivables	8	2,640	4,062
Inventories	9	2,597	1,659
Prepayments		161	265
		16,582	6,631
Assets held for sale	3	1,929	8,035
Total current assets		18,511	14,666
Other assets under development	12	386	4,099
Interests in associates	24	-	1,325
Property, plant, and equipment	10	27,435	24,704
Right of use assets		86	194
Deferred tax assets	22	33	31
Total non-current assets		27,940	30,353
Total assets		46,451	45,019
Liabilities			
Trade and other payables	13	4,736	6,166
Borrowings	21	2,422	5,888
Lease liabilities		32	118
Contract liabilities	3	-	4,035
Provisions		13	45
		7,203	16,252
Liabilities associated with assets held for sale	3	-	2,449
Total current liabilities		7,203	18,701
Lease liabilities	14	56	86
Deferred tax liabilities	22	95	21
Total non-current liabilities		151	107
Total liabilities		7,354	18,808
Net assets		39,097	26,211

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

Consolidated Statement of Financial Position (continued)
As of 31 March 2022

	2022 \$'000	2021 \$'000
Equity		
Issued capital	2,944	2,944
Foreign currency translation reserve	8,444	8,133
Retained earnings	27,709	15,134
Total equity	39,097	26,211

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

Consolidated Statement of Changes in Equity
For the year ended 31 March 2022

	Issued capital \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance on 1 April 2020	2,944	16,539	22,858	42,341
Loss for the year	-	-	(7,726)	(7,726)
Other comprehensive loss	-	(8,406)	-	(8,406)
Total comprehensive loss for the year	-	(8,406)	(7,726)	(16,132)
Reversal of unclaimed dividends (note 18)	-	-	2	2
Balance on 31 March 2021	2,944	8,133	15,134	26,211
Profit for the year	-	-	13,511	13,511
Other comprehensive income	-	311	-	311
Total comprehensive income for the year	-	311	13,511	13,822
Dividends paid	-	-	(943)	(943)
Reversal of unclaimed dividends (note 18)	-	-	7	7
Balance on 31 March 2022	2,944	8,444	27,709	39,097

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

Consolidated Statement of Cash Flows
For the year ended 31 March 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		25,377	40,193
Payments to suppliers and employees		(33,507)	(46,223)
Receipts from government subsidies		1,589	1,345
Refund of government subsidies		-	(50)
Finance costs paid		(121)	(299)
Income tax received / (paid)		111	(248)
Net cash used in operating activities	17(a)	(6,551)	(5,282)
Cash flows from investing activities			
Proceeds from disposal of subsidiaries		22,067	4,168
Interest received		8	32
Proceeds from disposal of property, plant, and equipment		-	2
Payments for property, plant, and equipment	10	(218)	(181)
Payments for other assets under development	12	(268)	(136)
Proceeds from disposal of associate		10	-
Dividend received from an associate		716	1,292
Cash held on disposal of subsidiaries		(449)	-
Net cash from investing activities		21,866	5,177
Cash flows from financing activities			
Decrease in pledged fixed deposits		-	5,942
Proceeds from borrowings	17(b)	-	7,720
Repayment of borrowings	17(b)	(5,137)	(16,138)
Proceeds from related party loans	17(b)	-	278
Repayment of related party loans		(269)	-
Dividends paid		(943)	-
Payments of right of use asset lease liabilities	14	(122)	(200)
Net cash used in financing activities		(6,471)	(2,398)
Net increase / (decrease) in cash and cash equivalents		8,844	(2,503)
Cash and cash equivalents at the beginning of the year		645	5,292
Cash included in assets held for sale at beginning of the year		1,043	-
		1,688	5,292
Effects of exchange rate fluctuations on cash held		652	(1,101)
		11,184	1,688
Cash included in assets held for sale		-	(1,043)
Cash and cash equivalents at the end of the year	17	11,184	645

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

Notes to the Consolidated Financial Statements

Basis of Preparation

1. Reporting entity and statement of compliance

Merchant House International Limited (the “Company” or “MHI”) is incorporated in Bermuda, operating in Hong Kong and the United States of America (“USA”) and is listed on the Australian Securities Exchange (ASX Code: MHI).

The addresses of its registered office and its principal place of business are as follows:

Registered Office	Principal place of business
First Floor, 31 Cliff Street Fremantle Western Australia 6160	Unit B & C, 16 th Floor, E-Trade Plaza 24 Lee Chung Street Chai Wan Hong Kong

These consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group” and individually as “Group Entities”).

The Group is a for-profit entity, and its principal activities are the design, manufacture and marketing of leather boots and shoes and home textile products in the United States of America (“USA”). Products distributed by the Group include work boots, waterproof, safety footwear and towels. The Group’s major sales market in the USA.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards (“AASBs”) and Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and comply with other requirements of the law. The consolidated financial statements also comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements were authorised for issue by the Board of Directors on 30 June 2022.

The individual financial statements of each Group Entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. The functional currencies of subsidiaries are US Dollar (US\$), Hong Kong Dollar (HK\$) and Chinese Yuan Renminbi (RMB). For the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Comparatives

Presentation of comparatives in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and notes to the financial statements have been realigned to conform to the current year presentation. There has been no effect on the loss for the year.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

New or amended Accounting Standards or Interpretations

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period. Details of the Accounting Standards most relevant to the Group are included in note 25. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted as the Group has not yet assessed their impact.

2. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to asset, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised prospectively.

Discontinued operations

Carsan (Shunde) Manufacturing Company Ltd (“Carsan”), the 33.33% investment in Jawa (Jiangsu) Textiles Co Ltd and the 30% investment in Tianjin Jiahua Footwear Company Limited have been reclassified as discontinued operations during the year as the Group have discontinued all operations in the geographical location of China with the exception of the footwear business whose customers are solely based in the USA.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing, and geographic regions in which the Group operates. The continued impact of COVID-19 on customer demand, operations, and the broader economy, presents significant uncertainty for the Group’s businesses.

