MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

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Fax: (852) 2898 9992

Registered Office:
Level 1
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Fremantle WA 6160
Australia
Tel: (61 8) 9435 3200
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Postal Address:
PO Box 584
Fremantle WA 6959

20 July 2018

ASX Limited

Electronic lodgement

ASX Code: MHI

DISPATCH OF 2018 ANNUAL REPORT AND NOTICE OF AGM

Attached is a copy of the Merchant House International Limited 2018 Annual Report together with the Notice of Annual General Meeting, Explanatory Memorandum and Proxy Form which have been dispatched to shareholders.

For and on behalf of the Board
MERCHANT HOUSE INTERNATIONAL LIMITED

D McArthur

David McArthur
Company Secretary

MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Merchant House International Limited will be held at Level 1, 31 Cliff Street, Fremantle, Perth, Western Australia on Friday, 24 August 2018 at 11.00 am (WST).

An Explanatory Memorandum containing information in relation to Resolutions 1 to 2 to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following resolutions.

ORDINARY BUSINESS

2018 Accounts

To receive and consider the annual financial report, the Directors' report and the auditors' report for the financial year ended 31 March 2018 and the Directors' declaration on the accounts.

Ordinary Resolution 1: Re-election of Director

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That Ms Wu Xiao Lan, a Director who retires by rotation in accordance with Clause 90 of the Company's Bye-Laws, ASX Listing Rule 14.4 and for all other purposes, and being eligible and offering herself for re-election, be re-elected as a Director."

Information about Ms Wu is set out in the Company's 2018 Annual Report.

Ordinary Resolution 2: Re-election of Director

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That Mr David John Thomas Bell, a Director who retires by rotation in accordance with Clause 90 of the Company's Bye-Laws, ASX Listing Rule 14.4 and for all other purposes, and being eligible and offering himself for re-election, be re-elected as a Director."

Information about Mr Bell is set out in the Company's 2018 Annual Report.

D McArthur

By order of the Board
D M McARTHUR
Company Secretary

Dated: 5 July 2018

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 5:00pm Wednesday, 22 August 2018 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

PROXIES

Please note that:

(a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9435 3200 if they have any queries in respect of the matters set out in this document.

MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Company's Bye-Laws, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 March 2018, together with the declaration of the directors, the directors' report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on the Company's ASX platform (code "MHI").

There is no requirement for Shareholders to approve the Annual Financial Statements.

The Company's auditor will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

(a) the preparation and content of the auditor's report;

(b) the conduct of the audit;

(c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and

(d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

ORDINARY RESOLUTIONS 1 AND 2 – Re-election of Directors

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

Clause 90 of the Company's Bye-Laws requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A Director who retires by rotation under Clause 90 is eligible for re-election.

Ms Wu Xiao Lan and Mr David Bell, are the Directors longest in office since their last election, and accordingly both retire by rotation and both seek re-election as a Director.

Information about Ms Wu and Mr Bell is set out in the Company's 2018 Annual Report.

The Board unanimously supports the re-election of Ms Wu and Mr Bell.

GLOSSARY

$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Closely Related Party of a member of the Key Management Personnel means:
(a) a spouse or child of the member;
(b) a child of the member's spouse;
(c) a dependent of the member or the member's spouse;
(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
(e) a company the member controls; or
(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Merchant House International Limited (ARBN 065 681 138)

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement and the Proxy Form.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Australian Western Standard Time (Perth, Western Australia).

Instructions for Completing 'Appointment of Proxy' Form

1. (**Changes to Proxy Voting**): Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

   (a) if proxy holders vote, they must cast all directed proxies as directed;

   (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed; and

   (c) the Chair is able to vote undirected proxies in the non-binding vote on the Remuneration Report where the Shareholder provides express authorisation for the Chair to exercise the proxy.

   Further details on these changes are set out below.

2. (**Appointing a Proxy**): A member with two or more votes entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

3. (**Proxy vote if appointment specifies way to vote**): Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

   (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

   (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

   (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

4. (**Transfer of non-chair proxy to chair in certain circumstances**): Section 250BC of the Corporations Act provides that, if:

   (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

   (b) the appointed proxy is not the chair of the meeting;

   (c) at the meeting, a poll is duly demanded on the resolution; and

   (d) either of the following applies:

      (i) the proxy is not recorded as attending the meeting;

      (ii) the proxy does not vote on the resolution,

   the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

5. (**Signing Instructions**):

   (a) (**Individual**): Where the holding is in one name, the member must sign.

   (b) (**Joint Holding**): Where the holding is in more than one name, all of the members should sign.

   (c) (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   (d) (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

6. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

7. (**Voting in person**):

   (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.

   (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting

8. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):

   (a) In person to Level 1, 31 Cliff Street, Fremantle, WA 6160;

   (b) By mail to PO Box 584, Fremantle, WA, 6959.

   (c) By Facsimile to +61 8 6444 7408;

   (d) By scan and email to davidm@broadwaymgt.com.au

   so that it is received at least 48 hours prior to commencement of the Annual General Meeting.

   Proxy Forms received later than this time will be invalid.

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

…………………………………………………………………………………….…….….……….. (***Company***),

Insert name of Shareholder Company

the Company has appointed:

……………………..……………………………………………………………………….……….…,

Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at the annual general meeting of the members of Merchant House International Limited to be held on Friday, 24 August 2018 commencing at 11.00 am (WST) and at any adjournments of that annual general meeting.

DATED ……………………………………..2018

Please sign here

Executed by the Company)
in accordance with its constituent documents)

....………………..…	....…………………
Signed by authorised representative	Signed by authorised representative
....……...	....…………………
Name of authorised representative (print)	Name of authorised representative (print)
....…………..…	......................................……………………
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Merchant House International Limited at Level 1, 31 Cliff Street, Fremantle, WA, 6160 or fax the Certificate to the registered office at +61 8 6444 7408.

PROXY FORM

APPOINTMENT OF PROXY
MERCHANT HOUSE INTERNATIONAL LIMITED
ARBN 065 681 138

ANNUAL GENERAL MEETING

I/We

Address

being a Member of Merchant House International Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws, as the proxy sees fit, at the Annual General Meeting to be held at 11.00 am (WST) on Friday, 24 August 2018 at Level 1, 31 Cliff St, Fremantle, Perth, Western Australia, and at any adjournment of that meeting.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Re-election of Director – Ms Wu Xiao Lan	☐	☐	☐
Resolution 2 – Re-election of Director – Mr David John Thomas Bell	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this prox: __________%

Signature of Member(s):________________________________ **Date:** _______________________

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: _____________________________ **Contact Ph (daytime):** _______________________________

MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

2018

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

MERCHANT HOUSE INTERNATIONAL LIMITED

ARBN 065 681 138

ANNUAL REPORT

2018

Contents

Letter from the Chairperson

Market Review

The market situation in the United States continues to be very complicated, both politically and economically. While we do not expect that the possible tariff wars between China and the U.S., will impact our business, it does reinforce our strategy to establish a manufacturing base in America.

In China, our manufacturing costs have continued to escalate in almost every category including labor. Of particular concern has been the appreciation in the Chinese currency. Another significant issue is that Beijing, some months ago, instituted a very aggressive environmental protection policy. This has reduced competition particularly in the number of dyeing factories available to us, and allowed the surviving factories to demand higher prices. Carsan, having been a leader in the sustainability effort from as early as 2007, has not been affected by this environmental protection policy crack-down.

Group Performance

The Group recorded sales of A$63.5 million for FY 2017/18, which showed a decline of 13% compared with last year of A$72.8 million. Net profit before tax from continuing operations for the group was A$1.15 million in 2017/18, compared with A$1.19 million in 2016/17.

Textiles sales were A$40.2 million (2016/17: A$40.2 million). Net profit was A$3.2 million (2016/17: A$1.8 million). Our customer base remains stable and our Carsan factory continues to improve their production planning and financial management.

