



**MERCHANT HOUSE INTERNATIONAL LIMITED**

**ARBN 065 681 138**

**ANNUAL REPORT**

**2025**

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Letter from the Chairperson

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**Chairperson's Report**

Dear shareholders,

**Group Performance**

The Group's activities are winding down with the closure last year of Footwear Industries of Tennessee, Inc. and closure this year of American Merchant Inc., and the sale of Tianjin Forsan Limited Joint Venture in China.

**Footwear Industries of Tennessee, Inc. ("FIT")**

In our last report, we noted FIT manufacturing operations ceased business on 27 October 2023. We have now received the final report from our Australian auditors, allowing us to close the books for Fiscal Year 2025. Once this process is complete, we will proceed with de-registration and formal closure of FIT.

**Tianjin Forsan Limited Joint Venture ("Forsan")**

On 30 May 2024, the Group announced that Forsan had entered into a binding agreement for the sale of its 33.79% interest in Tianjin Tianxing Kesheng Leather Products Company Limited ("Tianxing") to Tianjin Wuxi International Trading Company Limited for approximately A\$8,300,000 (RMB 40,000,000) before taxes and other fees. We are pleased to report that on 9 January 2025 the sales proceeds of US\$4,915,536 (equivalent to RMB36,205,132) had been released to Forsan in final settlement of the sale to Tianxing.

**American Merchant Inc.**

On 30 September 2024, American Merchant Inc. ("AMI") ceased operations following sustained long-term losses.

On 10 February 2025, the Group announced that the equipment owned by AMI has been sold for US\$4,000,000 to United Textile Machinery Corp (a Massachusetts company) and Gibbs International Inc (a South Carolina company).

On 1 April 2025, the Group announced that, in the year ending 31 March 2025, US\$4,000,000 (equivalent to A\$6,430,694) had been received by AMI in final settlement of the sale of equipment.

On 20 June 2025, the Group announced that the land and buildings owned by AMI were sold to Leclerc Foods Virginia LLC for US\$8,021,358 (Approximately A\$12,310,546). Full settlement funds have been received on 16 June 2025.

**Corporate**

Following the sale of the assets, it is our intention to close the Hong Kong offices of Forsan and Loretta Lee Limited. We will then seek the advice of the Board of Directors and shareholders regarding the future of Merchant House International.



Loretta Bic Hing Lee

Chairperson

27 June 2025

## Operating and Financial Review

The Group has more than 30 years' experience in sourcing, producing, and selling consumer products with an emphasis on footwear and home textile products. The Group is headquartered in Hong Kong and is listed on the Australian Securities Exchange (ASX: MHI). Where practical, the Group adheres to ASX best practices in relation to corporate governance. As a manufacturing group, there are also stringent practices in place to reduce overall risk from operational activities.

For the year ending 31 March 2025, the Group recorded a loss of \$2,042 thousand (2024: \$2,264 thousand) from continuing operations.

### Forsan:

On 30 May 2024, Forsan Limited ("Forsan") announced it had entered into a binding agreement for the sale of its 33.79% interest in Tianjin Tianxing Kesheng Leather Products Company Limited ("Tianxing") to Tianjin Wuxi International Trading Company Limited for approximately A\$8,300,000 (RMB 40,000,000) before taxes and other fees.

On 8 July 2024, the Company advised shareholders that RMB 26,814,134 (approximately A\$5,478,000) had been deposited into a joint HSBC Shanghai bank account between Forsan and the buyer. The final tranche of RMB 9,390,998 (approximately A\$1,916,820), being RMB 13,185,866 less RMB 3,794,868 of withholding tax and stamp duty, was paid into the escrow account on 22 July 2024.

On 9 January 2025, the Company announced that the sales proceeds of US\$4,915,536 (equivalent to RMB36,205,132 or approximately A\$7,873,299) had been released to Forsan from the escrow account in final settlement of the sale of the interest in Tianxing.

### AMI:

On 30 September 2024, American Merchant Inc. ("AMI") ceased operations following sustained long-term losses.

On 10 February 2025, the Company announced that the equipment owned by AMI has been sold for US\$4,000,000 to United Textile Machinery Corp (a Massachusetts company) and Gibbs International Inc (a South Carolina company).

The terms of the sales are:

- US\$1 million (approximately A\$1,624,761) on signing. This amount has been received by AMI.
- US\$3 million promissory note issued to AMI, such notes payable as follows:
  - US\$1 million in 30 days; and
  - US\$2 million in 60 days.

On 5 March 2025, the Company announced that the first tranche of the promissory note comprising US\$1 million (approximately A\$1,609,692) has been received by the Company.

On 1 April 2025, the Company announced that the second tranche of the promissory note comprising US\$2 million (approximately A\$3,196,241) has been received by the Company in final settlement of the sale of the equipment in the year ended 31 March 2025.

After extensive negotiations with potential purchasers, on 20 June 2025 the Group announced that, the land and buildings owned by AMI were sold to Leclerc Foods Virginia LLC for US\$8,021,358 (Approximately A\$12,310,546). Full settlement funds have been received on 16 June 2025.

## Operating and Financial Review (Continued.)

### AMI (continued.):

The book value of the factory and land on 31 March 2025 was A\$8,848,661. Based on sale proceeds of A\$12,310,546 (approximately) a profit of A\$3,461,884 will be realised from the sale.

A condominium with a book value of A\$74,667 was also sold for A\$150,641 realising a profit of A\$75,974.

None of the Directors or their associates are associated with the purchasers.

### Corporate:

While the Group has ceased the business operations noted above during 2024, it remains financially solvent with sufficient cash reserves to meet its liabilities as and when they fall due. Subsequent to the reporting date, the Directors finalised the sale of the remaining assets held by AMI. In due course, shareholder approval will be sought for the distribution of residual funds to shareholders, voluntarily delisting from ASX and winding up of the Group.

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Directors' Report

Directors' Report

The Directors present their report with the financial statements of Merchant House International Limited (the "Company") and of the Group, being the Company and its subsidiaries for the year ended 31 March 2025.