Allowance of expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for the group. These assumptions include recent sale experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by considering recent sales experience, ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly due to technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

2. Critical accounting estimates and judgements (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group identified impairment indicators in relation to the AMI and FIT Plant & Equipment during the year, therefore impairment testing was performed on the value of non-financial assets.

As a result, a third-party valuation expert was engaged by the Group to determine the fair value of the assets using the fair value less cost to sell method. The expert based their valuations on the following approaches:

- the cost approach using replacement cost and market value; and
- the sales comparison approach.

No impairment was identified through the impairment assessment.

In addition to the AMI and FIT Plant & Equipment, given the Tianjin Jiahua Footwear Company Limited was reclassified to held for sale, an impairment assessment was performed on the assets held by the associate. A third-party valuation expert was engaged to prepare a valuation of the land and buildings held by the associate. A fair value less costs to sell approach was adopted based on an estimate of the market value for the existing use of the land, plus the cost of replacement of the improvements less allowance for physical deterioration, obsolescence and optimisation. Comparable land of similar size, scale, nature, character and location were analysed in order to estimate the market value.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provision in the period in which such determination is made.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is a reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements, and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment.

2. Critical accounting estimates and judgements (continued)

Warranty provision

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 16 for further information.

3. Discontinued operations

Summary

	2022 \$'000	2021 \$'000
Gain on disposal of subsidiaries	21,224	-
Gain on disposal of associate	31	-
Share of profit of associate	531	742
(Loss) / profit on discontinued operations prior to disposal	(1)	172
Profit after income tax expense on discontinued operations	21,785	914

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

3. Discontinued operations (continued)

Non-current assets or disposal groups classified as held for sale (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not more than any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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 of Carsan is disclosed as a discontinued operation for the financial years ending 31 March 2022 and 31 March 2021.

	2022 \$'000	2021 \$'000
<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	4,728	-
Disposal costs	(37)	-
Gain on disposal before income tax	21,224	-
Gain on disposal after income tax	21,224	-
<i>Cash flow information</i>		
Net cash used in operating activities	(589)	(2,161)
Net cash (used in) / from investing activities	(449)	2,871
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(1,038)	710

3. Discontinued operations (continued)

	2022 \$'000	2021 \$'000
Financial performance information		
Revenue	-	22,153
Cost of sales	-	(16,502)
Gross profit	-	5,651
Other gains	-	33
Selling and distribution expenses	-	(809)
Personnel expenses	-	(3,571)
Depreciation & amortisation	-	(844)
General and administrative expenses	(1)	(435)
Finance costs	-	(42)
Net foreign exchange gains	-	328
(Loss) / profit before income tax expense	(1)	311
Income tax expense	-	(139)
(Loss) / profit after income tax expense on discontinued operations	(1)	172
Carrying amounts of assets and liabilities disposed		
Cash and cash equivalents	449	1,043
Trade and other receivables	10	1,508
Inventories	144	145
Current tax assets	-	106
Property, plant, and equipment	4,123	4,195
Right-of-use assets	1,032	1,038
Trade and other payables	(32)	(763)
Interest bearing liabilities	-	(1,670)
Provisions	-	(16)
Net assets	5,726	5,586
Contract liabilities		
Deposit received for the sale of Carsan Manufacturing Co. Ltd	-	(4,035)

Disposal of associate Jawa (Jiangsu) Textiles Company Limited

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 \$31 thousand (RMB 150 thousand) to be paid in three instalments of RMB 50 thousand. A deposit of \$10,000 (RMB 50 thousand) was received in December 2020. A second instalment of \$10,000 (RMB 50 thousand) was received in January 2022. A third instalment of \$11,000 (RMB 50 thousand) will be receivable in December 2022. The transactions resulted in a gain on disposal of \$31 thousand.

3. Discontinued operations (continued)

Disposal of associate Tianjin Jiahua Footwear Company Limited (“Jiahua”)

As advised to the market on 18 February 2022 associate Tianjin Jiahua Footwear Company Limited (30% owned by MHI), ceased operations in the first quarter of 2022 due to the change of business environment in China. As a result, Jiahua has initiated an active program to locate a buyer for all assets held. The associated asset (previously classified as an investment in associate) has been presented as held for sale in these financial statements.

	2022 \$'000	2021 \$'000
<i>Financial performance information</i>		
Revenue	19,530	20,531
Profit for the year	1,770	2,475
Total comprehensive income for the year	1,770	2,475
Dividends received from an associate during the year	716	1,292
Dividends receivable from an associate	-	689
<i>Financial position</i>		
Current assets	6,413	8,613
Non-current assets	806	1,491
Current liabilities	(788)	(5,686)
Net assets of the associate	6,431	4,418
Proportion of the Group's ownership interest in associate	30%	30%
Carrying amount of the interest in associate – assets held for sale	1,929	1,325

Group Performance

4. Revenue and interest income

The following is an analysis of the Group's revenue and interest income for the year.

	2022 \$'000	2021 \$'000
<u>Revenue from contracts with customers:</u>		
Revenue from the sale of goods	22,905	18,574
<u>Income from other sources:</u>		
Interest income from bank deposits	11	28
	22,916	18,602

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

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: for both Textile and Footwear sales, control of goods is transferred when the goods leave the warehouse as per the terms of the agreement for sales are Free on Board.

	2022 \$'000	2021 \$'000
<u>Revenue by geographical region</u>		
USA	22,905	18,491
Rest of World	-	83
	22,905	18,574
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	22,905	18,574

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.

Interest income

Interest income at amortised cost is accrued on a time basis, by reference to the principal outstanding and at an effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

5. Segment information

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

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 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 year.

	Revenue		Segment profit/(loss)	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Home textile - USA	2,668	5,163	(3,479)	(5,154)
Footwear trading	16,887	12,855	439	144
Footwear manufacturing and trading	3,350	630	(2,553)	(2,022)
	22,905	18,648	(5,593)	(7,032)
Eliminations	-	(74)	-	241
	22,905	18,574	(5,593)	(6,791)
Finance income			11	28
Finance costs			(117)	(240)
Central administrative expenses			(2,504)	(1,550)
Loss before tax from continuing operations			(8,203)	(8,553)

The elimination figure reported in the table above represents intercompany revenue 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, share of profit / (loss) of associates and impairment of investment in associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. Segment information (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 year.

