



MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED

31 MARCH 2018

APPENDIX 4E

Preliminary Final Report

Current reporting year
Previous corresponding year

Year ended 31 March 2018
Year ended 31 March 2017

1 Results for announcement to the market

					\$'000
1.1	Revenue	down	12.73%	to	63,521
1.2	Profit after tax from continuing operations	up	4.80%	to	611
1.3	Profit for the year attributable to owners of the Company	up	95.54%	to	1,140
1.4	Total comprehensive income for the year attributable to owners of the Company	up	71.20%	to	1,183

		Amount per share cents	Franked amount per share cents
1.5	Dividends		
	Final	Nil	Nil
	Interim	Nil	Nil
1.6	Record date for determining entitlement to dividend		No dividend declared
1.7	Brief explanation of figures (if necessary)		

During the year, revenue dropped mainly because of the loss of certain large customers of the Group's footwear trading business due to strategic change of customer composition.

2 **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Current year \$'000	Previous corresponding year \$'000
Continuing operations		
Revenue	63,521	72,788
Cost of sales	(53,587)	(62,279)
Gross profit	9,934	10,509
Interest income	155	102
Other gains / (losses)	851	(552)
Share of profit of associates	452	1,954
Impairment of goodwill	-	(229)
Interest expense	(48)	(47)
Selling and distribution costs	(967)	(1,414)
General and administrative expenses	(9,223)	(9,134)
Profit before tax from continuing operations	1,154	1,189
Income tax expense	(543)	(606)
Profit after tax from continuing operations	611	583
Discontinued operations		
Gain on dissolution of a subsidiary	529	-
Profit for the year attributable to owners of the Company	1,140	583
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	580	108
Reversal of foreign currency translation reserve on dissolution of a subsidiary	(529)	-
Income tax on items that may be reclassified subsequently to profit or loss	(8)	-
Other comprehensive income for the year, net of tax	43	108
Total comprehensive income for the year attributable to owners of the Company	1,183	691
Earnings per share attributable to owners of the Company		
From continuing operations	0.65	0.62
From discontinued operations	0.56	-
Basic and diluted (cents per share)	1.21	0.62

2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	Current year \$'000	Previous corresponding year \$'000
<i>Revenue</i>		
Sale of goods	63,521	72,788
Interest income from bank deposits	155	102
	63,676	72,890
<i>Other gains / (losses)</i>		
Net exchange gain / (loss) on foreign currency transactions	873	(527)
Loss on disposal of property, plant and equipment	(163)	(63)
Others	141	38
	851	(552)
<i>Expenses</i>		
Depreciation and amortisation	1,113	1,129
Research and development costs expensed as incurred	307	496
Minimum lease payments under operating lease rental expense	318	337
<i>Employee benefits expense</i>		
Key management personnel remuneration	1,497	1,206
Wages and salaries	8,970	8,009
Contributions to defined contribution plans	63	72
Other employee benefits	1,313	1,017
	11,843	10,304

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Current year \$'000	Previous corresponding year \$'000
Current assets		
Cash and cash equivalents	7,179	24,004
Trade and other receivables	6,862	6,464
Inventories	3,520	3,397
Current tax assets	29	-
Pledged certificate of deposit	10,290	-
Prepayments	263	205
Total current assets	28,143	34,070
Non-current assets		
Other assets under development	3,030	-
Interests in associates	11,892	11,181
Property, plant and equipment	11,826	9,054
Lease premium for leasehold land	1,184	1,116
Deferred tax assets	50	44
Total non-current assets	27,982	21,395
Total assets	56,125	55,465
Current liabilities		
Trade and other payables	5,897	6,316
Bank borrowings	1,172	1,112
Current tax payable	63	173
Provisions	90	129
Total current liabilities	7,222	7,730
Non-current liabilities		
Deferred tax liabilities	56	82
Total non-current liabilities	56	82
Total liabilities	7,278	7,812
Net assets	48,847	47,653
Equity		
Issued capital	2,944	2,944
Retained earnings	38,163	37,012
Foreign currency translation reserve	7,740	7,697
Total equity	48,847	47,653