Directors

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

Name	Period of Directorship
<b>Executive Director</b>	
Ms Loretta Bic Hing Lee	Since 15 July 1994
<b>Non-executive Director</b>	
Mr Ian James Burton	Since 15 July 1994 – 05 February 2025
<b>Independent Non-executive Director</b>	
Ms Xiao Lan Wu	Since 9 June 2004 – 29 August 2024
Mr Oliver Hein	Since 23 November 2018

Information on Directors	Experience, qualifications, and other directorships
Name:	Ms Loretta Bic Hing Lee
Title:	Executive Chairperson
Experience and expertise	<p>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.</p> <p>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.</p> <p>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.</p>
Other current directorships:	None
Former directorships:	None
Interests in shares:	61,215,235

Directors' Report

Directors (continued)

Information on Directors	Experience, qualifications, and other directorships
Name:	Mr Ian James Burton
Title:	Non-executive Director
Experience and expertise	<p>Ian Burton is a resident of Australia and has over 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.</p> <p>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.</p>
Other current directorships:	None
Former directorships:	None
Interests in shares:	305,500
Name:	Ms Xiao Lan Wu
Title:	Independent Non-executive Director
Experience and expertise	<p>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.</p>
Other current directorships:	None
Former directorships:	None
Interests in shares:	None
Name:	Mr Oliver Hein
Title:	Independent Non-executive Director
Experience and expertise	<p>Mr Hein was COO of s.Oliver, a German Fashion Company. He was responsible for sourcing, logistics, digital product development, sustainability, and product quality. He retired on 15 March 2024 and has been retained as a consultant during handover until 30 June 2024. Prior to this, he was Senior Vice President Global Supply Chain for Phillips-Van Heusen. His experience is in supply chain management including accounting, planning, purchasing and production.</p> <p>Mr Hein has a business administration degree and has completed Executive Management Programs in Germany, Switzerland, and London.</p>
Other current directorships:	None
Former directorships:	None
Interests in shares:	None

## Directors' Report

### Company Secretary

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

### Directors' meetings

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

Director	Full board	
	Attended	Held
Ms Loretta Bic Hing Lee	4	4
Mr Ian James Burton	3	3
Mr Oliver Hein	4	4
Ms Xiao Lan Wu	-	3

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the year that have not otherwise been disclosed in this report or the Group financial statements.

### Remuneration of Directors and Senior Management

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

### Share options granted to directors and senior management

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

### Issued capital

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

### Shareholder's Returns

	2025	2024	2023	2022	2021
	(restated)	(restated)	(restated)		
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-	-	3,733	22,905	18,574
Loss before income tax	(2,042)	(2,264)	(7,080)	(8,203)	(7,811)
Net (loss) / profit attributable to equity holders	(4,591)	(7,392)	(8,223)	13,511	(7,726)
(Loss) / earnings per share (cents)	(4.87)	(7.84)	(8.71)	14.33	(8.20)
Dividend per share (cents)	Nil	Nil	Nil	1.00	Nil
Net tangible assets (NTA)	22,272	28,213	34,452	38,979	25,986
NTA Backing (cents)	23.63	29.93	36.55	41.35	27.57

### Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.



#### **Matters subsequent to the end of the financial year**

As announced to the market, on 1 April 2025, the second tranche of the promissory note comprising US\$2 million (approximately A\$3,196,241) has been received by the Company in final settlement of the sale of the equipment at the AMI factory.

On 20 June 2025 the Group Announced that, after extensive negotiations with potential purchasers, the land and buildings owned by AMI were sold to Leclerc Foods Virginia LLC for US\$8,021,358 (Approximately A\$12,310,546). Full settlement funds have been received on 16 June 2025. The book value of the factory and land on 31 March 2025 was A\$8,848,661. Based on sale proceeds of A\$12,310,546 (approximately) a profit of A\$3,461,884 will be realised from the sale and A condominium with a book value of A\$74,667 was also sold for A\$150,641 realising a profit of A\$75,974.

In AMI's financial statements, a government grant amounting to US\$953,605 (A\$1,523,976) was recorded as a liability as at the reporting date, as the associated conditions had not been satisfied. These conditions were subsequently met in April 2025, and this amount has since been recognised as income.

Other than as disclosed above, there have been no matters or circumstances have arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future. In due course, shareholder approval will be sought for the distribution of residual funds to shareholders, voluntarily delisting from ASX and winding up of the Group.

#### **Indemnification and insurance of officers and auditors**

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

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

#### **Non-audit services**

No non-audit services were provided during the year from the auditor of the Company, BDO Audit Pty Ltd.

#### **Independent auditor's report**

The independent auditor's report is included on page 48.

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

On behalf of the Directors.



Loretta Bic Hing Lee

Director

Perth, Australia

27 June 2025

## Financial Statements

### Consolidated Statement of Profit or Loss For the year ended 31 March 2025

	Note	2025 \$'000	2024 (Restated) <sup>(1)</sup> \$'000
Other (losses) / gains		(5)	296
Finance income		80	137
Net foreign exchange gains		8	19
Gain on disposal of right-of-use assets		-	4
Personnel expenses	12	(1,447)	(1,682)
Depreciation	16	(21)	(25)
Amortisation – right-of-use assets		(76)	(142)
General and administrative expenses	12	(583)	(865)
Finance costs		(2)	(8)
<b>Loss before income tax expense</b>		<b>(2,046)</b>	<b>(2,266)</b>
Income tax benefit	23	4	2
<b>Loss for the year from continuing operations</b>		<b>(2,042)</b>	<b>(2,264)</b>
Loss after income tax expense from discontinued operation	9	(2,549)	(5,128)
<b>Loss after income tax expense for the year</b>		<b>(4,591)</b>	<b>(7,392)</b>

<sup>(1)</sup> The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 9.

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

**Consolidated Statement of Other Comprehensive Income**  
**For the year ended 31 March 2025**

		2025	2024
	Note	\$'000	(Restated) <sup>(1)</sup> \$'000
Loss after income tax expense for the year		(4,591)	(7,392)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(1,414)	935
Other comprehensive income for the year, net of tax		(1,414)	935
<b>Total comprehensive loss for the year</b>		<b>(6,005)</b>	<b>(6,457)</b>
<b>Loss for the year is attributable to:</b>			
Continuing operations		(2,042)	(2,264)
Discontinued operations	9	(2,549)	(5,128)
		(4,591)	(7,392)
<b>Comprehensive loss for the year is attributable to:</b>			
Continuing operations		(3,456)	(1,329)
Discontinued operations		(2,549)	(5,128)
		(6,005)	(6,457)
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted (cents per share) – continuing operations		(2.17)	(2.40)
Basic and diluted (cents per share) – discontinued operations		(2.70)	(5.44)
Basic and diluted (cents per share)	13	(4.87)	(7.84)

<sup>(1)</sup> The prior year comparative figures have been restated to reflect the impact of discontinued operations detailed in note 9.