	Assets		Liabilities	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Home textile - USA	27,332	28,737	3,568	6,288
Footwear trading	1,576	3,370	1,504	2,509
Footwear manufacturing and trading	4,233	2,996	1,374	1,510
Total segment assets and liabilities	33,141	35,103	6,446	10,307
Corporate and other segment assets/liabilities	11,381	556	908	6,052
Assets / liabilities held for sale	1,929	9,360	-	2,449
Total	46,451	45,019	7,354	18,808

For monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets and corporate office assets; and
- all liabilities are allocated to reportable segments other than Group Entity liabilities and deferred tax liabilities.

The chief operating decision maker monitors the cash, receivables, and payables position. This is the information that the chief operating decision maker receives and reviews to make decisions.

Geographical information

The Group operates its business mainly in China and USA. During the year, the Group's revenue is mainly derived from USA. The Group's revenue and non-current assets (excluding interests in associates and deferred tax assets) by geographical locations are as follows:

	Revenue from customers		Non-current assets	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
USA	22,905	18,491	27,816	28,789
China / Hong Kong	-	-	91	208
Others	-	83	-	-
	22,905	18,574	27,907	28,997

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

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

5. Segment information (continued)

Other segment information

Footwear	Footwear Trading		Footwear Manufacturing	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Acquisition of segment assets	-	-	177	9
Depreciation and amortisation of segment assets	3	5	305	342

Home Textiles	China		USA	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Acquisition of segment assets	-	3	41	169
Transfer from other assets under development	-	-	3,924	1,363
Depreciation and amortisation of segment assets	121	225	1,751	1,595

Information about major customers

Revenue attributable to the Group's top four customers that account for over 10% of total sales during the year is as follows:

Attributable to segments			Sales revenue		Percentage of total sales revenue	
	2022	2021	2022 \$'000	2021 \$'000	2022 %	2021 %
First	Footwear trading	Footwear trading	7,524	5,522	32.85	29.73
Second	Footwear trading	Home textile – USA	5,053	4,958	22.06	26.69
Third	Footwear trading	Footwear trading	3,075	3,322	13.42	17.88
Fourth	Home textiles - USA	Footwear trading	1,947	1,812	8.50	9.76
			17,599	15,614	76.83	84.06

6. Other expenses

Significant expenses for the year are as follows:

	Note	2022 \$'000	2021 \$'000
Employee benefits expense	(a)		
Key management personnel remuneration		1,206	1,068
Wages and salaries		5,315	4,372
Contributions to defined contribution plans		35	39
Termination benefits		111	9
Other employee benefits		1,219	1,118
Total employee benefits expense		7,886	6,606
Less: Amount allocated to cost of sales		(4,306)	(3,302)
Amount allocated to personnel expenses		3,580	3,304
Administrative expense			
Auditors' remuneration		213	219
Legal and consultancy fees		418	476
Insurance		58	74
Travelling		89	49
Low value / short term lease payments	(b)	102	24
Others		497	497
		1,377	1,339

(a) Employee benefit expense

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount resulting from past service provided by the employee and the obligation can be estimated reliably.

(ii) Retirement benefit costs

The Group operates defined contribution retirement plans for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of the trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(b) Low value / short term lease rental expense

Under AASB 16 *Leases*, an entity can elect not to apply the requirements of AASB 16 for leases that are considered short-term or low value. If an entity elects not to apply these requirements, the lease payments associated with those leases are expensed on a straight-line basis over the lease term.

7. Loss per share

	2022 \$'000	2021 (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	(8,274)	(8,640)
	Cents	Cents
Basic and diluted loss per share	(8.78)	(8.38)
	\$'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	\$ 21,785	914
	Cents	Cents
Basic and diluted earnings per share	23.11	0.18
	\$'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	\$ 13,511	(7,726)
	Cents	Cents
Basic and diluted earnings / (loss) per share	14.33	(8.20)
	Number	Number
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	94,266,496	94,266,496

In both years ended 31 March 2022 and 2021, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the year.

Operating assets and liabilities

8. Receivables

	Note	2022 \$'000	2021 \$'000
Current			
Trade receivables		2,558	3,287
Dividend receivable from an associate		-	689
Interest and other receivables		22	28
Deposits	(a)	60	58
		2,640	4,062

(a) These represent rental and utility deposits and are interest free.

The average credit period on sales of goods and rendering of services is 60 days (2021: 60 days). No interest is charged on trade receivables.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has recognised an expected credit loss. No expected credit loss has been allocated to amounts that are not past due at the end of the reporting period because the historic and expected credit loss on amounts not yet past due is immaterial.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$78 thousand (2021: \$990 thousand) which are outside normal credit terms at the reporting date for which the Group has not provided any impairment as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30 days (2021: 30 days).

Impairment of receivables

Under AASB 9 *Financial Instruments*, the Group recognises an impairment allowance based upon expected credit loss amounts determined by reference to past default experienced by the Group, combined with an analysis of specific counterparties current financial positions and an analysis of current economic conditions. The Group always accounts for expected credit losses, and any changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date, economic factors currently affecting the specific debtor and historical rates of default that have been recorded by the Group. The concentration of credit risk is limited due to the pool of few large customers. Accordingly, the Directors believe that no further expected credit loss is required.

9. Inventories

	2022 \$'000	2021 \$'000
Materials	1,075	626
Work in progress	1,052	558
Finished goods	470	475
	2,597	1,659

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each class of inventory, with all categories being valued on a first in first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost of inventories recognised as an expense during the year was \$24,668 thousand (2021: \$21,091 thousand).

10. 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 12)	-	-	-	1,363	1,363
Classified as held for sale	(4,155)	-	-	(1,594)	(5,749)
Disposals	-	-	-	-	-
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	-	-	183	218
Transfers from other assets under development (note 12)	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

10. Property, plant, and equipment (continued)

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment

Any gain or loss on disposal of an item of property, plant, and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

Depreciation is calculated to write off the cost of property, plant, and equipment less their estimated residual values using the straight-line basis over the estimated useful lives.

