



**MERCHANT HOUSE
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7 December 2017

ASX Limited

Dear Sir / Madam,

ACQUISITION OF MANUFACTURING PLANT – BRISTOL, VIRGINIA, USA

Merchant House International Limited wishes to advise that the Group has completed the acquisition of a factory in Bristol, Virginia. The factory is planned to manufacture bath towel products, primarily for sale to the US market.

The factory was acquired for a purchase consideration of US\$1.9 million.

The Group will now start sourcing specialized production equipment for the factory and commence building renovations. The factory is scheduled to open by the end of calendar year 2018.

The strategy to commence textile manufacturing in the USA is driven by lower energy costs and adequate supplies of quality cotton at lower prices.

The total cost of the US textile manufacturing investment is estimated at US\$19.9 million which is expected to be financed by a combination of the Group's internal resources and bank borrowings.

Yours faithfully

MERCHANT HOUSE INTERNATIONAL LIMITED

DAVID MCARTHUR
Company Secretary