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

**Consolidated Statement of Financial Position**  
**As of 31 March 2025**

	Note	2025 \$'000	2024 \$'000
<b>Assets</b>			
Cash and cash equivalents	19	15,048	6,612
Trade and other receivables	14	82	637
Inventories	15	-	429
Prepayments		10	191
Assets held for sale	9	8,924	352
Property, plant, and equipment	16	-	25,231
Right of use assets		13	78
Deferred tax assets	23	28	24
<b>Total assets</b>		<b>24,105</b>	<b>33,554</b>
<b>Liabilities</b>			
Trade and other payables	17	1,779	5,051
Provisions		4	-
Lease liabilities		12	80
Liabilities associated with assets held for sale	9	-	108
<b>Total liabilities</b>		<b>1,795</b>	<b>5,239</b>
<b>Net assets</b>		<b>22,310</b>	<b>28,315</b>
<b>Equity</b>			
Issued capital		2,944	2,944
Foreign currency translation reserve		11,863	13,277
Retained earnings		7,503	12,094
<b>Total equity</b>		<b>22,310</b>	<b>28,315</b>

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

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2025**

	Issued capital \$'000	Translation reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance on 1 April 2023</b>	2,944	12,342	19,486	34,772
Loss for the year	-	-	(7,392)	(7,392)
Other comprehensive income	-	935	-	935
<b>Total comprehensive income / (loss) for the year</b>	-	935	(7,392)	(6,457)
<b>Balance on 31 March 2024</b>	2,944	13,277	12,094	28,315
Loss for the year	-	-	(4,591)	(4,591)
Other comprehensive loss	-	(1,414)	-	(1,414)
<b>Total comprehensive loss for the year</b>	-	(1,414)	(4,591)	(6,005)
<b>Balance on 31 March 2025</b>	<b>2,944</b>	<b>11,863</b>	<b>7,503</b>	<b>22,310</b>

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

**Consolidated Statement of Cash Flows**  
**For the year ended 31 March 2025**

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		4,322	13,372
Payments to suppliers and employees		(10,544)	(19,256)
Receipts from government subsidies		14	271
Finance costs paid		(2)	(9)
<b>Net cash used in operating activities</b>	19(b)	(6,210)	(5,622)
<b>Cash flows from investing activities</b>			
Interest received		142	139
Proceeds from disposal of property, plant, and equipment		6,442	4,986
Payments for property, plant, and equipment		-	(36)
Proceeds from disposal of investment in an associate	10	7,873	-
<b>Net cash from investing activities</b>		14,457	5,089
<b>Cash flows from financing activities</b>			
Repayment of borrowings	22	-	(90)
Proceeds from related party loans	22	-	151
Repayment of related party loans	22	-	(151)
Payments of right of use asset lease liabilities		(89)	(165)
<b>Net cash used in financing activities</b>		(89)	(255)
Net increase / (decrease) in cash and cash equivalents		8,158	(788)
Cash and cash equivalents at the beginning of the year		6,930	7,493
Effects of exchange rate fluctuations on cash held		(40)	225
<b>Cash and cash equivalents at the end of the year</b>	19	15,048	6,930

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

## Notes to the Consolidated Financial Statements For the year ended 31 March 2025

### 1. General Information

The Company is a for-profit, listed public company incorporated in Bermuda, operating in Hong Kong and the United States of America ("USA"). The addresses of its registered office and its principal place of business are as follows:

Head office	Room 3, 30/FI., W50, 50 Wong Chuk Hang Road, Hong Kong
Registered office	1st Floor, 31 Cliff Street, Fremantle, Western Australia, 6160

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

The consolidated financial statements of the Group as at and for the year ended 31 March 2025 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and were authorised for issue by the Board of Directors on 27 June 2025. The financial statements are general purpose financial statements which:

- have been prepared in accordance with the Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Accounting Standards Board ("AASB"). The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a liquidation basis, and therefore all the assets and liabilities have been recognised at fair value in which its assets will be realised, and its liabilities will be discharged. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 April 2024; and
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

### 2. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### **3. Foreign Currency Translation**

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

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The functional currencies of subsidiaries are US Dollar (US\$) and Hong Kong Dollar (HK\$). The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **4. Impairment**

#### **Non-financial assets**

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### **5. Liquidation basis of accounting**

The Company has resolved to permanently cease operations at the American Merchant Inc (AMI) textile factory in the USA. The closure took place in September 2024 with a view to disposing of the land, buildings and equipment associated with the business. Following the sale of the assets, it is the Company's intention to close the Hong Kong offices of Forsan and Loretta Lee Limited.

While the Group has now ceased all its business operations, it remains financially solvent, with sufficient cash reserves to meet its liabilities as and when they fall due. Subsequent to the reporting date, the Directors finalised the sale of the remaining assets held by AMI. In due course, shareholder approval will be sought for the distribution of residual funds to shareholders, voluntarily delisting from ASX and winding up of the Group.

As a result of the above, this financial report has been prepared on a Liquidation basis, where all the assets and liabilities have been recognised at the estimated values on which Group's assets will be realised, and its liabilities will be discharged. Given the uncertainties in valuing assets on a wind-up basis, it is likely that the valuation of assets included in these financial statements may differ from actual values on realisation.



## **6. Accounting judgements and estimates**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 to estimates are recognised prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

### ***Critical accounting estimates and assumptions***

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities relate to:

#### **Discontinued operations**

Following the Group's decision to discontinue operations in its following divisions – Footwear (Footwear Industries of Tennessee Inc. and Forsan Limited) and Home textiles (American Merchant Inc.) have been classified as discontinued operations. Refer Note 9 for further details.

#### **Allowance of expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for the group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 14, is calculated based on the information available at the time of preparation. The actual credit losses in future periods may be higher or lower.

#### **Provision for impairment of inventories**

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

#### **Recovery of deferred tax assets**

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

## 6. Accounting judgements and estimates (continued)

### *Critical accounting estimates and assumptions (continued)*

#### Estimation of useful lives of assets

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

#### Carrying value of Property, Plant and Equipment

At each reporting period, the Group is required to assess if there are any indications that an asset may be impaired. If any indication exists, the Group shall estimate the recoverable amount of the asset. The Group considers various internal and external factors which includes condition of the asset, economic performance of the asset and observable indications such as significant or unexpected decline in market value. For the 31 March 2024 reporting period, there is no indication that the Group's assets are below its recoverable value as formal valuations undertaken on its assets support this assessment.

#### Income tax

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

## 7. New or Amended Accounting Standards and Interpretations Adopted

The Group has adopted all new and revised Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that were considered relevant to the Group's operations and effective for the financial year ended 31 March 2025, but they are not expected to have a material impact on the Group in the current or future financial years.

## 8. New Accounting Standards and Interpretations not yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the Group for the annual reporting period ended 31 March 2025. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## 9. Discontinued operations

### Accounting Policy

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income in accordance with AASB 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

### Summary

	AMI \$'000	FOR \$'000	FIT \$'000	Total \$'000
<b>Assets held for sale</b>				
<b>2025</b>				
Property, plant, and equipment	8,924	-	-	8,924
	8,924	-	-	8,924
<b>2024</b>				
Cash	-	270	48	318
Trade and other receivables	-	4	15	19
Property, plant, and equipment	-	15	-	15
	-	289	63	352
<b>Liabilities associated with Assets held for sale</b>				
<b>2024</b>				
Trade and other payables	-	-	108	108
	-	-	108	108
			<b>2025</b>	<b>2024</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>(Loss) / profit after income tax expense from discontinued operations</b>				
Forsan Limited ("FOR")			9,338	(36)
Footwear Industries of Tennessee Inc. ("FIT")			(76)	(1,441)
American Merchant Inc. ("AMI")			(11,811)	(3,651)
			<b>(2,549)</b>	<b>(5,128)</b>

## 9. Discontinued Operations (continued)

### Forsan Limited

The discontinuation of the investment in Tianxing is anticipated to result in the dissolution of Forsan, a subsidiary of MHI. Management is actively involved in managing the impact of the discontinuation on ongoing operations.