Depreciation is recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 to 50 years
Building improvements	3 to 30 years
Plant and equipment	2 to 15 years

Impairment losses charged to profit or loss

No impairment loss in property, plant and equipment is recognised in the current or previous year.

11. Right-of-use assets

	Lease premium for leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance on 1 April 2020	1,235	246	93	1,574
Additions	-	-	110	110
Classified as held for sale	(1,235)	-	-	(1,235)
Amortisation	-	(145)	(46)	(191)
Exchange differences	-	(40)	(24)	(64)
Balance on 31 March 2021	-	61	133	194
Amortisation	-	(64)	(51)	(115)
Exchange differences	-	3	4	7
Balance on 31 March 2022	-	-	86	86

11. Right of use assets (continued)

Right of use assets are measured at cost less accumulated amortisation and accumulated impairment losses.

The initial cost of a right of use asset recognised comprises:

- the amount of the initial measurement of the lease liability (refer to note 14),
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee, and
- an estimate of the costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required under the lease.

Right of use assets are amortised on a straight-line basis over the term of the lease.

Short-term leases (leases less than a 12-month period) and low value leases are excluded from the table above and are expensed on a straight-line basis in the statement of profit or loss and other comprehensive income.

The payments made in advance are recognised in the statement of financial position as lease premium for leasehold land and are amortised on a straight-line basis over the period of the lease term.

12. Other assets under development

	2022 \$'000	2021 \$'000
Movements		
Balance on 1 April	4,099	5,811
Additions	268	136
Transfers to property, plant, and equipment (note 10)	(3,924)	(1,363)
Transfers to government grants	-	670
Transfer from accounts payable due to debt forgiveness	(219)	-
Items recognised in profit or loss	(5)	(16)
Exchange differences	167	(1,139)
Balance on 31 March	386	4,099

Other assets under development are costs related to the construction of long-term assets that will be treated as a fixed asset in the future. These costs are not depreciated until the asset is fully ready to use.

13. Payables

	2022 \$'000	2021 \$'000
Current		
Trade payables	786	1,880
Amounts payable to associates	1,420	2,389
Accruals	302	370
Deferred government grant which conditions have not been satisfied	1,910	1,245
Others	318	282
	4,736	6,166

The average credit period on trade purchases is 30 to 60 days (2021: 30 to 60 days). The trade payable balances are non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The balances due to associates are non-interest bearing and repayable according to the agreed trade terms.

14. Lease liabilities

	Note	2022 \$'000	2021 \$'000
Opening balance		204	361
Additions		-	110
Repayments	(a)	(127)	(211)
Interest expense		4	12
Exchange differences		7	(68)
Closing Balance		88	204
<u>Classified as:</u>			
- Current liabilities		32	118
- Non-current liabilities		56	86
		88	204

(a) Repayments of the lease liabilities are inclusive of effective interest rate calculated under the requirements of AASB 116 and therefore differ from the amount disclosed in the Consolidated Statement of Cash Flows by this amount.

14. Lease Liabilities (continued)

Lease liabilities are measured on commencement of the lease at present value of the leases payments not paid at that date, comprising the following:

- fixed payments, less any lease incentives receivable on those fixed payments,
- variable lease payments that depend on an index or rate,
- amounts expected to be payable by the lessee under a residual value guarantee,
- exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease early, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments described above are discounted utilising the incremental borrowing rate at the date of commencement of the lease for the entity the lease is specific to within the group.

15. Provisions

	Note	2022 \$'000	2021 \$'000
Warranty provision	(a)	13	45
Balance on 1 April		45	91
Opening provision associated with assets held for sale		-	(41)
Additional provisions recognised		-	5
Amount utilised or written back		(33)	-
Exchange differences		1	(10)
Balance on 31 March		13	45

- (a) The warranty provision represents the estimated obligation to satisfy the return of defective goods by customers. The provision for warranty claims represents the best estimate of the Director's for the future sacrifice of economic benefits that will be incurred on return of defective goods. The estimated amount has been determined with reference to the historical return rates for claims experienced in relation to defective goods. The Group currently issues a one-year warranty for its goods under current contracts, guaranteeing quality of goods.

Capital Management

16. Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate and foreign currency risk and ageing and default analyses for credit risk.

Financial risk management is carried out by the management of the Group under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign currency risk, credit risk, and investment of excess liquidity.

16. Financial instruments (continued)

(a) Carrying amounts

The financial assets and liabilities of the Group are classified into the following financial instrument categories in the statement of financial position in accordance with AASB 9 *Financial Instruments*:

- Amortised cost

Judgement is required when determining the appropriate classification of the Group's financial instruments.

Principal Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents (note 17)
- Trade receivables (note 8)
- Trade and other payables (note 13)
- Lease liabilities (note 14)
- Borrowings (note 21)

Financial Assets

	Amortised cost	
	2022 \$'000	2021 \$'000
Cash and cash equivalents	11,184	645
Trade receivables	2,558	3,287
Amounts receivable from associates	-	689
Other loans and receivables	82	86
Total Financial Assets	13,824	4,707

Financial Liabilities

	Amortised cost	
	2022 \$'000	2021 \$'000
Borrowings	2,422	5,888
Trade payables	786	1,880
Payables to associates	1,420	2,389
Contract liabilities	-	4,035
Other payables	2,530	1,897
Lease liabilities	88	204
Total Financial Liabilities	7,246	16,293

16. Financial instruments (continued)

(b) Financial risk management

Risk management framework

The Group's treasury team is focused on monitoring the unpredictability of domestic and international financial markets and monitors and manages the risks relating to the operations of the Group. These financial risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's treasury team meets regularly and seeks to minimise the potential adverse effects of these risks, by using suitable financial instruments to manage the exposure to those risks. All Group policies are approved by the directors, and provide written principles on managing foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity to ensure net cash flows are sufficient to support the delivery of the Group's products, whilst protecting the future financial security of the Group.

