

MERCHANT HOUSE INTERNATIONAL LIMITED

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AUSTRALIAN LISTED CHINA TRADER POSTS PROFIT DESPITE DOWNTURN

Merchant House International (MHI), believed to be the only survivor of over fifteen China based ASX listed companies, has posted a profit for 2008/2009 despite the severe worldwide economic downturn that has drastically cut manufacturing in China.

The Group has declared a consolidated net profit of AUD\$2,843,000 (2008 AUD\$3,601,000).

In her report to shareholders, Chairperson, Loretta Lee, said: "Despite all the difficulties we are pleased to report that our performance for the year has been satisfactory. Our total sales increased 13% compared with last year and slightly exceeded forecast. However, the profit was down by 18%, missing target by 16%." Miss Lee blamed this on a number of factors, mainly fluctuations in the exchange rate between the US\$ (MHI's main market) and the Chinese RMB, plus decisions by customers to cut orders without notice and customer compensation claims caused by price mark downs."

Miss Lee went on to comment on the year ahead: ".....we anticipate our sales will decrease slightly due to the continuing depressed state of the US market. However, we have found some encouraging signs in the present situation. The Chinese Government has increased the VAT rebate to exporters to 16%, up from 11%." She also said that the current political relationship between Washington and Beijing suggests that the exchange rate between the USD\$ and RMB will remain stable.

Separately, Miss Lee said: "We have an energetic, highly motivated staff working for our company in China, which has enabled us to maintain very high quality standards and on-time deliveries with all of our products. I think this has been a major factor in our success, when many other China based manufacturers have been forced to cut back severely, with quite a few even going out of business.

I can't say that I am optimistic about the future just yet, but, I am not pessimistic, things will not be too bad, Miss Lee concluded."

The company has declared a dividend for the financial year ended 31 March 2009 of 0.5 cents per share unfranked, which, with the interim dividend of 0.5 cents paid in January 2009, totals 1 cent per share (2008: 2 cents per share).

The Merchant House International Group has more than twenty-seven years experience in sourcing, producing and selling consumer products with an emphasis on footwear, home textiles, seasonal decorations and gifts. The group's main export market is the United States, although merchandise is also sold in Australia, Canada and the United Kingdom.