To adequately reflect the continuing operations of the Group, the financial performance for Forsan is disclosed as a discontinued operation for the financial years ended 31 March 2025 and 31 March 2024.

		2025 \$'000	2024 \$'000
<b>Cash flow information</b>			
Net cash (used in) / from operating activities		(3,008)	1,061
Net cash from / (used in) investing activities		10,678	(2,090)
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents from discontinued operations		7,670	(1,029)
<b>Financial performance information</b>			
Revenue		-	3,855
Cost of sales		-	(3,434)
Gross profit		-	421
Gain on disposal of an associate	10	9,431	-
Selling and distribution costs		-	(6)
Personnel expenses		-	(264)
Depreciation		-	(1)
General and administrative expenses		(132)	(188)
Net foreign exchange gains		-	2
Loss on disposal of property, plant and equipment		(14)	-
Other losses		(8)	-
Reversal of provision for expected credit losses		(9)	-
Finance income		70	-
Profit / (loss) before income tax		9,338	(36)
Income tax from discontinued operations		-	-
Profit/ (loss) after income tax expense on discontinued operations		9,338	(36)

## 9. Discontinued Operations (continued)

### Footwear Industries of Tennessee Inc. ("FIT")

The Group has experienced significant losses in its footwear division, particularly since the COVID pandemic. Responding to this challenge, management conducted a detailed assessment of the division's ability to continue as a going concern, concluding it was unable to compete against overseas competitors to achieve profitability. Upon completion of this strategic review, the Board resolved to sell the business either in its present condition or as individual assets, but in September 2023 decided to prepare for the closure of the FIT operations. The factory closed on 27 October 2023 with the sale of its land, buildings, residential property, and plant and machinery completed in March 2024.

The financial performance for FIT is disclosed as a discontinued operation for the financial years ending 31 March 2025 and 31 March 2024.

	2025 \$'000	2024 \$'000
<b>Cash flow information</b>		
Net cash used in operating activities	(169)	(3,056)
Net cash from investing activities	121	3,098
Net cash used in financing activities	-	-
Net (decrease) / increase in cash and cash equivalents from discontinued operations	(48)	42
<b>Financial performance information</b>		
Revenue	-	2,626
Cost of sales	-	(5,813)
Gross loss	-	(3,187)
Gain on disposal of property, plant, and equipment	-	3,250
Other gains	24	-
Selling and distribution costs	-	(24)
Reversal of provision for expected credit losses	-	31
Personnel expenses	(31)	(565)
Depreciation	-	(231)
General and administrative expenses	(69)	(256)
Fines and penalties	-	(415)
Finance costs	-	(44)
Loss before income tax	(76)	(1,441)
Income tax expense	-	-
Loss after income tax expense on discontinued operations	(76)	(1,441)

## 9. Discontinued Operations (continued)

### American Merchant Inc. ("AMI")

On 6 August 2024, the Board of the Company resolved to permanently cease operations at the American Merchant Inc. textile factory in the USA. The cessation of business followed continued losses generated by the business. The closure took place in September 2024 with a final shipment made by AMI on 30 September 2024. Please refer Note 29 for any post reporting period events associated with this discontinued operation.

The financial performance for AMI is disclosed as a discontinued operation for the financial years ending 31 March 2025 and 31 March 2024.

	2025 \$'000	2024 \$'000
<b>Cash flow information</b>		
Net cash used in operating activities	(1,083)	(983)
Net cash from investing activities	4,397	1,014
Net cash used in financing activities	(12)	(24)
Net increase in cash and cash equivalents from discontinued operations	3,302	7
<b>Financial performance information</b>		
Revenue	3,746	5,642
Cost of sales	(4,608)	(6,323)
Gross loss	(862)	(681)
Loss on disposal of property, plant, and equipment	(9,108)	-
Other losses	(10)	-
Government grants and subsidies	14	27
Selling and distribution costs	(8)	(51)
Personnel expenses	(512)	(637)
Depreciation	(991)	(1,985)
Amortisation – Right-of-use assets	(12)	(24)
General and administrative expenses	(323)	(344)
Finance costs	1	44
Loss before income tax	(11,811)	(3,651)
Income tax expense	-	-
Loss after income tax expense on discontinued operations	(11,811)	(3,651)

## 10. Gain on disposal of an associate

On 30 May 2024, the Company announced one of its subsidiaries, Forsan Limited, had entered into a binding agreement on 27 May 2024 for the sale of its 33.79% interest in Tianjin Tianxing Leather Products Company Limited ("Tianxing") to Tianjin WuShi International Trade Company Limited for \$8,313 thousand (RMB 40,000,000) before taxes and other fees. The Group's investment in this associate was fully impaired in a prior year. Refer Note 25 for further details.

A reconciliation of the gain on disposal of the Group's investment in Tianxing is below:

	2025 \$'000	2024 \$'000
<b><i>Details of the disposal</i></b>		
Total sale consideration	8,310	-
Derecognition of original investment in associate	406	-
Derecognition of foreign currency reserve	1,702	-
Disposal costs (withholding tax and stamp duty)	(789)	-
Exchange differences	(198)	-
Gain on disposal before income tax	9,431	-
<b>Gain on disposal after income tax</b>	<b>9,431</b>	<b>-</b>

## Group Performance

## 11. Operating segments

### Accounting Policy

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Merchant House International Limited.

### Identification of reportable operating segments

The Group operated in the following segment:

- Home textiles

The home textile segment manufactures and sells home textile products to both local and overseas customers.

During the reporting period, the Group made the strategic decision to discontinue the home textiles business segment. Therefore, the Group does not have any operating segments, and the discontinued operations are reported separately from continuing operations in the financial statements in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Refer Note 9.

## 12. Expenses

### Accounting Policy

#### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Defined contribution superannuation expense*

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 fully vesting of the contributions, the contributions payable by the Group are reduced by the amount of the forfeited contribution.