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

(i) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information, its own trading record and continuous communication to evaluate the credit standing of its customers. The Group's exposure and the credit ratings of its counterparties are regularly monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of several key customers, predominately located/operating in the United States. Ongoing credit evaluation is performed on the financial position of customers and the associated accounts receivable.

The credit risk on liquid funds is minimal as bank deposits are placed with registered financial institutions which are of good international credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained or other security obtained. The Group also reviews the trade receivable balance at each reporting date to ensure that adequate provision for uncollectible receivables is made.

As of 31 March 2022, the maximum exposure to credit risk for trade and other receivables was as follows:

	Carrying amount	
	2022 \$'000	2021 \$'000
Trade receivables	2,558	3,287
Amounts receivable from associates	-	689
Other loans and receivables	82	86
	2,640	4,062

16. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21 is the total amount of facilities available to the Group to further reduce liquidity risk.

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date of which the Group is required to pay under the terms of the facilities.

The table includes both interest and principal cash flows but assumes the financier does not exercise its rights to call upon outstanding term loan amounts prior to their scheduled repayment dates.

	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 Months \$'000	Over 1 year \$'000
2022					
Non-interest bearing	-	2,525	2	758	1,451
Finance lease liability	-	4	8	20	56
Variable interest rate instruments* (based on scheduled repayments)	2.12	19	297	692	1,414
		2,548	307	1,470	2,921
2021					
Non-interest bearing	-	8,996	1,230	824	174
Finance lease liability	-	16	33	68	86
Variable interest rate instruments* (based on scheduled repayments)	2.02	661	1,720	2,556	2,358
		9,673	2,983	3,448	2,618

* Represents variable interest rate instruments repayable on demand.

The following table details the Company's and the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

16. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 to 12 Months \$'000	Over 1 year \$'000
2022					
Non-interest bearing	-	3,092	9	82	57
Variable interest rate instruments	0.88	23	10,572	-	-
		3,115	10,581	82	57
2021					
Non-interest bearing	-	4,653	1,397	11	56
Variable interest rate instruments	0.32	1,141	-	-	-
		5,794	1,397	11	56

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the way the Group manages market risk from the previous year.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange forward contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
US dollar	12,528	4,147	2,036	4,081
AU dollar	2	1	-	-
Chinese Yuan Renminbi	9	7	-	-

16. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed US dollars (US\$) and Chinese Yuan Renminbi (RMB). The following table details the Group's sensitivity to a 5% (2021: 25%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates taking into consideration movements over the last 12 months and the spot rate at each reporting date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 5% (2021: 25%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

The purchasing power of the subsidiaries based in China is also linked to the US dollar exchange rate. The following table also shows the Group's sensitivity to a 1% (2021: 10%) increase and decrease in the Chinese Yuan Renminbi against the US dollar.

	Impact on profit & loss	
	2022 \$'000	2021 \$'000
If AUD strengthens by 5% (2021: 25%)		
US\$	393	13
RMB	2	9
If AUD weakens by 5% (2021: 25%)		
US\$	(393)	(13)
RMB	(2)	(9)
If USD strengthens by 1% (2021: 10%)		
RMB	1	5
If USD weakens by 1% (2021: 10%)		
RMB	(1)	(5)

Interest rate risk

The Group is exposed to interest rate risk as Group entities borrow funds at floating interest rates. The Group manages the interest rate risk by maintaining an appropriate mix of floating rate borrowings. All borrowings are reviewed on an annual basis.

The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

16. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2022 \$'000	2021 \$'000
Variable rate instruments		
Financial assets	10,594	1,141
Financial liabilities	(2,422)	(5,888)
	8,172	(4,747)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Group's sensitivity to interest rates during the current year was not material.

17. Cash flow information

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash balances and call deposits with maturities three months or less from the acquisition date, that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

	2022 \$'000	2021 \$'000
Cash and Cash Equivalents		
Cash at bank and on hand	612	645
Fixed bank deposits with original maturities less than 3 months	10,572	-
	11,184	645

17. Cash flow information (continued)

(a) Reconciliation of loss for the year to cash used in operating activities is as follows:

	2022 \$'000	2021 Restated \$'000
Loss for the year	(8,274)	(8,640)
Income tax expense for the year	71	226
Depreciation and amortisation of non-current assets	2,180	3,010
Net exchange gain on foreign currency transactions	(78)	(680)
Interest income	(11)	(28)
Loss on disposal of property, plant, and equipment	-	4
Reversal of impairment of inventories	-	(89)
Deferred government grant conditions satisfied	(951)	(914)
Debt forgiveness	219	-
Other expenses	5	16
Change in receivables and prepayments	2,506	(603)
Change in inventories	(903)	1,124
Change in payables	(1,371)	1,397
Change in interest bearing liabilities	(4)	(17)
Change in provisions	(50)	(12)
Cash used in continuing operations	(6,661)	(5,206)
Income tax received / (paid)	111	(248)
Net cash used in continuing operating activities	(6,550)	(5,454)
Operating (loss) / profit from discontinued operations	(1)	172
Net cash used in operating activities	(6,551)	(5,282)

(b) Reconciliation of liabilities arising from cash flows from financing activities is as follows:

	Borrowings		Lease liabilities		Related party loans		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Movements								
Balance on 1 April	5,629	19,023	204	361	259	-	6,092	19,384
Associated with assets held for sale	-	(1,630)	-	-	-	-	-	(1,630)
<u>Changes from cash flows:</u>								
Proceeds	-	7,720	-	-	-	278	-	7,998
(Repayments) / (Payments)	(5,137)	(16,138)	(122)	(200)	(269)	-	(5,528)	(16,338)
<u>Non-cash changes:</u>								
New leases	-	-	-	110	-	-	-	110
Effect of changes in foreign exchange rates	1,930	(3,346)	6	(67)	10	(19)	1,946	(3,432)
Balance on 31 March	2,422	5,629	88	204	-	259	2,510	6,092

18. Dividends

The board of directors of the Company does not recommend the payment of an interim dividend nor a final dividend in respect of the year ended 31 March 2022 (2021: nil).