In our Forsan shoe division, sales for the fiscal year were A$20.4 million versus A$31.7 million year ago reflecting our decision to resign from retailers which have financial difficulties and giving up the low end and moving toward higher value, branded product. Net profit was A$0.27 million.

Turning to our U.S. Footwear Industries of Tennessee, the loss for the full fiscal year totalled A$3.3 million reflecting weak management, and lack of worker training and productivity. While the loss was as projected, the plan is for Hong Kong management to take a more active role in overseeing this business.

Future Plans

We continue to be committed to establishing a manufacturing base in the US for both shoes and now textiles.

For Footwear Industries of Tennessee improving the management will be our top priority in 2018. Numerous American brands continue to be interested in our factory, and we currently have more orders than we can fulfill.

For American Merchant Inc, on December 12, 2017 we had a formal factory opening ceremony. We have placed orders for the major weaving and finishing equipment which will begin to be delivered in the fourth quarter of this year. Some renovation on the existing building is currently taking place, and we anticipate production will begin in first quarter of 2019.

Dividend

The Board did not recommend the payment of a dividend for FY 2017/18. The Group needs to retain cash to develop business in U.S. in future.

Letter from the Chairperson (Continued)

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 for their dedication and relentless contribution to the Group in the past year.

Loretta Lee
Chairperson
28 June 2018

Operating and Financial Review

Financial Results

The Group is engaged in the design, manufacturing and marketing of home textile, seasonal and decorative products and leather shoes with the major market in the United States of America. There is no significant change in the Group's business activities during the financial year ended 31 March 2018.

Revenue of the Group for the year ended 31 March 2018 attributable to home textile, footwear trading and footwear manufacturing was 63.35%, 32.13% and 4.52% (2017: 55.3%, 43.3% and 1.4%) respectively.

Home Textile

Home textile was the best performer during the year among all operating segments of the Group. Sales remained comparable with prior year at A$40.2 million (2017: A$40.2 million). Segment profit was A$3.2 million (A$1.8 million).

Footwear Trading

Sales of the footwear trading business for the year was A$20.4 million (2017: A$31.7 million), down by 35%. Segment profit dropped by 35% to A$0.3 million (2017: A$0.4 million). In footwear trading business, we continued to cease selling to a major footwear customer.

Footwear Manufacturing

Sales of footwear manufacturing business in the US for the year was A$2.9 million, compared with A$1.0 million last year. A loss of A$3.3 million (2017: A$2.9 million) was recorded. The increased operating loss was a result of lower-than-expected efficiency in both production and management.

Impairment and write-down

At year end, provision for receivables amounted to A$nil (2017: A$0.3 million). In the prior year, goodwill attributable to the Group's footwear trading business of A$0.2 million was fully impaired based on uncertain business environment and unsatisfactory results anticipated.

Liquidity and Financial Resources

As at 31 March 2018, the Group had cash and bank balances totaling A$7.2 million (2017: A$24.0 million) and were denominated substantially in United States dollars. In addition, the Group had banking facilities of A$25.5 million (2017: A$7.3 million), of which A$24.3 million (2017: A$6.2 million) was not utilised. A pledged certificate of deposit is also held by the Group at 31 March 2018 amounting to A$10.3 million (2017: A$nil).

In view of the strong financial and liquidity position, the Group has sufficient financial resources to meet its commitments and working capital requirements.

Capital Expenditure

During the year, the Group spent A$3.4 million (2017: A$1.5 million) on acquisition of property, plant and equipment and A$3.0 million (2017: A$nil million) on other assets under development, mainly for land and building and machineries of US wholly-owned subsidiary, American Merchant Inc.

Exchange Risk

The Group is exposed to exchange rate risk primarily that certain assets and liabilities are denominated in Renminbi and USD. The appreciation of Renminbi reduced the profitability of home textile manufacturing division in China in the reporting year.

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 2018.

1. 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
Mr Robert Lincoln Burton	Director since 1 September 2017 (previously Independent Non-executive Director from 10 August 2016)
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 Clifford Jay Einstein	Director since 2 August 2007
Mr David John Thomas Bell	Director since 14 August 2007

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.

1. Board of Directors and Officers (continued)

Mr Robert Lincoln Burton

Executive Director (since 1 September 2017 – previously Independent Non-executive Director from 10 August 2016)

Experience and expertise
Mr Burton has over thirty years of hands-on supply management experience across the Asia Pacific region with increasing levels of responsibility while based in Taiwan, Thailand, Shanghai and Hong Kong.

Mr Burton has been an executive with Li & Fung Trading Limited since 2004. At Li & Fung between 2004 to 2013, Mr Burton led a diverse sourcing group that shipped in excess of FOB US$800M from across the Asia Pacific and Indian Subcontinent regions. Mr Burton has been responsible for Li & Fung Vendor Supply Chain (VSC) service since 2014. The VSC groups' mission is to introduce manufacturing excellence programs and work to improve the overall performance across all sectors and geographies of the Li & Fung supply chain. Scope of the position includes over 14,000 vendors and in excess of US$14 billion in sourcing/purchasing activities.

Mr. Burton has been the president of Hong Kong Internet of Things Industry Advisory Council, GS1 Hong Kong since 2014. He was the Chairman of the Board of Governors, Bangkok Patana School from 1997 to 2000.

Mr Burton holds a Bachelor of Science Degree, Economics, from California State Polytechnic University, Pomona, USA, and a Master's Degree in Business Science from Northwestern University in the USA.

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 does not hold any ordinary shares of the Company.

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.

1. Board of Directors and Officers (continued)

Ms Peggy Zi Yin Liao (continued)
Independent Non-executive Director

Experience and expertise
Ms Liao is active in public service. She was appointed by the Hong Kong Chief Executive to serve on a number of 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.

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 Clifford J Einstein
Independent Non-executive Director

Experience and expertise
Mr Einstein has spent 50 years in the advertising business where he was most recently Chairman of Dailey and Associates, an international advertising agency headquartered in West Hollywood, California.

Over the years Mr Einstein's agency produced memorable campaigns for Honda Motorcycles, The Southern California Ford Dealers, Nestle Foods, Gallo Winery, Unilever, Great Western Savings, Western Airlines, Hunt Wesson, Australian Tourism, Safeway Stores, Weyerhaeuser Forest Products, White Stag Skiwear and Callaway Golf. In 1994 Mr Einstein was named Chairman and CEO of the company. The decade that followed produced great growth and success with billings exceeding US$400 million.

Mr Einstein has been celebrated as one of his industry's more awarded advertising figures, winning several International Broadcasting Awards, Clios, and the AAF award for Best Advertising Campaign in America.

He has been named the Western States Advertising Association's Leader of the Year and more recently, the American Advertising Federation's Leader of the West.

1. Board of Directors and Officers (continued)

Mr Clifford J Einstein (continued)

Independent Non-executive Director

In 1983 Mr Einstein initiated a furniture import business bringing leading edge design from Italy to Los Angeles. This experience carried him deeply into the international world of art and design and prompted a lifelong desire to collect significant contemporary art.

Art and Antiques Magazine has listed The Einstein Collection as one of America's top 100, and the collection has been profiled in HG, Australian Vogue, Vogue Korea, The New York Times, The Los Angeles Times, HG magazine, Art News magazine, and Art Review.

Mr Einstein joined the Board of Trustees of the Los Angeles Museum of Contemporary Art in 1985 and is currently Chairman Emeritus of that board. He has been awarded an honorary PhD from Otis College of Art and Design where he serves as a trustee.

Mr Einstein has a long history of philanthropic work for several organisations. These include The Jewish Community Foundation, The Discovery Eye Foundation and The Rape Foundation, where he was given the Governor's Victim's Service Award. Mr Einstein obtained his BA degree in English from University of California, Los Angeles.

Other current and former directorships
Mr Einstein 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 Einstein holds 585,217 ordinary shares of the Company.

Mr David John Thomas Bell

Independent Non-executive Director

Experience and expertise
Mr Bell is a resident of Australia and has almost 50 years' experience in management, administration and corporate communications in Australia and Hong Kong.