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

#### *Low value / short-term lease rental expense*

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

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

	2025	2024 (Restated)
	\$'000	\$'000
<b>Employee benefits expense</b>		
Key management personnel remuneration	898	1,034
Wages and salaries	338	456
Contributions to defined contribution plans	13	16
Other employee benefits	198	176
Amount allocated to personnel expenses	1,447	1,682
<b>Administrative expense</b>		
Auditors' remuneration	171	156
Legal and consultancy fees	150	338
Insurance	4	4
Travelling	30	93
Low value / short term lease payments	4	12
Others	224	262
	583	865



### 13. Loss per share

#### Accounting Policy

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of Merchant House International Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year

##### *Diluted earnings per shares*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to account for the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2025 \$'000	2024 (Restated) \$'000
<b>Basic and diluted loss per share from continuing operations</b>		
Loss after income tax attributable to the owners of the Company	(2,042)	(2,264)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(2.17)	(2.40)
	<b>\$'000</b>	<b>\$'000</b>
<b>Basic and diluted loss per share from discontinued operations</b>		
Loss after income tax attributable to the owners of the Company	(2,549)	(5,128)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(2.70)	(5.44)
	<b>\$'000</b>	<b>\$'000</b>
<b>Basic and diluted loss per share</b>		
Loss after income tax attributable to the owners of the Company	(4,591)	(7,392)
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(4.87)	(7.84)
	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares</b>		
Weighted average number of ordinary shares	94,266,496	94,266,496

In both years ended 31 March 2025 and 2024, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the year.

Operating assets and liabilities

14. Receivables

**Accounting Policy**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	2025 \$'000	2024 \$'000
Trade receivables	2	562
Interest and other receivables	47	40
Deposits	33	35
	82	637
Provision for expected credit losses	-	-
	82	637
<b>Movements in expected credit losses</b>		
Opening balance	-	193
Amounts extinguished as part of discontinued operations	-	(126)
Amounts transferred to assets held for sale	-	(71)
Exchange differences	-	4
	-	-

The average credit period on sales of goods and rendering of services is 30 days (2024: 30 days). No interest is charged on trade receivables.

#### **14. Receivables (continued)**

##### **Impairment of receivables**

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

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

#### **15. Inventories**

##### **Accounting Policy**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

	<b>2025</b>	<b>2024</b>
	<b>\$'000</b>	<b>\$'000</b>
Materials	-	181
Work in progress	-	195
Finished goods	-	28
Finished goods – seconds	-	25
	-	429

The cost of inventories recognised as an expense during the year was \$Nil (2024 (restated): \$6,323 thousand).

## 16. Property, plant, and equipment

### Accounting Policy

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on diminishing balance basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant, and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings.

	Buildings \$'000	Freehold land \$'000	Building improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Balance on 1 April 2023</b>	4,381	665	5,158	18,246	28,450
Additions	-	-	-	-	-
Disposals	(1,123)	(76)	-	(602)	(1,801)
Depreciation	(124)	-	(316)	(1,570)	(2,010)
Classified as assets held for sale	(48)	-	-	(134)	(182)
Exchange differences	112	18	145	499	774
<b>Balance on 31 March 2024</b>	3,198	607	4,987	16,439	25,231
Disposals	(14)	-	-	(15,620)	(15,634)
Depreciation	-	-	-	(21)	(21)
Classified as assets held for sale	(3,325)	(632)	(5,183)	(773)	(9,913)
Exchange differences	141	25	196	(25)	337
<b>Balance on 31 March 2025</b>	-	-	-	-	-

## 17. Trade and other payables

### Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to the short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

	2025 \$'000	2024 \$'000
Trade payables	-	191
Amounts payable to associates	-	2,785
Accruals	249	452
Deferred government grant where conditions have not been satisfied	1,524	1,465
Others	6	158
	1,779	5,051

The average credit period on trade purchases is 30 days (2024: 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.

## Capital Management

## 18. Dividends

### Accounting Policy

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

The board of directors of the Company does not recommend the payment of an interim dividend nor a final dividend in respect of the year ended 31 March 2025 (2024: nil).

Pursuant to Bylaw 147 of the Company's Constitution, any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by board of directors and shall revert to the company.

## 19. Cash and cash equivalents

### Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### (a) Reconciliation of cash recorded in the Statement of Financial Position to Statement of Cash Flow

	2025 \$'000	2024 \$'000
<b>Cash and Cash Equivalents</b>		
Cash at bank and on hand	758	2,048
Cash at bank and on hand – At entities, discontinued operations	11,107	-
Fixed bank deposits with original maturities less than 3 months	3,183	4,564
Total cash and cash equivalents held by continuing operations	15,048	6,612
Cash included in assets held for sale	-	318
<b>Balance as per consolidated statement of cash flows</b>	<b>15,048</b>	<b>6,930</b>

19. Cash and cash equivalents (continued)

(b) Reconciliation of cash flows from operating activities

	2025	2024
	\$'000	\$'000
Loss for the year	(4,591)	(7,392)
Income tax benefit for the year	(4)	(2)
Depreciation and amortisation of non-current assets	1,099	2,407
Impairment loss on property, plant, and equipment written back	-	(64)
Interest income	(151)	(137)
Gain on disposal of an associate	(9,431)	-
Loss / (gain) on disposal of property, plant, and equipment	9,123	(3,190)
Provision for / (Reversal of) expected credit losses	14	(37)
Deferred government grant conditions satisfied	(14)	(27)
Change in receivables	569	1,169
Change in prepayments	183	(3)
Change in inventories	428	2,436
Change in payables	(3,439)	(773)
Change in provisions	4	(9)
Net cash used in operating activities	(6,210)	(5,622)

(c) Changes in liabilities arising from financing activities

	Borrowings \$'000	Right-of-use leases \$'000	Total \$'000
Balance on 1 April 2023	88	303	391
Net cash used in financing activities	(89)	(165)	(254)
New leases	-	73	73
Termination of lease	-	(138)	(138)
Foreign exchange	1	7	8
<b>Balance on 31 March 2024</b>	<b>-</b>	<b>80</b>	<b>80</b>
Net cash used in financing activities	-	(90)	(90)
New leases	-	41	41
Termination of lease	-	(20)	(20)
Foreign exchange	-	2	2
<b>Balance on 31 March 2025</b>	<b>-</b>	<b>13</b>	<b>13</b>

## 20. Financial instruments

### *Accounting Policy*

#### ***Recognition and derecognition***

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

#### ***Classification and initial measurement of financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

#### ***Subsequent remeasurement of financial assets***

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.



## 20. Financial instruments (continued)

### *Accounting Policy (continued)*

#### **Impairment of financial assets**

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is not dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category. The Group does not have any material expected credit losses.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

#### **Classification and measurement of financial liabilities**

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **Derivative financial instruments**

Derivative financial instruments are accounted for at fair value through profit or loss (FVTPL)

## 20. Financial instruments (continued)

### *General objectives, processes, and policies*

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

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

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.

### Market risk

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

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

### Currency risk

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

The Group is mainly exposed to US dollars (US\$).