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

Pursuant to Byelaw 147 of the Company's Constitution, any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by board of directors and shall revert to the company. During the year ended 31 March 2022, \$7 thousand (2021: \$2 thousand) was written back as an unclaimed dividend and \$nil (2021: \$7 thousand) has been provided for pending forfeiture for unclaimed dividends between one and six years.

19. Capital and reserves

(a) Issued capital

The Company does not have a limited amount of authorised capital and issued shares do not have a par value. Throughout the years ended 31 March 2022 and 31 March 2021, the number of shares in issue is 94,266,496 and there was no movement in the issued capital of the Company. All issued shares are fully paid.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new share issues by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

The Company has no share options outstanding throughout the years ended 31 March 2022 and 31 March 2021.

(b) Nature and purpose of reserves

Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal of the subsidiary in China for the year ended 31 March 2022.

20. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Capital structure comprises issued capital, retained earnings and foreign currency translation reserve. The Group manages capital by regularly monitoring its current and expected liquidity requirements in the short and longer term.

The Group is not subject to any externally imposed capital requirements.

21. Borrowings and financing facilities (continued)

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.

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:

	2022 \$'000	2021 \$'000
Amounts used at the reporting date	2,422	5,888
Amounts unused at the reporting date	-	3,385
	2,422	9,273

Income Tax

22. Current income tax and deferred income tax

(a) Amounts recognised in profit or loss

	Note	2022 \$'000	2021 \$'000
Current tax benefit in respect of the current year	(i)	(343)	(796)
Current year tax losses not brought to account		415	1,249
Deferred tax expense / (income) relating to the origination of temporary differences		71	(116)
Withholding tax of dividend received from associate		-	203
Claim for offshore tax		(72)	(359)
Under provision in prior year		-	45
Income tax expense		71	226
Income tax expense is attributable to:			
Loss from continuing operations		71	87
Profit from discontinued operations		-	139
		71	226
Numerical reconciliation of income tax expense and tax at the statutory rate			
Loss before income tax from continuing operations		(8,203)	(8,553)
Profit before income tax from discontinued operations		-	1,053
		(8,203)	(7,500)
Tax at the statutory rate of 30%		(2,461)	(2,250)
Effect of different tax rates of the parent company and its subsidiaries operating in other jurisdictions		4,045	3,324
Effect of non-deductible expenses		-	816
Effect of non-assessable revenue		(1,768)	(2,526)
Effect of tax rebates		-	(31)
Unused tax losses and tax offsets not recognised as deferred tax assets		486	1,133
Share of profit of associate		(159)	(223)
Withholding tax of dividend received from associate		-	203
Claim for offshore tax		(72)	(359)
Income tax expense on continuing operations		71	87
Income tax expense on discontinued operations		-	139
Income tax expense		71	226

22. Current income tax and deferred income tax (continued)

(a) Amounts recognised in profit or loss (continued)

- (i) Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).
- (ii) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared to the previous reporting period.
- (iii) The Company is taxed in the country of its incorporation, Bermuda. The tax rate in Bermuda is 0% (2021: 0%). The subsidiaries incorporated in Hong Kong are taxed at 16.5% (2021: 16.5%). The subsidiaries incorporated in China are taxed at 25% (2021: 25%). The subsidiaries incorporated in the US are taxed between 6.5% and 40.5% due to differing state and federal tax rates.

(b) Deferred tax balances

Deferred tax assets / (liabilities) arise from the following:

	Balance on 1 April \$'000	Charged to profit or loss \$'000	Recognised in other comprehensive income \$'000	Balance on 31 March \$'000
2022				
Temporary differences				
Receivables	9	(9)	-	-
Property, plant, and equipment	(9)	9	-	-
Right of use assets and liabilities	-	(1)	-	(1)
Payables	27	6	-	33
Provision	3	(3)	-	-
Exchange difference on a foreign subsidiary	1	-	-	1
	31	2	-	33
Withholding tax on undistributed earnings of an associate	(21)	(73)	(1)	(95)
Tax losses not recognised (gross) ⁽¹⁾	33,971	6,307	956	41,234
2021				
Temporary differences				
Receivables	9	-	-	9
Property, plant, and equipment	(17)	8	-	(9)
Payables	30	(3)	-	27
Provision	5	(2)	-	3
Exchange difference on a foreign subsidiary	1	-	-	1
	28	3	-	31
Withholding tax on undistributed earnings of an associate	(154)	113	20	(21)
Tax losses not recognised (gross) ⁽¹⁾	31,315	8,983	(6,327)	33,971

⁽¹⁾ Included in tax losses not recognised is \$nil (2021: \$3,276 thousand) related to discontinued operations.

22. Current income tax and deferred income tax (continued)

(b) Deferred tax balances (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures except where the Group can control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is considered in the determination of goodwill or excess.

Group Structure

23. Subsidiaries

Details of the Group's major subsidiaries on 31 March 2022 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2022 %	2021 %
Loretta Lee Limited	Home textile	Hong Kong	100	100
Forsan Limited	Footwear trading	Hong Kong	100	100
Pacific Bridges Enterprises Inc.	Investment holding	USA	100	100
Footwear Industries of Tennessee Inc.	Footwear Manufacturing	USA	100	100
American Merchant Inc.	Home textile	USA	100	100
Carsan (Shunde) Manufacturing Company Limited ⁽¹⁾	Home textile	China	-	100

⁽¹⁾ Disposed, effective 16 April 2021.