Mr Bell resided in Hong Kong between 1967 and the end of 1992 where, for most of that period, he was head of corporate communications for the Swire Group with corporate and media relations responsibility for all key group companies, in particular John Swire & Sons (HK) Ltd, Swire Pacific Ltd and Cathay Pacific Airways Ltd.

Mr Bell now runs a small corporate media relations company in Sydney.

Other current and former directorships
Mr Bell 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 Bell holds 55,000 ordinary 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.

2. Directors' meetings

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

Director	Full meetings of Directors	
	No. of meetings attended	No. of meetings held whilst a director
Ms Loretta Bic Hing Lee	3	3
Ms Peggy Zi Yin Liao	2	3
Mr Ian James Burton	3	3
Ms Xiao Lan Wu	-	3
Mr Clifford Jay Einstein	3	3
Mr David James Bell	3	3
Mr Robert Lincoln Burton	3	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.

4. Share options granted to directors and senior management

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

5. Issued capital

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

6. 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.

7. 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 29 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) is in compliance with the generally accepted standards of independence for auditors.

7. Non-audit services (continued)

The Directors are of the opinion that the services as disclosed in note 29 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.

8. Independent auditor's report

The independent auditor's report is included on page 60.

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

On behalf of the Directors.

Ian James Burton
Director
Perth, Australia
28 June 2018

Corporate Governance

The Board of Directors (the "Board") of Merchant House International Limited (the "Company") is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australia Securities Exchange ("ASX") Corporate Governance Principles and Recommendations *(Third Edition),* unless otherwise stated.

As required under ASX Listing Rule 4.10.3, the Group makes the following disclosures in relation to each of the Recommendations.

1. Board of Directors

(a) Role of the Board and responsibilities

The primary role of the Board is to oversee and approve the Group's strategic direction, to oversee the Group's management and business activities and to report to shareholders. The roles and responsibilities of the Board are formalised in written policies.

The Board evaluates these policies on an ongoing basis.

In addition to matters required by law to be approved by the Board, the responsibilities include, but are not limited to:

- the establishment of the long-term goals of the Group and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Group;
- the review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and interim financial reports;
- nominating and evaluating the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues;
- ensuring that the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board; and
- ensuring that the Company reports on its measurable objectives in relation to board diversity and assess annually both the objectives and progress in achieving board diversity.

Responsibility for management of the Group's day to day business activities is delegated to the Executive Chairperson who is accountable to the Board.

(b) Board composition and expertise

The names of the directors of the Company in office at the date of this statement are set out in the directors' report. The directors' report also contains details of each director's skill, experience and education. The Board seeks to ensure it consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence.

1. Board of Directors (continued)

(b) Board composition and expertise (continued)

The Board currently comprises seven directors, one executive Chairperson, one executive director and five independent non-executive directors. A letter of appointment is executed with each Director and Senior Executive of the Company setting out the terms of their employment.

The specific skills that the Board collectively bring to the Company include:

- Industrial expertise
- Commercial experience
- Public company experience
- Analytical
- Financial
- Risk management
- Strategic planning and leadership
- Corporate governance
- Communications
- Interpersonal

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) in its membership. The Board is primarily responsible for identifying potential new directors, however has the option to use an external consulting firm to identify and approach possible new candidates for directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting ("AGM") of shareholders.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all relevant information for considering the election and re-election of a Director.

(c) Retirement and re-election of directors

The Constitution of the Company requires one-third of directors (or the number nearest one third, rounded up), other than the Managing Director, to retire from office at each AGM. Directors who have been appointed by the Board after the last AGM are required to retire from office at the next AGM and are not taken into account in determining the number of directors to retire at that AGM. Retiring directors are eligible for re-election by shareholders.

No Directors shall hold office for a period of three years without seeking re-election.

(d) Independence of directors

The Board has reviewed the position and association of each of the seven directors in office during the year and considers that five directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate. A director is considered to be independent where they receive no material financial or contractual benefits with the company over and above their director's fee and entitlements.

1. Board of Directors (continued)

(d) Independence of directors (continued)

The Board considers that Ms Peggy Liao, Mr Ian Burton, Mr David Bell, Mr Clifford Einstein and Ms Xiao Lan Wu meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

The Chairperson of the Company, Ms Loretta Lee, founded the Company and has held the role of Chairperson since the Company was established. Ms Lee is an integral part of the Company and also a major shareholder and due to her detailed knowledge of the business and the specialised skills that she brings to the Company, it is not practical for her role as Chairperson to be carried out by other directors, nor for the roles of Chairperson and Chief Executive Officer to be segregated.

(e) Director education

All new Directors complete an induction process. The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Board are specifically provided the opportunity to enhance their financial and compliance skills in relation to public companies through external courses.

(f) Independent professional advice

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

(g) Board performance review

There is no formal appraisal system in place for Board performance on a director by director basis. The performance of all directors is assessed through review by the Board as a whole of a director's attendance at, and involvement in, Board meetings, their performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting year. However, the Board conducts a review of the performance of the Company against budgeted targets and strategic objectives on an ongoing basis.

The Board does assess the performance of senior executives on an annual basis. An assessment was carried out during the current financial year.

(h) Conflict of interest

Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

(i) Remuneration of directors and senior management

Details of remuneration of the Company's directors and the Group's senior management are disclosed in note 30 to the consolidated financial statements on page 53.

Executive Directors may be remunerated by fixed cash remuneration, performance-based bonus and share-based compensation. No termination payment is agreed other than a reasonable period of notice of termination will be required as detailed in the executive's employment contract.

1. Board of Directors (continued)

(i) Remuneration of directors and senior management (continued)

Non-executive Directors will be remunerated by cash benefits alone (including statutory superannuation) and will not be provided with any benefits for ceasing to be a Director.

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

2. Board committees

Board committees and membership

The functions to be performed by sub-committees under the ASX Corporate Governance Principles and Recommendations are currently being performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. However, meetings are held throughout the year between the Company Secretary, Mr David McArthur, the Board and/or Board members as appropriate and the Company's auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

3. Managing business risk

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board has not established a separate Risk Committee. The Board as a whole assesses and monitors risk management.

The Company does not have an internal audit unit.

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the possible impact of changes and implements strategies to minimise exposure to these risks.

(a) Internal controls

Procedures are established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting and financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with the Board's requirements; and
- conduct a detailed review of published accounts.

3. Managing business risk (continued)

(b) Corporate financial and operational reporting

The Board receives monthly management reports for the financial condition and operational results of the Group. The Company is not required to comply with the Corporations Act 2001 as it is a foreign company registered in Bermuda.

(c) Environmental regulation

The Group has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. The Group has complied with all applicable environmental regulations.

4. Ethical Standards

All directors and executives are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

(a) Code of conduct

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code and unethical behaviour will be duly reported to the Chairperson.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

The Group has advised each director, manager and employee that they must comply with the Group's Ethical Standards.

(b) Trading in Company's securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Chairperson must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with such policy is reviewed on an ongoing basis in accordance with the Company's risk management systems.

5. Diversity Policy

The Company has a diversity policy which provides a written framework and objectives for achieving a work environment that values and utilises the contributions to employees' backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the diversity policy. The Board is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting processes.

The Board comprises of members possessing different nationalities. They have various experiences, qualifications and educational backgrounds. The Board's composition is represented by both genders on a relative even basis. The Company continues to achieve and maintain diversity on the Board in order to enhance its effectiveness.

The Company is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talents.