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

	Assets		Liabilities	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
US dollar	11,800	6,758	-	2,785

## 20. Financial instruments (continued)

### Market risk (continued)

#### Currency risk (continued)

##### **Foreign currency sensitivity analysis**

The following table details the Group's sensitivity to a 4% (2024: 3%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates taking into consideration movements over the last 12 months and the spot rate at each reporting date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 4% (2024: 3%) 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.

	Impact on profit or loss	
	2025 \$'000	2024 \$'000
<b>If AUD strengthens by 4% (2024: 3%)</b>		
US\$	295	78
<b>If AUD weakens by 4% (2024: 3%)</b>		
US\$	(295)	(78)

Fluctuations in foreign currencies during the current financial year compared with the prior year are as follows:

	2025 %	2024 %
US\$	(3.90)	(2.78)

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

#### Interest rate risk

The Group is exposed to interest rate risk as Group entities borrow funds at floating interest rates. The Group manages the interest rate risk by maintaining an appropriate mix of floating rate borrowings. All borrowings are reviewed on an annual basis. The Group does not have any borrowings as of 31 March 2025 (31 March 2024: Nil).

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

## 20. Financial instruments (continued)

### Interest rate risk (continued)

#### *Exposure to interest rate risk*

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

	Carrying amount	
	2025 \$'000	2024 \$'000
<b>Variable rate instruments</b>		
Financial assets	11,050	4,705
Financial liabilities	-	-
	11,050	4,705

#### *Cash flow sensitivity analysis for variable rate instruments*

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

#### *Credit risk*

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

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

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

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

## 20. Financial instruments (continued)

### 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 22 is the total amount of facilities available to the Group to further reduce liquidity risk.

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities. These have been drawn up based on the undiscounted contractual maturities of the financial liabilities based on the earliest date the Group is required to pay under the terms of the facilities.

The tables below and on the next page include both interest and principal cash flows but assumes the financier does not exercise its rights to call upon outstanding term loan amounts prior to their scheduled repayment dates.

	Weighted average effective interest rate %	Less than 6 months \$'000	6 months to 1 year \$'000	Over 1 year \$'000	Total \$'000
<b>2025</b>					
Trade and other payables	-	253	1,526	-	1,779
Borrowings (including right-of-use lease liabilities)	6.78	12	-	-	12
Amounts included in Liabilities associated with assets held for sale	-	-	-	-	-
		265	1,526	-	1,791

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

	Weighted average effective interest rate %	Less than 6 months \$'000	6 months to 1 year \$'000	Over 1 year \$'000	Total \$'000
<b>2024</b>					
Trade and other payables	-	695	3,044	1,312	5,051
Borrowings (including right-of-use lease liabilities)	5.29	47	23	10	80
Amounts included in Liabilities associated with assets held for sale	-	108	-	-	108
		850	3,067	1,322	5,239

## 20. Financial instruments (continued)

### *Fair value measurement*

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

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

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

### *Transfers*

There have been no transfers between the levels of the fair value hierarchy during the year ended 31 March 2025.

### *Not measured at fair value*

The group has various financial instruments which are not measured at fair value on a recurring basis in the statement of financial position.

The Directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings are a reasonable approximation of their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

### *Capital risk management*

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

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

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

## 21. Capital and reserves

### *Accounting Policy*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares of options are shown in equity as a deduction, net of tax, from the proceeds.

### (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 2025 and 31 March 2024, the number of ordinary shares in issue is 94,266,496 and there was no movement in the issued capital of the Company. All issued ordinary shares are fully paid.

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 creditors and are fully entitled to any proceeds on liquidation.

The Company has no share options outstanding throughout the years ended 31 March 2025 and 31 March 2024.

### (b) Nature and purpose of reserves

#### *Translation reserve*

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

## 22. Borrowings and financing facilities

### *Accounting Policy*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

	2025 \$'000	2024 \$'000
<b>Current</b>		
Working capital loans – secured	-	-

## 22. Borrowings and financing facilities (continued)

	Working capital loans \$'000	Loans from a director <sup>(2)</sup> \$'000	Total \$'000
Balance on 1 April 2023	88	-	88
Loans and borrowings received	-	151	151
Interest expense	1	-	1
Less repaid <sup>(1)</sup>	(91)	(151)	(242)
Foreign exchange	2	-	2
<b>Balance on 31 March 2024</b>	-	-	-
Loans and borrowings received	-	-	-
Interest expense	-	-	-
Less repaid	-	-	-
Foreign exchange	-	-	-
<b>Balance on 31 March 2025</b>	-	-	-
<sup>(1)</sup> amounts repaid include interest and loan establishment costs			
<sup>(2)</sup> refer to note 27(c) for further details.			

### Financing arrangements

On 25 January 2024, The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") that two guarantees were released with effect from 31 January 2024:

- An unlimited amount guarantee dated 28 October 2016 from Loretta Lee Limited and Forsan Limited.
- A US\$3,000,000 (approximately A\$4,488,290) guarantee dated 15 May 2023 from Merchant House International Limited.

The guarantees are subject to a six-month retention period up to 31 July 2024.

No guarantees were outstanding at the end of the reporting year.



## Income Tax

### 23. Income tax expense

#### *Accounting Policy*

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits, or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

#### ***Goods and Services Tax ('GST') and other similar taxes***

Revenues, expenses, and assets are recognised net of the amount of, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

23. Income tax expense (continued)

(a) Amounts recognised in profit or loss

	Note	2025 \$'000	2024 \$'000
Current tax benefit in respect of the current year	(i)	(1,099)	(675)
Current year tax losses not brought to account		1,099	675
Deferred tax expense relating to the origination of temporary differences		(4)	(2)
<b>Income tax benefit</b>		<b>(4)</b>	<b>(2)</b>
<b>Income tax benefit is attributable to:</b>			
Loss from continuing operations		(4)	(2)
Profit from discontinued operations		-	-
		<b>(4)</b>	<b>(2)</b>
<b>Numerical reconciliation of income tax expense and tax at the statutory</b>			
Loss before income tax from continuing operations		(2,042)	(2,264)
Loss before income tax from discontinued operations		(2,549)	(5,128)
		<b>(4,591)</b>	<b>(7,392)</b>
Tax at the statutory rate of 30%		(1,377)	(2,218)
Effect of different tax rates of the parent company and its subsidiaries operating in other jurisdictions		1,193	1,526
Effect of non-deductible expenses		2,363	123
Effect of non-assessable revenue		(3,278)	(106)
Unused tax losses and tax offsets not recognised as deferred tax assets		1,095	673
Income tax benefit on continuing operations		(4)	(2)
Income tax expense on discontinued operations		-	-
<b>Income tax benefit</b>		<b>(4)</b>	<b>(2)</b>

## 23. Income tax expense (continued)

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

- (i) Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).
- (ii) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared to the previous reporting period.
- (iii) The Company is taxed in the country of its incorporation, Bermuda. The tax rate in Bermuda is 0% (2023: 0%). The subsidiaries incorporated in Hong Kong are taxed at 16.5% (2023: 16.5%). The subsidiaries incorporated in the USA are taxed between 6.5% and 40.5% due to differing state and federal tax rates.