(a) Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee which can affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

23. Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary,
- De-recognises the carrying amount of any non-controlling interests,
- De-recognises the cumulative translation differences recorded in equity,
- Recognises the fair value of the consideration received,
- Recognises the fair value of any investment retained,
- Recognises any surplus or deficit in profit or loss,
- Reclassifies the Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

24. 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 Group's significant associates on 31 March 2022 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2022 %	2021 %
Tianjin Jiahua Footwear Company Limited	Footwear manufacturing	China	30.00	30.00
Tianjin Tianxing Kesheng Leather Products Company Limited	Footwear manufacturing	China	33.79	33.79
Jawa (Jiangsu) Textiles Company Limited	Textile manufacturing and leasing of plant facilities	China	-	33.33

24. Associates (continued)

Tianjin Jiahua Footwear Company Limited

With effect from 18 February 2022, the investment in Jiahua has been reclassified as Held for Sale. Refer to note 3.

Tianjin Tianxing Kesheng Leather Products Company Limited

Each year, the Group assesses its investment in Tianxing and as of 31 March 2022, concluded that due to sustained losses and a challenging business outlook, the recoverability of the carrying amount is uncertain. Consequently, a cumulative impairment charge of \$4,321 thousand (2021: \$4,001 thousand) has been recognised in the financial statements.

Jawa (Jiangsu) Textiles Company Limited

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 \$31 thousand (RMB 150 thousand) to be paid in three instalments of RMB 50 thousand. A deposit of \$10,000 (RMB 50 thousand) was received in December 2020. A second instalment of \$10,000 (RMB 50 thousand) was received in January 2022. A third instalment of \$11,000 (RMB 50 thousand) will be receivable in December 2022. The transactions resulted in a gain on disposal of \$31 thousand.

The above associates are accounted for using the equity method in these consolidated financial statements.

	2022 \$'000	2021 \$'000
Interests in associates	-	1,325
Reconciliation of movement in investments accounted for using the equity method		
Balance on 1 April	1,325	2,986
Share of profit / (loss) for the year	531	742
Impairment of investment in associate	-	-
Dividend paid / payable	-	(2,031)
Reclassified as assets held for sale	(1,929)	-
Exchange differences	73	(372)
Balance on 31 March	-	1,325

The financial year end date of these associates is 31 December. This was the reporting date established when the associates were incorporated, and a change of reporting date is not permitted in China. When applying the equity method of accounting, the financial results for the 12-month period to 31 March 2022 have been used.

24. Associates (continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents 100% of the amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

	2022 Jiahua \$'000	2022 Tianxing \$'000	2021 Jiahua \$'000	2021 Tianxing \$'000
Financial position				
Current assets	6,413	31,536	8,613	21,332
Non-current assets	806	3,959	1,491	4,382
Current liabilities	(788)	(22,707)	(5,686)	(13,873)
Financial performance				
Revenue	19,530	70,301	20,531	51,739
Profit / (loss) for the year	1,770	289	2,475	(1,937)
Total comprehensive income / (loss) for the year	1,770	289	2,475	(1,937)
Dividends received from an associate during the year	716	-	1,292	-
Dividends receivable from an associate	-	-	689	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	2022 Jiahua \$'000	2022 Tianxing \$'000	2021 Jiahua \$'000	2021 Tianxing \$'000
Net assets of the associate	-	12,788	4,418	11,841
Proportion of the Group's ownership interest in associate	30.00%	33.79%	30.00%	33.79%
Carrying amount of the interest in associate	-	4,321	1,325	4,001
Impairment of investment in associate	-	(4,321)	-	(4,001)
Net carrying amount of the interest in associate	-	-	1,325	-

Others

25. Other significant accounting policies

Except for those policies that form the part of a specific note, the principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all 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.

The following Accounting Standards and Interpretations are most relevant to the Group:

Borrowing costs

Borrowing costs include interest expense and costs incurred to prepare loans and borrowings. Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the asset is substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currency translation

The financial report is presented in Australian dollars, which is Merchant House International Limited's presentation currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise unless the exchange differences on monetary items of receivables from or payables to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the consolidated foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in other comprehensive income in the period in which the foreign operation is disposed. On the disposal of a foreign operation, all the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to Australian Accounting Standards are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to Australian Accounting Standards is treated as an Australian dollar denominated asset.

25. Other significant accounting policies (continued)

Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the relevant taxation authority, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Impairment of long-lived assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment of long-lived assets (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Onerous contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised and measured as a provision.

25. Other significant accounting policies (continued)

New accounting standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after 1 January 2022, and have not been applied in preparing the consolidated financial statements. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

Description	AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments (AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standard	1 January 2022
Description	AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (AASB 101) AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (AASB 101)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standard	1 January 2023
Description	AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standard	1 January 2023
Description	AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (AASB 112)
Impact on Group Financial Report	It is not expected that there will be a material impact to the Group as a result of this amendment to the standard.
Application of standard	1 January 2023

Several other amendments to standards and interpretations will apply on or after 1 January 2022, and have not yet been applied, however they are not expected to have a material impact on the Group's annual consolidated financial statements.

26. Remuneration of auditors

	2022 \$	2021 \$
BDO Audit (WA) Pty Ltd		
Audit or review of the financial report of the Company	172,663	114,434
Other auditors		
Audit or review of the financial report of the Company <i>Deloitte Touche Tohmatsu</i>	-	51,500
Audit and tax services for the financial reports of subsidiaries and associates <i>W.M. Sum & Co</i>	40,727	53,166
	40,727	104,666

27. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Key management personnel compensation

Compensation paid to directors is paid by the Company and one of its subsidiaries.

The aggregate compensation paid to key management personnel of the Group during the year is as follows:

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,206	1,068

(b) Transactions and balances due with related parties

The Group entered into the following related party transactions during the year:

	Transactions		Balance on 31 March	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Purchases from associates				
Tianjin Jiahua Footwear Company Limited	7,270	5,473	-	926
Tianjin Tianxing Kesheng Leather Products Company Limited	8,420	6,362	1,420	1,463
Dividend received from an associate				
Tianjin Jiahua Footwear Company Limited	716	2,031	-	739

Purchases from related parties were transacted at normal trading terms and conditions agreed mutually.

27. Related party transactions (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current year for bad or doubtful debts in respect of the amounts owed by related parties.

(c) Loans from key management personnel

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.

28. Post reporting date events

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.

No other matter or circumstance has occurred after the year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the entity in subsequent financial years.