5. Diversity Policy (continued)

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff
- Appreciate and respect the unique aspects that an individual brings to the workplace
- Where possible and practicable, increase participation and employment opportunities for indigenous people
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace
- Take action to prevent discrimination, harassment, vilification or victimisation;
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

Pursuant to *Recommendation 1.5* of the Recommendations, the Company discloses the following information as at 31 March 2018:

	2018		2017	
Gender representation	**Women**	**Men**	**Women**	**Men**
Group representation	65%	35%	66%	34%
Board representation	43%	57%	43%	57%
Senior management representation	-	100%	-	100%
Corporate services provider representation	75%	25%	75%	25%

6. Communication with Shareholders

The Board aims to ensure that shareholders are kept fully informed of all major developments of the Company. Information is communicated to shareholders as follows:

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Company's disclosure policy, including the interim and annual accounts of the Group;
- The Board ensures the annual report includes relevant information about the operations of the Group during the year, changes in the financial position and details of future developments;
- Any proposed major changes in the Company's affairs are submitted to a vote of shareholders;
- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry;
- The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification of the corporate strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- The external auditor is required to attend the AGMs to answer questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and ensure its compliance on an ongoing basis.

6. Communication with Shareholders (continued)

Continuous disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all officers and employees of the Group who may from time to time be in the possession of undisclosed information that may be sensitive to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the ASX Listing Rules and ensures officers and employees of the Group understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate), will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once in every 12-month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

7. ASX Principles Compliance Statement

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1

The Board should establish a nomination committee.

Recommendation 2.5

The chairperson should be an independent director and, in particular, should not be the same person as the CEO of the Company.

The Chairperson of the Company is Ms Loretta Lee. Ms Lee founded the Group, and has held the role of Chairperson since the Company's inception. Ms Lee is an integral part of the Company and also a major shareholder. Because of her detailed knowledge of the business and the specialised skills that she brings to the Company, it is more practical for Ms Lee to carry out both roles as the Chairperson and Chief Executive Officer.

Recommendation 4.1

The Board should establish an audit committee.

Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board receives monthly management reports for the financial position and operational results of the Group. The Company is not required to comply with the Corporations Act 2001 as it is a foreign company incorporated in Bermuda.

Recommendation 7.1

The Board should establish a risk committee.

7. ASX Principles Compliance Statement (continued)

Recommendation 8.1

The Board should establish a remuneration committee.

The functions to be performed by sub-committees under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. However, meetings are held throughout the year between the Company Secretary, Mr David McArthur, the Board and/or Board members as appropriate and the Company's auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Continuing operations			
Revenue	3	63,521	72,788
Cost of sales		(53,587)	(62,279)
Gross profit		9,934	10,509
Interest income	3	155	102
Other gains / (losses)	7	851	(552)
Share of profit of associates	26	452	1,954
Impairment of goodwill	8	-	(229)
Interest expense		(48)	(47)
Selling and distribution costs		(967)	(1,414)
General and administrative expenses	5	(9,223)	(9,134)
Profit before tax from continuing operations		1,154	1,189
Income tax expense	24(a)	(543)	(606)
Profit after tax from continuing operations		611	583
Discontinued operations			
Gain on dissolution of a subsidiary	6	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	6	(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)	9	1.21	0.62

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position as at 31 March 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	18	7,179	24,004
Pledged certificate of deposit	19	10,290	-
Receivables	10	6,862	6,464
Inventories	11	3,520	3,397
Current tax assets		29	-
Prepayments		263	205
Total current assets		28,143	34,070
Non-current assets			
Other assets under development	14	3,030	-
Interests in associates	26	11,892	11,181
Property, plant and equipment	12	11,826	9,054
Lease premium for leasehold land	13	1,184	1,116
Deferred tax assets	24(c)	50	44
Total non-current assets		27,982	21,395
Total assets		56,125	55,465
Current liabilities			
Payables	15	5,897	6,316
Bank borrowings	23	1,172	1,112
Current tax payable		63	173
Provision	16	90	129
Total current liabilities		7,222	7,730
Non-current liabilities			
Deferred tax liabilities	24(c)	56	82
Total liabilities		7,278	7,812
Net assets		48,847	47,653
Equity			
Issued capital	21(a)	2,944	2,944
Retained earnings		38,163	37,012
Foreign currency translation reserve	21(b)	7,740	7,697
Total equity		48,847	47,653

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 March 2018

		Attributable to owners of the Company			
	Note	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	20	-	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 subsequent to profit or loss		-	-	(8)	(8)
Total comprehensive income for the year		-	1,140	43	1,183
Reversal of unclaimed dividends	20	-	11	-	11
Balance at 31 March 2018		2,944	38,163	7,740	48,847

The financial statements are to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		63,118	75,642
Payments to suppliers and employees		(63,315)	(75,855)
Finance costs		(48)	(47)
Income tax paid		(715)	(580)
Net cash used in operating activities	18(a)	(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 bank borrowings	18(b)	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	18	7,179	24,004

The financial statements are to be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

1. Reporting entity and statement of compliance

Merchant House International Limited (the "Company") is a listed public company incorporated in Bermuda and operating in Hong Kong, China and the United States of America ("USA").

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	10th 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 Entity").

The Group is a for-profit entity and its principal activities are the manufacturing and distribution of home textile and footwear. The operating results of the Group are significantly affected by seasonal fluctuations. This is particularly due to increased demand by consumers in the USA for home textile products between June and October for Harvest, Halloween and Christmas.

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, except share-based payments which are measured at fair value.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 June 2018.

Details of the Group's accounting policies, including changes during the year, are included in note 32 and 33.

The Company is a company of the kind referred to in Australian Securities and Investments Commission "ASIC" Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 Hong Kong Dollar (HK$), Chinese Yuan Renminbi (RMB) and US Dollar (US$). For the purpose of 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.

2. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(a) Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2018 are included in the following notes:

(i) Note 10 – Recoverability of receivables
(ii) Note 11 – Valuation of inventories
(iii) Note 12 – Recoverability of property, plant and equipment
(iv) Note 16 – Provision for sales returns and claims

(b) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Further information about the assumptions made in measuring fair values is included in note 17.

3. Revenue and interest income

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

	2018 $'000	2017 $'000
Revenue from the sale of goods	63,521	72,788
Interest income from bank deposits	155	102
	63,676	72,890

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 from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income
Interest income 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.

4. 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
- 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.*

4. 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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Home textile	37,853	38,368	3,203	4,141
Footwear trading	2,873	2,611	2,448	1,808
Footwear manufacturing	3,437	3,131	1,441	1,662
Total segment assets and liabilities	44,163	44,110	7,092	7,611
Interests in associates	11,892	11,181	-	-
Corporate and other segment assets/liabilities	70	174	186	201
Total	56,125	55,465	7,278	7,812

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

- all assets are allocated to reportable segments other than goodwill and deferred tax 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.

4. Segment information (Continued)

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)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Home textile	40,240	40,234	3,223	1,765
Footwear trading	20,411	31,684	265	408
Footwear manufacturing	2,870	1,030	(3,343)	(2,948)
	63,521	72,948	145	(775)
Eliminations	-	(160)	710	412
	63,521	72,788	855	(363)
Share of profits 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

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

Segment profit represents the profit before tax earned by each segment without allocation of central administrative expenses and directors' remuneration, share of profits of associates, impairment losses, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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 external customers		Non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
USA	63,196	71,331	8,116	2,204
Australia	54	1,059	-	-
China/Hong Kong	37	127	7,924	7,966
Others	234	271	-	-
	63,521	72,788	16,040	10,170

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

Non-current assets comprise property, plant and equipment, lease premium for leasehold land and other assets under development.

4. Segment information (Continued)

Other segment information

	Home Textile 2018 $'000	Home Textile 2017 $'000	Footwear Trading 2018 $'000	Footwear Trading 2017 $'000	Footwear Manufacturing 2018 $'000	Footwear Manufacturing 2017 $'000
Interests in associates	-	-	11,892	11,181	-	-
Share of profit of associates	-	-	452	1,954	-	-
Acquisition of segment assets	3,248	381	1	7	192	1,146
Depreciation and amortisation of segment assets	913	980	10	10	190	139

Information about major customers

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

	Attributable to segments 2018	Attributable to segments 2017	Sales revenue 2018 $'000	Sales revenue 2017 $'000	Percentage of total sales revenue 2018 %	Percentage of total sales revenue 2017 %
First	Home textile	Home textile	16,214	15,971	25.52	21.94
Second	Home textile	Home textile	14,838	14,021	23.36	19.26
Third	Footwear trading	Footwear trading and footwear manufacturing	6,902	10,195	10.87	14.01
			37,954	40,187	59.75	55.21

5. General and administrative expenses

Significant expenses for the year are as follows:

	Note	2018 $'000	2017 $'000
Depreciation and amortisation expense			
Depreciation of property, plant and equipment		1,080	1,096
Amortisation of lease premium for leasehold land		33	33
		1,113	1,129
Research and development costs expensed as incurred		307	496
Operating lease rental expense	(a)		
Minimum lease payments		318	337
Employee benefits expense	(b)		
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
Total employee benefits expense		11,843	10,304
Less: Amount allocated to cost of sales		(6,772)	(6,072)
Amount allocated to general and administrative expenses		5,071	4,232

(a) Operating lease rental expense

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(b) 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 as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions
Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value determined at the grant date is recognised as an employee expense on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

5. General and administrative expenses (Continued)

(b) Employee benefit expense (Continued)

(iii) 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.

6. Gain on dissolution of a subsidiary

On 8 December 2017, Grandview Textiles Limited, a wholly-owned subsidiary of the Group, was officially deregistered.

	2018 $'000	2017 $'000
Gain on dissolution of a subsidiary	529	-
Basic earnings per share (cents)	0.56	-

The gain on dissolution of a subsidiary is attributable to a foreign operation which was de-registered in December 2017 and the resulting reversal of the foreign currency translation reserve carried forward from prior years.

7. Other gains / (losses)

	2018 $'000	2017 $'000
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)

8. Impairment of goodwill

During the year to 31 March 2017, due to the foreseeable difficult operating environment and unsatisfactory results of the cash generating unit to which goodwill had been allocated, management performed an impairment assessment and full impairment was made.

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of $1,140 thousand (2017: $583 thousand) and 94,266,496 (2017: 94,266,496) ordinary shares in issue throughout the year.

In both years ended 31 March 2018 and 2017, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the year.

10. Receivables

	Note	2018 $'000	2017 $'000
Current			
Trade receivables		6,598	6,187
Loan receivable	(a)	-	340
Other receivables		29	47
Interest receivable		23	52
VAT refund receivable	(b)	132	210
Deposits	(c)	80	67
		6,862	6,903
Allowance for doubtful debts		-	(439)
		6,862	6,464

(a) As at 31 March 2018, the loan receivable was fully impaired.

(b) The VAT refund receivable is interest free for the export of goods.

(c) They represent rental and utility deposits and are interest free and repayable on demand.

The average credit period on sales of goods and rendering of services is 60 days (2017: 60 days). No interest is charged on trade receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of $91 thousand (2017: $754 thousand) which are past due for 30 to 90 days at the reporting date for which the Group has not provided 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 (2017: 90 days).

Impairment of receivables

At each reporting date, the Group evaluates the collectability of trade receivables and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, and could impact operating results, either positively or negatively.

10. Receivables (Continued)

Impairment of receivables (Continued)

The Group has recognised an allowance for doubtful debts based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

	2018 $'000	2017 $'000
Movements in the allowance for doubtful debts		
Balance at 1 April	439	119
Provision for the year	-	324
Amounts written off as uncollectible	(433)	-
Exchange differences	(6)	(4)
Balance at 31 March	**-**	439

During the current year, a provision for a doubtful debt amounting to $nil thousand (2017: $324 thousand) was made. In addition to this provision, an allowance for doubtful debts of $433 thousand (2017: $nil) which had been provided in a prior period was formally forgiven and eliminated against the provision previously made.

11. Inventories

	2018 $'000	2017 $'000
Materials	1,164	1,192
Work in progress	956	952
Finished goods	993	1,011
Goods in transit	407	242
	3,520	3,397

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 particular 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 $53,587 thousand (2017: $62,279 thousand).

The cost of inventories recognised as an expense includes $305 thousand (2017: write down of $391 thousand) in respect of write-backs to net realisable value.

12. Property, Plant and Equipment

	Buildings $'000	Freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Gross carrying amount					
Balance at 1 April 2016	11,569	39	347	12,033	23,988
Additions	262	26	-	1,246	1,534
Disposals	-	-	(95)	(373)	(468)
Exchange differences	(621)	-	3	(518)	(1,136)
Balance at 31 March 2017	11,210	65	255	12,388	23,918
Additions	2,033	511	398	499	3,441
Disposals	-	-	-	(953)	(953)
Exchange differences	882	4	(1)	667	1,552
Balance at 31 March 2018	14,125	580	652	12,601	27,958
Accumulated depreciation and impairment					
Balance at 1 April 2016	5,714	-	325	8,920	14,959
Disposals	-	-	(95)	(308)	(403)
Depreciation expense	527	-	23	546	1,096
Exchange differences	(354)	-	2	(436)	(788)
Balance at 31 March 2017	5,887	-	255	8,722	14,864
Disposals	-	-	-	(783)	(783)
Depreciation expense	521	-	4	555	1,080
Exchange differences	539	-	(4)	436	971
Balance at 31 March 2018	6,947	-	255	8,930	16,132
Net book value					
As at 31 March 2017	5,323	65	-	3,666	9,054
As at 31 March 2018	7,178	580	397	3,671	11,826

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.

12. Property, Plant and Equipment (Continued)

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
Leasehold improvements	3 to 5 years
Plant and equipment	5 to 10 years

Impairment losses charged to profit or loss
No impairment loss in property, plant and equipment is recognised in the current year. The impairment charge recognised in prior years related to certain assets used in the Group's footwear manufacturing reportable segment.

13. Lease premium for leasehold land

The figures below represent consolidated figures for the Group subsidiaries. The payments made in advance held under an operating lease 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 at fair value.

	$'000
Gross carrying amount	
Balance at 1 April 2016	1,698
Exchange differences	(104)
Balance at 31 March 2017	1,594
Exchange differences	147
Balance at 31 March 2018	1,741
Accumulated amortisation and impairment	
Balance at 1 April 2016	475
Amortisation expense	33
Exchange differences	(30)
Balance at 31 March 2017	478
Amortisation expense	33
Exchange differences	46
Balance at 31 March 2018	557
Net book value	
As at 31 March 2017	1,116
As at 31 March 2018	1,184

14. Other assets under development

During the year, the Group paid deposits of US$2,326,602 (equivalent to A$3,030,297) for the acquisition of plant and equipment located in Virginia, USA. The acquisition of these items is expected to be completed before December 2018, and upon acquisition, transferred to Property, Plant and Equipment. The deposits are interest-free and unsecured.

15. Payables

	2018 $'000	2017 $'000
Current		
Trade payables	2,377	3,699
Amounts payable to associates	2,328	1,623
Accruals	952	834
Others	240	160
	5,897	6,316

The average credit period on trade purchases is 30 to 60 days (2017: 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.

16. Provision

	Note	2018 $'000	2017 $'000
Sales returns and claims	(a)	90	129
Balance at 1 April		129	313
Additional provisions recognised		83	115
Amount utilised or written back		(120)	(302)
Exchange differences		(2)	3
Balance at 31 March		90	129

(a) Sales returns and claims represent the return and customers' claim on defective goods. The provision for sales returns and claims represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be incurred. The estimate amount is made with reference to the historical return and claim proportion.

17. Financial instruments – fair values and risk management

(a) Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amounts			Fair Values			
	Current assets						
	Other receivables	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Financial assets not measured at fair value							
Cash and cash equivalents	-	7,179	7,179	-	-	-	-
Pledged certificate of deposit	10,290	-	10,290	-	10,290	-	10,290
Trade receivables	6,598	-	6,598	-	6,598	-	6,598
Other loans and receivables	264	-	264	-	264	-	264
	17,152	7,179	24,331	-	17,152	-	17,152
2017							
Financial assets not measured at fair value							
Cash and cash equivalents	-	24,004	24,004	-	-	-	-
Trade receivables	6,088	-	6,088	-	6,088	-	6,088
Other loans and receivables	376	-	376	-	376	-	376
	6,464	24,004	30,468	-	6,464	-	6,464

17. Financial instruments – fair values and risk management (Continued)

(a) Carrying amounts and fair values (Continued)

	Carrying Amounts			Fair Values			
	Current liabilities						
	Other financial liabilities	Trade and other payables	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Financial liabilities not measured at fair value							
Bank borrowings	1,172	-	1,172	-	1,172	-	1,172
Trade payables	-	2,377	2,377	-	2,377	-	2,377
Payable to associated entities	-	2,328	2,328	-	2,328	-	2,328
Other payables	-	1,192	1,192	-	1,192	-	1,192
	1,172	5,897	7,069	-	7,069	-	7,069
2017							
Financial liabilities not measured at fair value							
Bank borrowings	1,112	-	1,112	-	1,112	-	1,112
Trade payables	-	3,699	3,699	-	3,699	-	3,699
Payable to associated entities	-	1,623	1,623	-	1,623	-	1,623
Other payables	-	994	994	-	994	-	994
	1,112	6,316	7,428	-	7,428	-	7,428

The fair value of other financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

17. Financial instruments – fair values and risk management (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 a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial position of 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.

The Company has a policy of lending funds to its wholly owned subsidiaries ensuring their continued operations. The subsidiaries are continually monitored and should there be any risk that they are unable to repay the debt appropriate steps will be taken to remedy this situation.

At 31 March 2018, the maximum exposure to credit risk for trade and other receivables was as follows:

	Carrying amount	
	2018 $'000	2017 $'000
Trade receivables	6,598	6,088
Other loans and receivables	264	376
	6,862	6,464

17. Financial instruments – fair values and risk management (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 23 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. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 to 12 Months $'000	Over 1 year $'000
2018					
Non-interest bearing	-	4,050	1,660	105	81
Variable interest rate instruments	5.06	5	10	45	1,171
		4,055	1,670	150	1,252
2017					
Non-interest bearing	-	5,474	382	203	257
Variable interest rate instruments	3.67	3	7	31	1,112
		5,477	389	234	1,369

17. Financial instruments – fair values and risk management (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

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.

	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 to 12 Months $'000	Over 1 year $'000
2018					
Non-interest bearing	-	10,579	194	14	-
Variable interest rate instruments	0.03	3,254	-	-	-
Fixed interest rate instrument	2.05	-	-	10,501	-
		13,833	194	10,515	-
2017					
Non-interest bearing	-	9,041	511	-	227
Variable interest rate instruments	1.16	20,689	20	-	-
		29,730	531	-	227

(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. The Group enters into foreign exchange forward contracts, whenever necessary, to manage its exposure to foreign currency risk at the discretion of management.

There has been no change to the manner in which 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
US dollar	23,304	29,080	3,873	3,374
HK dollar	585	777	157	180
Chinese Yuan Renminbi	377	579	2,909	3,756

17. Financial instruments – fair values and risk management (Continued)

(b) Financial risk management (Continued)

(iii) Market risk (Continued)

Currency risk (Continued)
Foreign currency sensitivity analysis
The Group is mainly exposed to US dollars (US$) and Chinese Yuan Renminbi (RMB). The following table details the Group's sensitivity to a 5% (2017: 5%) 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2017: 5%) 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 5% (2017: 5%) increase and decrease in the Chinese Yuan Renminbi against the US dollar.

	Impact on profit & loss	
	2018	**2017**
	$'000	**$'000**
If AUD strengthens by 5% (2017: 5%)		
US$	(925)	(1,224)
HK$	(20)	(28)
RMB	121	151
If AUD weakens by 5% (2017: 5%)		
US$	1,023	1,353
HK$	23	31
RMB	(133)	(167)
If USD strengthens by 5% (2017: 5%)		
RMB	93	116
If USD weakens by 5% (2017: 5%)		
RMB	(102)	(128)

There would be no impact on other equity of the Company and the Group.

Forward foreign exchange contracts
It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency transactions, whenever necessary.

There were no forward foreign currency contracts outstanding as at the reporting date (2017: nil).

17. Financial instruments – fair values and risk management (Continued)

(b) Financial risk management (Continued)

(iii) Market risk (Continued)

Interest rate risk

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

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	
	2018	**2017**
	$'000	**$'000**
Variable rate instruments		
Financial assets	13,543	20,689
Financial liabilities	(1,172)	(1,112)
	12,371	19,577

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.

18. Cash flow information

For the purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and in bank deposits.

As at 31 March 2018 and 31 March 2017, cash and cash equivalents represent bank balances and cash.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 17.

	2018	**2017**
	$'000	**$'000**
Cash and Cash Equivalents		
Cash at bank and on hand	7,179	24,004

18. Cash flow information (Continued)

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

	2018 $'000	2017 $'000
Profit for the year	1,140	583
Income tax expense for the year	543	606
Depreciation and amortisation of non-current assets	1,113	1,129
Share of profit of associates	(452)	(1,954)
Impairment loss recognised on trade receivables	-	324
Net exchange (gain) / loss on foreign currency transactions	(873)	527
Gain on dissolution of a subsidiary	(529)	-
Impairment of goodwill	-	229
Interest income	(155)	(102)
Loss on disposal of property, plant and equipment	163	63
(Reversal of impairment) / impairment of inventories	(305)	391
Operating cash flow before working capital changes	645	1,796
Changes in working capital:		
(Increase) / decrease in receivables	(549)	3,228
Decrease in inventories	353	527
Decrease in payables	(655)	(5,624)
Decrease in provision	(39)	(187)
Cash used in operations	(245)	(260)
Income tax paid	(715)	(580)
Net cash used in operating activities	(960)	(840)

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

	Bank borrowings $'000	Total $'000
At 1 April 2017	1,112	1,112
Changes from cash flows:		
Proceeds from bank borrowings	65	65
Non-cash changes:		
Effect of changes in foreign exchange rates	(5)	(5)
At 31 March 2018	1,172	1,172

19. Pledged certificate of deposit

On 22 February 2018, the Group entered into a certificate of deposit with Agricultural Bank of China Limited for US$8 million (equivalent to A$10,289,695). The deposit accrues interest at a rate of 2.05% per annum and matures on 21 February 2019. It was pledged as collateral for the Group's banking facilities in note 23.

20. Dividends

The board of directors of the Company does not recommend the payment of an interim dividend and a final dividend in respect of the year ended 31 March 2018 (2017: nil).

Pursuant to Bye-law 147 of the Company's Constitution, any dividend unclaimed after a period of 6 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 2018, $11 thousand (2017: $4 thousand) was written back as an unclaimed dividend and $28 thousand (2017: $39 thousand) has been provided for pending forfeiture for unclaimed dividends between 1 and 6 years.

21. 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 2018 and 31 March 2017, 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 2018 and 31 March 2017.

(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 are reclassified to profit or loss on the disposal of the foreign operations.

22. Gearing ratio

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, while maximising the return to stakeholders through the optimisation of debt and equity. There were no changes in the Group's approach to capital management during the year. The Group Entities are not subject to externally imposed capital requirements.

The Group reviews the capital structure half-yearly and considers the cost of capital and the risks associated with each class of capital as part of this review. The Group will balance its overall capital structure through the payment of dividends, new share issue and buy-backs, where necessary, as well as the issue of new debt or the redemption of existing debt. The gearing ratio at year end was as follows:

	Note	2018 $'000	2017 $'000
Debt	(a)	1,172	1,112
Cash and cash equivalents		(7,179)	(24,004)
Net cash		(6,007)	(22,892)
Equity	(b)	48,847	47,653
Net debt to equity ratio		N/A	N/A

(a) Debt is as detailed in note 23.
(b) Equity includes all capital and reserves.