### (b) Deferred tax balances

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

	Balance on 1 April \$'000	Charged to profit or loss \$'000	Recognised in other comprehensive income \$'000	Balance on 31 March \$'000
<b>2025</b>				
<b>Temporary differences</b>				
Payables	24	4	-	28
	24	4	-	28
Tax losses not recognised (gross)	71,518	14,434	2,949	88,901
<b>2024</b>				
<b>Temporary differences</b>				
Payables	22	2	-	24
	22	2	-	24
Tax losses not recognised (gross) <sup>(1)</sup>	62,526	7,179	1,813	71,518
<sup>(1)</sup> Balance on 1 April 2024, includes a prior year adjustment of \$200 thousand				

## Group Structure

### 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 2:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2025 %	2024 %
Loretta Lee Limited	Investment holding	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. <sup>(1)</sup>	Footwear	USA	100	100
American Merchant Inc.	Manufacturing	USA	100	100
	Home textile	USA	100	100

<sup>(1)</sup> Following continued, sustained losses by the footwear division, the Footwear Industries of Tennessee Inc. factory closed on 27 October 2023. At the reporting date, the dissolution process was still ongoing.

Balances and transactions between the Company and its subsidiaries, which are a related party of the Company, have been eliminated on consolidation.

### 25. Associates

#### Accounting Policy

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.

#### Tianjin Tianxing Kesheng Leather Products Company Limited

On 30 May 2024, Forsan Limited ("Forsan") announced it had entered into a binding agreement for the sale of its 33.79% interest in Tianjin Tianxing Kesheng Leather Products Company Limited ("Tianxing") to Tianjin Wuxi International Trading Company Limited for approximately A\$8,300,000 (RMB 40,000,000) before taxes and other fees.

On 8 July 2024, the Company advised shareholders that RMB 26,814,134 (approximately A\$5,478,000) had been deposited into a joint HSBC Shanghai bank account between Forsan and the buyer. The final tranche of RMB 9,390,998 (approximately A\$1,916,820), being RMB 13,185,866 less RMB 3,794,868 of withholding tax and stamp duty, was paid into the escrow account on 22 July 2024.

On 9 January 2025, the Company announced that the sales proceeds of US\$4,915,536 (equivalent to RMB36,205,132 or approximately A\$7,873,299) had been released to Forsan from the escrow account in final settlement of the sale of the interest in Tianxing.

Others

26. Auditors' Remuneration

During the year, the following fees were paid or payable for services provided by BDO Audit Pty Ltd ("BDO") as the auditor of the parent entity, Merchant House International Limited, by BDO's related network firms and by non-related audit firms:

	2025 \$	2024 \$
<b>Auditors of the Group - BDO and related network firms</b>		
<i><b>Audit and review of financial reports</b></i>		
Group	145,384	130,782
Controlled entities	34,243	44,104
Total audit and review of financial reports	179,627	174,886
<i><b>Other services</b></i>		
Tax compliance services	-	-
<b>Total services provided by BDO</b>	<b>179,627</b>	<b>174,886</b>
<b>Other auditors and their related network firms</b>		
<i><b>Audit and review of financial reports</b></i>		
Controlled entities	(1,994)	113,149
<i><b>Other non-audit services</b></i>		
Tax compliance services	16,866	15,075
<b>Total services provided by other auditors (excluding BDO)</b>	<b>14,872</b>	<b>128,224</b>

27. Related parties

Accounting Policy

**Key management personnel compensation**

Directors' remuneration is 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 because of past service provided by the employee and the obligation can be estimated reliably.

## 27. Related parties(continued)

### (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:

	2025 \$'000	2024 \$'000
Short-term employee benefits	898	1,217

### (b) Transactions and balances due with related parties

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

	Transactions		Balance on 31 March	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Purchases from an associate Tianjin Tianxing Kesheng Leather Products Company Limited	-	3,328	-	2,785

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.

### (c) Loans from key management personnel

No loans were received from any key management personnel during the year.

## **28. Contingent Liabilities**

Loretta Lee Limited ("the company"), a subsidiary of Merchant House International Limited has been involved in a court case in the United States. A trade debtor had paid US\$994,996 to the company for settlement of sales transactions during the preference period of its bankruptcy procedure. It was held by a court order that the company is required to return the aforesaid amount together with interest to the plaintiffs. Based on legal advice, management considered it is not probable that the Company would suffer any material losses and accordingly no provision in this respect has been made.

## **29. Post reporting date events**

As announced to the market, on 1 April 2025, the second tranche of the promissory note comprising US\$2 million (approximately A\$3,196,241) has been received by the Company in final settlement of the sale of the equipment at the AMI factory.

On 20 June 2025 the Group announced that, after extensive negotiations with potential purchasers, the land and buildings owned by AMI were sold to Leclerc Foods Virginia LLC for US\$8,021,358 (Approximately A\$12,310,546). Full settlement funds have been received on 16 June 2025. The book value of the factory and land on 31 March 2025 was A\$8,848,661. Based on sale proceeds of A\$12,310,546 (approximately) a profit of A\$3,461,884 will be realised from the sale and A condominium with a book value of A\$74,667 was also sold for A\$150,641 realising a profit of A\$75,974.

In AMI's financial statements, a government grant amounting to US\$953,605 (A\$ 1,523,976) was recorded as a liability as at the reporting date, as the associated conditions had not been satisfied. These conditions were subsequently met in April 2025, and this amount has since been recognised as income.

Other than as disclosed above, there have been no matters or circumstances have arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future. In due course, shareholder approval will be sought for the distribution of residual funds to shareholders, voluntarily delisting from ASX and winding up of the Group.

**MERCHANT HOUSE INTERNATIONAL LIMITED**  
**CONSOLIDATED ENTITY DISCLOSURE STATEMENT**

**Consolidated Entity Disclosure Statement**  
**As at 31 March 2025**

Name of entity	Type of entity	Place formed or incorporated	Percentage of share capital held (if applicable)	Australian tax resident or foreign tax resident	Foreign tax jurisdiction (if applicable)
Merchant House International Limited	Body Corporate	Bermuda	n/a	Foreign	Bermuda
Loretta Lee Limited	Body Corporate	Hong Kong	100%	Foreign	Hong Kong
Forsan Limited	Body Corporate	Hong Kong	100%	Foreign	Hong Kong
Pacific Bridges Enterprises Inc.	Body Corporate	USA	100%	Foreign	USA
Footwear Industries of Tennessee Inc.	Body Corporate	USA	100%	Foreign	USA
American Merchant Inc.	Body Corporate	USA	100%	Foreign	USA
At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, A partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.					