Directors' Declaration

- 1 In the opinion of the Directors of Merchant House International Limited (the "Company"):
 - (a) the consolidated financial statements and notes thereto:
 - (i) comply with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - (ii) give a true and fair view of the Group's financial position on 31 March 2022 and of its performance and cash flows for the 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.
- 2 The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors



Ian James Burton
Director

Perth, Australia
30 June 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Merchant House International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Merchant House International Limited (the Entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disposal of Carsan (Shunde) Manufacturing Company Ltd

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 3, in April 2021, the Group disposed its subsidiary Carsan (Shunde) Manufacturing Company Ltd (“Carsan”), resulting in a gain on disposal recorded in the Statement of Profit or Loss and Other Comprehensive Income.</p> <p>Due to the material nature of the gain on disposal and the classification of the disposal as a discontinued operation, this was determined to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none">• Obtaining the sales agreement to understand the terms of the transaction;• Reviewing the carrying value of the assets and liabilities disposed;• Reviewing the calculation of the gain on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities at 16 April 2021;• Agreeing the cash consideration received to respective bank statements; and• Assessing the adequacy of the related disclosures in Note 3 to the Financial Report.

Other information

Those charged with governance are responsible for the other information. The other information comprises the information contained in the annual report for the year ended 31 March 2022, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', is written over the BDO logo.

Dean Just

Director

Perth, 30 June 2022

Securities Exchange Information

The shareholder information set out below was applicable on 31 May 2022.

1. Distribution of ordinary shares

Range	Top holders	Ordinary shares	% of issued capital
1 to 1,000	22	7,648	0.01
1,001 to 5,000	30	94,163	0.10
5,001 to 10,000	21	167,808	0.18
10,001 to 100,000	122	4,222,663	4.48
100,001 and over	52	89,774,214	95.23
Total	247	94,266,496	100.00

There were 66 shareholders holding less than a marketable parcel.

2. Substantial shareholders

The substantial shareholders are set out below:

Name	Number of shares
Ms Loretta Bic Hing Lee	50,401,588
BNP Parabis Nominees Pty Ltd <LGT Bank AG DRP> - balance	9,864,814

3. Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

4. Twenty largest shareholders on 31 May 2022

	Number of shares	% of total shares
BNP Parabis Nominees Pty Ltd <LGT Bank AG DRP>	60,266,402	63.93
J P Morgan Nominees Australia Limited	3,438,467	3.65
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	2,323,681	2.47
Mr John Maxwell Bleakie	2,067,394	2.19
Mr Yin Sang Tsang	1,674,092	1.78
Messent Pty Ltd <Messent P/L Super Fund A/C>	1,490,039	1.58
Mrs Lana Kinoshita	1,339,274	1.42
National Nominees Limited	1,253,118	1.33
Mr Timothy Bird	1,244,402	1.32
Mr Brian Garfield Bengier	1,120,000	1.19
Mr Brian Garfield Bengier <NO 4 A/C>	900,000	0.95
Mr Raymond Lunney	789,674	0.84
Mr Victor Tien Ren Hou	761,119	0.81
Mr Michael James Pauley	735,506	0.78
Mr Ross George Yannis	698,330	0.74
Mr Brian Garfield Bengier	650,000	0.69
Ms Alice Liu	638,783	0.68
Miss Peggy Liao	635,455	0.67
Shandora One Pty Ltd <Bengier Super Fund A/C>	512,530	0.54
Mr Boon Chuan Aw <BCAW Family Super Fund A/C>	425,405	0.45
Mr Clifford J Einstein	368,867	0.39

Key Dates

Key dates for shareholders' attention are stated below.

Date	Event
30 June 2022	Announcement of audited annual results for 2021/22
22 July 2022	Dispatch of 2022 annual report and notice of Annual General Meeting ("AGM")
24 August 2022	Record date for attendance at AGM
25 August 2022	2022 AGM

Five Year Financial Summary

	For the year ended 31 March				
	2022	2021	2020	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Results					
Revenue	22,905	18,574	21,882	65,390	63,521
Gross (loss) / profit	(1,763)	(2,517)	(2,492)	10,506	9,934
(Loss) / profit before tax	(8,203)	(7,811)	(17,221)	(2,025)	1,154
Profit / (loss) after tax	13,511	(7,726)	(12,817)	(2,504)	611
Earnings / (loss) per share (cents)	14.33	(8.20)	(13.60)	(2.66)	0.65
Dividend per share (cents)	Nil	Nil	Nil	Nil	Nil

	On 31 March				
	2022	2021	2020	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities					
Total assets	46,451	45,019	69,151	69,390	56,125
Total liabilities	7,354	18,808	26,810	20,101	7,278
Equity	39,097	26,211	42,341	49,289	48,847

Corporate Directory

Company Details

Merchant House International Limited
ARBN 065 681 138

Board of Directors

Executive Director

Ms Loretta Bic Hing Lee (Chairperson)

Independent Non-executive Directors

Mr Ian James Burton
Ms Peggy Zi-Yin Liao
Ms Xiao Lan Wu
Mr Oliver Hein

Company Secretary

Mr David McArthur

Registered Office

First Floor, 31 Cliff Street
Fremantle, WA 6160 Australia
Telephone: +61 8 9435 3200
Facsimile: +61 8 6444 7408

Postal Address

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Fremantle, WA 6959 Australia

Head Office

Unit B & C, 16th Floor, E-trade Plaza
24 Lee Chung Street
Chai Wan, Hong Kong
Telephone: +852 2889 2000
Facsimile: +852 2898 9992

Corporate Website

www.lorettalee.com.hk

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, WA 6000 Australia
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com.au

Place of Incorporation of Company

Bermuda

Place of Listing

Australian Securities Exchange ("ASX")
Stock code: MHI
ASX Home Branch: Perth

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Australia

Legal Adviser

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000
Australia

Principal Bankers

The Hongkong and Shanghai Banking Corporation
Level 10, HSBC Main Building
1 Queen's Road Central
Hong Kong

Chong Hing Bank Limited
18th Floor, Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong