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ASX Announcement

Friday, 29 February 2008

- **MESBON REPORTS 70.9% PROFIT INCREASE FOR FULL YEAR**
- **EXCEEDS PROSPECTUS FINANCIAL FORECAST FOR 2007**
- **REAFFIRMS 2008 NET PROFIT AFTER TAX (NPAT) FORECAST OF \$9.76M**

A 70.9 per cent increase in net profit after tax to \$7.75 million has been announced today by premium nylon textile yarn manufacturer, Mesbon China Nylon Limited (ASX:MES) for the full calendar year ending 31 December 2007

The Company also reported a 66.3% increase in sales revenue to \$88.75 million, and a 66.8% increase in Earnings Before Income Tax, Depreciation and Amortisation (EBITDA) to \$9.83 million

Mesbon's net profit after tax (NPAT) of \$7.75 million - compared with \$4.54 million in the previous full year - exceeded forecasts in its Prospectus issued on 9 November 2007, ahead of the Company's listing on the Australian Securities Exchange on 11 December last year.

"2007 marked a significant milestone in the continued growth and success of our Company," Mesbon Chairman, Mr Zhehao Shen, said today.

"Our commitment to focusing on consistent high quality and investing significant resources in research and development of yarn products and production processes has enabled the Company to meet and exceed our clients' exacting standards," he said.

"Mesbon's improved profit can be attributed to the strong demand both from domestic Chinese and international customers, which we were able to generate due to our ongoing expansion of our manufacturing plant and our high quality outputs".

" It is an outstanding effort by the management and workforce of the Company".

Mr Shen said operational highlights for Mesbon during the year included:

- Completion of Phase 2 of the Company's expansion which has enabled production capacity to increase to 33,000 tonnes per annum at its base in Zhejiang Province;

- Commencement of Phase 3 of the expansion program to increase annual production capacity to 45,000 tonnes;
- First stage of Mesbon's growth into premium quality nylon yarn; and
- Export sales increased to 26% of Company revenue.

\$20 million capital raising

In November 2007, Mesbon issued a Prospectus to raise \$20 million to assist in the development of Phase 3 of the Company's expansion plans.

Mesbon listed on the Australian Securities Exchange (ASX) on 11 December 2007, after its Initial Public Offering (IPO).

"As a result of the successful capital raising, Mesbon is well placed to take advantage of the extra production capacity that the current expansion will allow," Mr Shen said.

"I am confident this will enable the Company to experience continued growth in 2008" he said.

"We reconfirm the forecast made at the time of the issue of the Prospectus of expected 2008 net profit after tax (NPAT) of \$9.7 million."

Financial Results

Mesbon's revenue from operating activities for the year grew 66.3% to \$88.75 million, up from \$53.38 million in 2006, with Earnings Before Interest, Tax and Depreciation (EBITDA) 66.8% higher at \$9.83 million, compared with \$5.90 million the previous year.

"This is a significant improvement in terms of both revenue increase and profit margin across the business, and is testimony to management efficiency, the ongoing investment in people and systems, and the careful stewardship of the Company's core business activities," Mr Shen said.

Operational Highlights

During 2007 a number of significant developments occurred in the premium nylon textile industry.

"Mesbon has been able to capitalise on increased demand because of the excellent support from the Executive Team, Management and staff who perform the work for our Company," Mr Shen said.

"As Mesbon expands its market share in the premium nylon market, Chinese textile manufacturers will be able to source quality nylon yarns produced in China to replace currently imported yarns.

"Mesbon is now one of the five largest nylon textile companies in China and with the completion of Phase 3, will possibly become one of the three largest producers. Phase 2 and now Phase 3 expansion is focused on the expansion in demand for premium nylon yarn".

2008 Outlook

Following its successful listing, Mesbon has continued with the Phase 3 expansion of its production facilities, including:

- Building and civil construction for Phase 3 development has been completed;

- The first production lines for Phase 3 have arrived and the second and final production lines will arrive by the end of March;
- Phase 3 is being completed nearly on time and within budget; and
- Production expansion from the 12 new lines for premium yarn is expected to be phased in from April 2008 with the manufacturing facility for Phase 3 fully operational by June 2008, taking Mesbon's total production capacity to 45,000 tonnes per annum.

"Mesbon is confident of increasing sales and profit throughout all business units during 2008," Mr Shen said.

"Our finished products are intermediate products used by textile manufacturer within China," he said.

"At the same time, the US dollar is depreciating against the Chinese renminbi (RMB). Because of this, and the fact that we sell less than 30% of our product to export markets, we expect to be advantaged by what we consider to be low imported raw materials costs and low finance risk with our Chinese customers.

"As the Company expands its premium nylon textile yarn (6 FDY), the gross contribution percentage is expected to increase, which will assist in countering any downturn in the market."

During 2008, the Company will pursue the following business objectives to:

- Grow into a world-class manufacturer of premium nylon textile yarn (6 FDY);;
- Develop and strengthen Mesbon's quality branding in China and internationally;
- Expand the Company's sales and distribution network by targeting other textile manufacturing hubs within China;
- Increase the number of export countries and overseas customers;
- Focus on maintaining consistent high quality across all product lines;
- Provide a substitute for imported premium nylon products for the domestic Chinese market;
- Substantially increase production capacity in 2008 and 2009;
- Maximise production efficiency through cost control and process improvement;
- Invest considerable resources in research and development for product development and manufacturing processes; and
- Continue to upgrade to modern, advanced equipment and technologies.

MESBON is arranging a conference call to answer any questions from shareholders and analysts and will provide the dial in details and time in a further release next week.

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