23. Financing facilities and bank borrowings

	2018 $'000	2017 $'000
Amounts used	1,172	1,112
Amounts unused	24,328	6,180
	25,500	7,292

The Group's facility is unsecured and covers letters of credit, trust receipt financing, shipping guarantees, revolving loans and foreign exchange forward contract.

As at 31 March 2018, the Group's bank loans were unsecured and repayable within one year and bore interest at prevailing market rates. The total banking facilities available was $25,500 thousand (2017: $7,292 thousand) and $1,172 thousand was utilised (2017: $1,112 thousand). These facilities are reviewed annually.

24. Current income tax and deferred income tax

(a) Amounts recognised in profit or loss

	Note	2018 $'000	2017 $'000
Current tax expense in respect of the current year	(i)	610	130
Current year tax losses not brought to account		64	349
Deferred tax income relating to the origination of temporary differences		(39)	82
Withholding tax of dividend received from associate		74	83
Claim for offshore tax		(166)	(98)
Under provided in prior years		-	60
Income tax expense		543	606

(b) Reconciliation of effective tax charge

	Note	2018 $'000	2017 $'000
Profit before tax from continuing operations		1,154	1,189
Profit before tax from discontinued operations		529	-
		1,683	1,189
Income tax expense calculated at 30%	(ii)	505	357
Effect of different tax rates of the Company and its subsidiaries operating in other jurisdictions	(iii)	224	354
Effect of non-deductible expenses		9	4
Effect of non-assessable revenue		(25)	(28)
Effect of depreciation allowances		38	37
Effect of tax rebates		(5)	(7)
Unused tax losses and tax offsets not recognised as deferred tax assets		25	430
Share of profits of associates		(136)	(586)
Withholding tax of dividend received from associate		74	83
Claim for offshore tax		(166)	(98)
Under provided in prior years		-	60
		543	606

24. Current income tax and deferred income tax (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% (2017: 0%). The subsidiaries incorporated in Hong Kong are taxed at 16.5% (2017: 16.5%). The subsidiaries incorporated in China are taxed at 25% (2017: 25%). The subsidiaries incorporated in the US are taxed between 6.5% and 40.5% due to differing state and federal tax rates.

(c) Deferred tax balances

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

	Balance at 1 April $'000	Charged to profit or loss $'000	Recognised in other comprehensive income $'000	Balance at 31 March $'000
2018				
Temporary differences				
Receivables	9	-	-	9
Property, plant and equipment	12	3	-	15
Payables	24	3	-	27
Provision	5	-	-	5
Exchange difference on a foreign subsidiary	(6)	-	-	(6)
	44	6	-	50
Withholding tax on undistributed earnings of an associate	(82)	33	(7)	(56)
Tax losses not recognised	4,637	-	(16)	4,621
2017				
Temporary differences				
Receivables	9	-	-	9
Property, plant and equipment	4	8	-	12
Payables	22	2	-	24
Provision	15	(10)	-	5
Exchange difference on a foreign subsidiary	(6)	-	-	(6)
	44	-	-	44
Withholding tax on undistributed earnings of an associate	-	(82)	-	(82)
Tax losses not recognised	1,600	3,032	5	4,637

24. Current income tax and deferred income tax (Continued)

(c) 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 as a result of 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 is able to 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 manner in which 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 taken into account in the determination of goodwill or excess.

25. Subsidiaries

Details of the Group's major subsidiaries as at 31 March 2018 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2018 %	2017 %
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
Carsan (Shunde) Manufacturing Company Limited	Home textile	China	100	100
American Merchant Inc.	Home textile	USA	100	-

(a) Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to 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 or not 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.

25. Subsidiaries (Continued)

(a) 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.

26. 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 as at 31 March 2018 are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2018 %	2017 %
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	33.33

The Group's investment in Jawa (Jaingsu) Textiles Company Limited is fully impaired.

26. Associates (Continued)

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

	2018 $'000	2017 $'000
Interests in associates	11,892	11,181
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 April	11,181	10,781
Share of profit for the year	452	1,954
Dividend paid	(735)	(830)
Exchange differences	994	(724)
Balance at 31 March	11,892	11,181

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. For the purpose of applying the equity method of accounting, the financial statements of these associates for the year ended 31 December 2017 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 March 2018.

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

	2018 Jiahua $'000	2018 Tianxing $'000	2017 Jiahua $'000	2017 Tianxing $'000
Financial position				
Current assets	9,264	44,127	8,971	41,238
Non-current assets	2,124	8,742	2,147	7,959
Current liabilities	(5,728)	(22,699)	(5,107)	(21,445)
Financial performance				
Revenue	33,434	83,612	32,567	86,106
Profit for the year	1,659	(135)	875	5,007
Total comprehensive income for the year	1,659	(135)	875	5,007
Dividends received from an associate during the year	735	-	830	-

26. Associates (Continued)

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

	2018 Jiahua $'000	2018 Tianxing $'000	2017 Jiahua $'000	2017 Tianxing $'000
Net assets of the associate	5,660	30,170	6,011	27,752
Proportion of the Group's ownership interest in associate	30.00%	33.79%	30.00%	33.79%
Carrying amount of the interest in associate	1,698	10,194	1,804	9,377

27. Parent entity financial information

The parent company, Merchant House International Limited, was incorporated in Bermuda.

The accounting policies of the Company, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 33 for a summary of the significant accounting policies relating to the Group.

	2018 $'000	2017 $'000
Financial performance		
Profit / (loss) and total comprehensive income / (loss) for the year	2,782	(3,304)
Financial position		
Current assets	20	89
Non-current assets	3,024	420
Total assets	3,044	509
Current liabilities	131	118
Non-current liabilities	-	271
Total liabilities	131	389
Total equity of the Company comprising of:		
Share capital	2,944	2,944
Accumulated losses	(31)	(2,824)
Total equity	2,913	120

27. Parent entity financial information (Continued)

During the year, the Group entered into the following related party transactions.

	2018 $'000	2017 $'000
Management fee income from a subsidiary	437	452
Dividend income from a subsidiary	3,040	-

As at 31 March 2018, the Company has provided guarantees, limited to HK$60 million and US$10 million (2017: HK$60 million), to certain banks to support general banking facilities granted to the Group.

28. Commitments

(a) Operating lease

As at 31 March 2018, the Group had future aggregate minimum lease payments in respect of office equipment and an office premise under non-cancellable operating leases as follows:

	2018 $'000	2017 $'000
Not later than 1 year	218	335
Later than 1 year and not later than 5 years	122	91
	340	426

(b) Capital expenditure

	2018 $'000	2017 $'000
Property, plant and equipment not later than 1 year	10,508	58

29. Remuneration of auditors

	2018 $	2017 $
Group auditor – Deloitte Touche Tohmatsu		
Audit or review of the financial report of the Company	106,500	92,085
Other auditors		
Audit or review of the financial reports of subsidiaries	23,759	27,426
Other non-audit services – W. M. Sum & Co.	21,186	22,950
	44,945	50,376

30. 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:

	2018 $'000	2017 $'000
Short-term employee benefits	1,497	1,206
Post-employment benefits	5	3
	1,502	1,209

30. Related party transactions (Continued)

(b) Transactions and balances due with related parties

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

	Transactions		Payables as at 31 March	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Purchases from associates				
Tianjin Jiahua Footwear Company Limited	11,685	9,015	1,074	436
Tianjin Tianxing Kesheng Leather Products Company Limited	7,110	20,536	1,253	1,187
Dividend received from an associate				
Tianjin Jiahua Footwear Company Limited	735	830	-	-

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

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.

31. Post reporting date events

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.

32. Changes in accounting policies and disclosures

New and revised AASBs affecting amounts reported and / or disclosures in the financial statements

During the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2017.

(a) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

(b) AASB 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15

(c) AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses (on debt instruments measured at fair value) [AASB 112]

(d) AASB 2016-2 Disclosure Initiative: Amendments to AASB 107

(e) AASB 2016-4 Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

(f) AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities

(g) AASB 2017-2 Further Annual Improvements 2014-2016 Cycle

The adoption of these standards and interpretations did not have a material impact on the Group.