### Directors' Declaration

- 1 In the opinion of the Directors of Merchant House International Limited (the "Company"):
  - (a) the consolidated financial statements and notes thereto:
    - (i) comply with Australian Accounting Standards (including the Australian Accounting Interpretations); and
    - (ii) give a true and fair view of the Group's financial position on 31 March 2025 and of its performance and cash flows for the year ended on that date.
  - (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, and
  - (c) the consolidated entity disclosure statement is true and correct.
- 2 The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
- 3 The consolidated financial statements have been prepared on liquidation basis, as described in the Note 5, with all assets and liabilities recognised at the values expected to be realised from the Group's assets and required to settle its liabilities.

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

On behalf of the Board of Directors



Loretta Bic Hing Lee  
Director

Perth, Australia  
27 June 2025

## 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 Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2025, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of material accounting policies and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 31 March 2025, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA 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.

#### Emphasis of matter - basis of accounting

We draw attention to Note 5 in the financial report, which states that the financial statements have been prepared on a liquidation basis due to the Directors intention to permanently cease operations. Our opinion is not modified with respect to this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Emphasis of matter - basis of accounting* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Accounting for discontinued operations and non-current assets held for sale

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 9 of the financial report, during the year, the Group resolved to permanently cease operations at its textile factory in the USA. In the prior year, the Group ceased operations at its footwear factory in the USA and disposed of its investment in Tianxing Kesheng Leather Products Company Limited (associate), with the disposal completed in the current year.</p> <p>These operations represent separate major lines of business and geographical areas of operations and have been classified as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> ("IFRS 5"). The related non-current assets have been measured at the lower of carrying amount and fair value less costs to sell, with depreciation ceased upon classification.</p> <p>This area is a key audit matter due to the financial significance of these transactions and the significant judgment applied by management in determining the timing of classification, measurement of assets held for sale, and appropriate presentation and disclosure of discontinued operations in the financial report.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluating management's determination that the textile and footwear factories and the investment in the associate meet the criteria for classification as discontinued operations under IFRS 5.</li> <li>• Reviewing the timing of classification of the assets as held for sale to ensure it occurred at or before the reporting date.</li> <li>• Assessing the measurement basis applied by management, including verification that non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.</li> <li>• Testing the assumptions and inputs used in management's fair value less costs to sell calculations, including obtaining external valuations where applicable.</li> <li>• Inspecting supporting documentation related to the disposal of the associate, including sale agreements and consideration received.</li> <li>• Discussing with management and those charged with governance the rationale and judgments applied in classification, measurement, and disclosure decisions.</li> <li>• Examining the presentation and disclosure of discontinued operations and non-current assets held for sale in the financial report for compliance with IFRS 5 disclosure requirements; and</li> <li>• Assessing the adequacy of the relevant disclosures within the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2025, but does not include the financial report and the auditor's report thereon.

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

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

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

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

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

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

#### 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 International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located in Appendix 1. This description forms part of our auditor's report.

BDO Audit Pty Ltd

The image shows a handwritten signature in dark ink. The signature appears to be 'Dean Just' written in a cursive, flowing style. Above the signature, the letters 'BDO' are handwritten in a simple, blocky font.

Dean Just

Director

Perth, 27 June 2025

## APPENDIX 1 ADDITIONAL INFORMATION ON THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of director's 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 Company'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 statements 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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.

## Securities Exchange Information

The shareholder information set out below was applicable on 26 June 2025.

### 1. Distribution of ordinary shares

Range	Top holders	Ordinary shares	% of issued capital
1 to 1,000	24	8,281	0.01
1,001 to 5,000	36	113,391	0.12
5,001 to 10,000	17	124,448	0.13
10,001 to 100,000	107	3,827,077	4.06
100,001 and over	51	90,193,299	95.68
Total	235	94,266,496	100.00

There were 50 shareholders holding less than a marketable parcel.

### 2. Substantial shareholders

The substantial shareholders are set out below:

Name	Number of shares
Ms Loretta Lee	61,215,235

### 3. Voting rights

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

4. Twenty largest shareholders on 26 June 2025

	Number of shares	% of total shares
BNP PARIBAS NOMS PTY LTD	60,291,402	63.96
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	3,397,103	3.60
MR JOHN MAXWELL BLEAKIE	2,067,394	2.19
MR MILTON YANNIS	1,974,972	2.10
MR BRIAN GARFIELD BENDER	1,682,000	1.78
MR YIN SANG TSANG	1,674,092	1.78
MESSENT PTY LTD <MESSENT P/L SUPER FUND A/C>	1,490,039	1.58
MRS LANA KINOSHITA	1,339,274	1.42
MR TIMOTHY BIRD	1,244,402	1.32
VELKOV FUNDS MANAGEMENT PTY LTD <VICTOR VALUE FUND A/C>	1,000,000	1.06
MR BRIAN GARFIELD BENDER <NO 4 A/C>	900,000	0.95
MR RAYMOND LUNNEY	789,674	0.84
MR MICHAEL JAMES PAULEY	735,506	0.78
MR ROSS GEORGE YANNIS	698,330	0.74
MR VICTOR TIEN REN HOU	661,119	0.70
MS ALICE LIU	638,783	0.68
MISS PEGGY LIAO	635,455	0.67
MR BOON CHUAN AW <BCAW FAMILY SUPER FUND A/C>	615,405	0.65
SHANDORA ONE PTY LTD <BENDER SUPER FUND A/C>	612,530	0.65
MR BOON CHUAN AW <BCAW FAMILY INVESTMENT A/C>	405,000	0.43

## Corporate Directory

### Directors

Ms Loretta Bic Hing Lee  
Mr Oliver Hein

### Company Secretary

Mr David McArthur

### Registered Office

Level 1, 31 Cliff Street  
Fremantle WA 6160 Australia

Telephone: +61 8 9435 3200

### Principal Office

Room 3, 30/FI., W50  
50 Wong Chuk Hang Road  
Hong Kong  
Telephone: +852 2889 2000  
Facsimile: +852 6444 7408

### Postal Address

PO Box 584  
Fremantle WA 6959 Australia

### Country of Incorporation of Company

Bermuda

### Auditors

BDO Audit (WA) Pty Ltd  
Level 9, Yellagonga Tower 2  
5 Spring 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  
18<sup>th</sup> Floor, Chong Hing Bank Central  
24 Des Voeux Road Central  
Hong Kong

### Share Registry

Computershare Investor Services Pty Ltd  
Level 17, 221 St Georges Terrace  
Perth WA 6000 Australia

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### ASX Code

Shares: MHI

### Website

[www.lorettalee.com.hk](http://www.lorettalee.com.hk)

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