4 **CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Current year \$'000	Previous corresponding year \$'000
Cash flows from operating activities		
Receipts from customers	63,118	75,642
Payments to suppliers and employees	(63,315)	(75,855)
Finance costs paid	(48)	(47)
Income tax paid	(715)	(580)
Net cash used in operating activities	(960)	(840)
Cash flows from investing activities		
Interest received	183	50
Proceeds from disposal of property, plant and equipment	7	2
Payments for property, plant and equipment	(3,441)	(1,534)
Dividend received from an associate	735	830
Increase in pledged certificate of deposit	(10,262)	-
Payments for other assets under development	(3,007)	-
Net cash used in investing activities	(15,785)	(652)
Cash flows from financing activities		
Proceeds from borrowings	65	-
Dividends pending forfeiture	-	7
Net cash generated from financing activities	65	7
Net decrease in cash and cash equivalents	(16,680)	(1,485)
Cash and cash equivalents at the beginning of the year	24,004	25,469
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(145)	20
Cash and cash equivalents at the end of the year	7,179	24,004
Reconciliation of cash and cash equivalents		
Bank balances and cash	7,179	24,004

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Attributable to owners of the Company			
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 1 April 2016	2,944	36,425	7,589	46,958
Profit for the year	-	583	-	583
Exchange differences arising on translation of foreign operations	-	-	108	108
Total comprehensive income for the year	-	583	108	691
Reversal of unclaimed dividends	-	4	-	4
Balance at 31 March 2017	2,944	37,012	7,697	47,653
Balance at 1 April 2017	2,944	37,012	7,697	47,653
Profit for the year	-	1,140	-	1,140
Exchange differences arising on translation of foreign operations	-	-	580	580
Reversal of foreign currency translation reserve on dissolution of a subsidiary	-	-	(529)	(529)
Income tax on items that may be reclassified subsequently to profit or loss	-	-	(8)	(8)
Total comprehensive income for the year	-	1,140	43	1,183
Reversal of unclaimed dividends	-	11	-	11
Balance at 31 March 2018	2,944	38,163	7,740	48,847

6 Dividends

Amount per security

		Amount per security cents	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend cents
Final dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	Nil	Nil	Nil
Interim dividend	- current year	Nil	Nil	Nil
	- previous corresponding year	Nil	Nil	Nil

Total dividends paid on all securities during the financial year

	Current year \$'000	Previous corresponding year \$'000
Ordinary shares	-	-

7 Net tangible assets

	Current year cents	Previous corresponding year cents
Net tangible asset backing per ordinary share	51.82	50.55

8 Details of associates

Name of entity	Percentage of ownership interest held at end of year		Contribution to net profit / (loss)	
	Current year %	Previous corresponding year %	Current year \$'000	Previous corresponding year \$'000
Tianjin Jiahua Footwear Company Limited	30.00%	30.00%	498	262
Tianjin Tianxing Kesheng Leather Products Company Limited	33.79%	33.79%	(46)	1,692
			452	1,954

8 Details of associates (continued)

Aggregate share of profits of associates

	Current year \$'000	Previous corresponding year \$'000
Profit before income tax	779	2,678
Income tax expense	(327)	(724)
Net profit attributable to owners of the Company	452	1,954

9 Any other significant information

On 7 August 2017, the Group established a wholly-owned subsidiary in USA named American Merchant Inc. in Virginia for the purpose of manufacturing and distributing of textile products in USA.

On 8 December 2017, the Group deregistered a wholly-owned subsidiary named Grandview Textiles Limited in Hong Kong.

10 Accounting standards

The financial report is prepared in accordance with Australian Accounting Standards and Interpretations.

11 Results for the year

11.1 Earnings per security

	Current year cents	Previous corresponding year cents
Basic and diluted earnings per share		
From continuing operations	0.65	0.62
From discontinued operations	0.56	-
For profit attributable to owners of the Company	1.21	0.62
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	94,266,496	94,266,496

11.2 Returns to shareholders

N/A

11.3 Significant features of operating performance

Refer to note 9.

11.4 Segment results

	Current year \$'000	Previous corresponding year \$'000
Home textile	3,223	1,765
Footwear trading	265	408
Footwear manufacturing	(3,343)	(2,948)
	145	(775)
Eliminations	710	412
	855	(363)
Share of profit of associates	452	1,954
Interest income	155	102
Central administrative expenses and directors' remuneration	(260)	(457)
Interest expense	(48)	(47)
Profit before tax	1,154	1,189

11.5 Trends in performance

N/A

11.6 *Any other factors which have affected the results in the year or which are likely to affect the results in the future, including those where the effect could not be quantified:*

Post-Reporting Date Event

Subsequent to 31 March 2018, Carsan (Shunde) Manufacturing Company Limited, a wholly-owned subsidiary of the Group in China, disposed of a property with a net book value of RMB393,318 for a consideration of RMB950,000. At 31 March 2018, a deposit of RMB150,000 had been received.

12 This report is based on accounts to which one of the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

13 Description of any likely audit dispute or qualification

N/A



David M McArthur
Company Secretary
31 May 2018