33. Other significant accounting policies

Except for the changes explained in note 32, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are 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.

(b) 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 of 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.

(c) 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.

33. Other significant accounting policies (continued)

(d) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets

(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition
The Group initially recognises loans, receivables and deposits on the date when they are originated. All other financial assets are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of 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.

(iii) Non-derivative financial liabilities - measurement
Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments.

33. Other significant accounting policies (continued)

(e) Impairment of long-lived assets excluding goodwill

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 in order 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.

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.

(f) Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result 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, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of 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.

34. New accounting standards and interpretations not yet adopted

A number of new accounting standards and interpretations that have recently been issued or amended but are not yet mandatory for annual periods beginning after 1 April 2017, have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the Group, are set out below.

Reference	Title	Application date of standard	Application date for the Group
		Periods beginning on or after	
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 April 2018
AASB 16 AASB 2017-4	Leases Amendments to Australia Accounting Standards – Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 April 2019
AASB 2017-6 AASB 2017-7	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures.	1 January 2019	1 April 2019
AASB 2018-1 AASB 2016-8	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle Amendments to Australian Accounting Standards – Australian Implementation Guidance for NFP Entities	1 January 2019	1 April 2019
AASB 1058 AASB 1059 AASB 2018-2	Income for Not-for-Profit Entities Service Concession Arrangements: Grantors Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement [AASB119]	1 January 2019	1 April 2019
AASB 17	Insurance Contracts	1 January 2021	1 April 2021

The Group has reviewed the application of AASB 15, which has a mandatory application in the 31 March 2019 Annual Report. From management's review of its key contracts with customers it has concluded that it will not have a material impact on results next year when the standard is applied. For all other standards, the Group is yet to finalise its formal assessment, so the impact is as yet unknown.

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 as at 31 March 2018 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
28 June 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
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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 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the directors.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Group's financial position as at 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the 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* (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 for 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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Recoverability of footwear manufacturing segment assets

The Group’s footwear manufacturing segment in the United States has sustained losses as a result of difficult trading conditions as disclosed in Note 4 and the Operating and Financial Review section.

Recoverability of non-current assets
As at 31 March 2018, the US footwear manufacturing segment had A$3.4m of segment assets, including non-current assets in relation to:
Land and Buildings; and
Plant Machinery.
Land and buildings relate to the manufacturing facility which was acquired in 2013 and a residential apartment block acquired in 2016.

Plant machinery includes various items, with the majority of this asset value relating to items purchased during the current and preceding year and considered to be at low risk of asset impairment.

Judgement was required in assessing whether the value of the land and buildings is at least equal to their original purchase price.</td><td>Our procedures included, but were not limited to:
Identifying the tangible assets at greatest risk of impairment;
Assessing overall property market trends in Tennessee, USA with the use of external independent data, to assess the risk of property value decline over the period from 2013 to 2018;
Specifically assessing industrial market reports for Q1, 2018 to consider the possibility for rental rate and capital rate decline on industrial properties located in Tennessee, USA between 2013 and 2018;
Obtaining independent reports indicating the national industrial outlook for the US industrial market including anticipated production growth rates; and
Evaluating the information obtained to conclude whether the land and buildings in the US could be sold at or above their original purchase price.
We also assessed the appropriateness of the disclosures in the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 March 2018, 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 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 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, 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.

Deloitte.

Responsibilities of the directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ASX Listing Rules and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants
Perth, 28 June 2018

Shareholder Information

1. Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 31 May 2018:

Name	Number of ordinary shares
Supreme Luck Enterprises Inc.	43,060,652
Fubon Nominees (Hong Kong) Limited	10,813,647
Ms Loretta Bic Hing Lee	6,39,103

2. Top twenty shareholders of fully paid ordinary shares as at 31 May 2018

		Number of shares	% of total shares
1	Supreme Luck Enterprises Inc	43,060,652	45.68
2	Fubon Nominees (Hong Kong) Limited	10,813,647	11.47
3	Ms Loretta Lee	6,392,103	6.78
4	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	5,116,022	5.43
5	J P Morgan Nominees Australia Limited	3,130,048	3.32
6	Mr John Maxwell Bleakie	2,067,394	2.19
7	Mr Yin Sang Tsang	1,674,092	1.78
8	Mrs Lana Kinoshita	1,339,274	1.42
9	National Nominees Limited	1,028,584	1.09
10	Citicorp Nominees Pty Ltd	955,368	1.01
11	Mr Gerald Francis Pauley + Mr Michael James Pauley <Pauley Super Fund A/C>	943,007	1.00
12	Mr Brian Garfield Benger <NO 4 A/C>	900,000	0.95
13	Mr Victor Tien Ren Hou	831,119	0.88
14	Mr Raymond Lunney	789,674	0.84
15	Mr Ross George Yannis	698,330	0.74
16	Mr Timothy Bird	664,402	0.70
17	Ms Alice Liu	638,783	0.68
18	Miss Peggy Liao	635,455	0.67
19	Mr David C Scicluna + Mr Anthony A Scicluna <Scicluna 1913 Unit A/C>	537,220	0.57
20	Mr Marvin Edelman	477,575	0.51
Total		**82,692,749**	**87.71**

3. Analysis of individual ordinary shareholdings as at 31 May 2018

Holding	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 to 1,000	19	7.69	6,923	0.01
1,001 to 5,000	27	10.93	82,463	0.09
5,001 to 10,000	27	10.93	210,342	0.22
10,001 to 100,000	127	51.42	4,511,262	4.78
100,001 and over	47	19.03	89,455,506	94.90
Total	247	100.00	94,266,496	100.00

There were 32 shareholders holding less than a marketable parcel.

4. Voting rights of shareholders

There are no restrictions on voting rights attached to the ordinary shares of the Company. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Key Dates

Key dates for shareholders' attention are stated below.

Date	Event
31 May 2018	Announcement of preliminary annual results for 2017/18
28 June 2018	Announcement of audited annual results for 2017/18
20 July 2018	Dispatch of 2018 annual report and notice of annual general meeting ("AGM")
22 August 2018	Record date for attendance of AGM
24 August 2018	2018 AGM

Five Year Financial Summary

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	$'000	$'000	$'000	$'000	$'000
Results					
Revenue	63,521	72,788	95,410	86,196	84,312
Gross profit	9,934	10,509	11,166	9,066	10,240
Profit / (loss) before tax	1,154	1,189	3,207	(1,966)	11,070
Profit / (loss) after tax	611	583	2,767	(1,983)	8,771
Earnings / (loss) per share (cents)	0.65	0.62	2.94	(2.10)	9.31
Dividend per share (cents)	Nil	Nil	0.50	Nil	2.50

	As at 31 March				
	2018	2017	2016	2015	2014
	$'000	$'000	$'000	$'000	$'000
Assets and liabilities					
Total assets	56,125	55,465	60,702	54,068	44,827
Total liabilities	7,278	7,812	13,744	8,483	5,121
Equity	48,847	47,653	46,958	45,585	39,706

Company Details

Merchant House International Limited

ARBN 065 681 138

Board of Directors

Executive Directors

Ms Loretta Bic Hing Lee (Chairperson)
Mr Robert Lincoln Burton

Independent Non-executive Directors

Mr Ian James Burton
Ms Peggy Zi-Yin Liao

Ms Xiao Lan Wu

Mr Clifford Jay Einstein
Mr David John Thomas Bell

Company Secretary

Mr David McArthur

Registered Office

First Floor, 31-33 Cliff Street
Fremantle, WA 6160 Australia
Telephone: +61 8 9435 3200
Facsimile: +61 8 6444 7408

Postal Address

PO Box 584
Fremantle, WA 6959 Australia

Head Office

10th 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

Deloitte Touche Tohmatsu
Tower 2, Brookfield Place
123 St Georges Terrace
Perth, WA 6000

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

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ARBN 065 681 138

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Facsimile 61 8 6444 7408