



Mesbon China Nylon Limited (“MES”)

ACN 123 178 852

Australian Stock Exchange Announcement

Monday 15th December 2008

The Manager
Companies Announcements Officer
Australian Stock Exchange
Electronic Lodgement

Dear Sir/Madam

Shareholder Update

Please find attached a letter which is to be sent to all shareholders and which gives an update on the current performance of Mesbon China Nylon Limited, its profit expectations for the full year, and a planned visit by Chairman and Managing Director Mr Zehao Shen to follow the release of the Appendix 4E to the market in February 2009, to discuss with shareholders and analysts the results for the 2008 year and prospects for 2009.

On behalf of the board

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15 December 2008

Dear Shareholder

Mesbon Performance Update

The board has been constantly monitoring the effect on the company of the recent significant problems experienced by the world economy, and considers that a further market update is appropriate to keep you informed of the company's performance in these difficult times.

The Chinese Economy

As with all world economies, China has also been affected by the uncertainties that are having impacts in all aspects of life, both commercially and the roll-on effect to personal expenditures and consumption priorities.

Perhaps one of the most important factors to consider is that the Chinese economy is still expected to grow in this coming year, with an increase of approximately 7-8%, which is far in excess of the growth expected in western economies, some countries of which are expecting either no growth at all or else contraction in 2009.

Over 80% of Mesbon product is sold within China and so whilst Mesbon domestic sales have been affected by the slow down, overall the company is in a strong position to weather the global financial storm.

To assist the local economy, the Chinese Government has released a stimulation package which increases the money supply by a significant amount, and which will additionally encourage the bringing forward of previously announced infrastructure works.

Counter measures to boost consumption have also been put in place by reducing the bank interest rate on loans 4 times in the last 3 months, the latest being a reduction of 1.08% at the end of November 2008. Export incentives have also been increased from 9% to 14% of sales.

These measures are expected to progressively stimulate the Chinese economy by 2010.

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Impacts on Mesbon

In our last update, the company reported that the consumption of its nylon products was seasonal by nature, with the majority of revenue normally occurring in the second half of the year. The company also reported improvements in the July and August sales figures. However, due to the significant market downturn, the expected performance improvement in October and November has not materialized for the company.

At the same time, however, the company is trading profitably and is able to advise that:

- The company has responded to market pricing with the effect that reduced gross margins are currently being felt and will continue at least until the stocks of previously purchased higher priced raw materials (particularly polyimide chips) are worked through the production system;
- Production utilisation versus capacity is at a high level in the production division, but as a result of the lower demand, the Phase III production lines have not yet come into operation, although the installation has been completed. The electricity supply across China (including the area where the company operates) is no longer under restriction, and the company can therefore bring the additional facility on line as soon as needed;
- Demand for textile products from both domestic and international customers has been affected by the downturn in the world economy;
- The company's working capital loans should be re-written at lower interest rates when they are rolled over, which should assist operations as the rates are reduced;
- Cost savings throughout the company are being implemented;
- The market appears to have stabilised, but all product ranges have been affected, including the premium products which are becoming the focus for the company;
- The company is operating on its current working capital and cash reserves are in good standing; and
- 2009 is expected to be better than 2008 but is unlikely to exceed 2007 results.

Full Year Profit Guidance 2008

The board has met and considered the company's expectations for the full year ended 31 December 2008. The board has done so in the light of results for the first six months, the management accounts for the four months to October 2008 (unaudited) and the global economic crisis and other economic factors in the market place explained above. In the market update given to shareholders in August 2008, the full year's net profit after tax forecast was expected to be AUD\$7.5 – 8.5 million (using an average exchange rate of \$1AUD/6.58328RMB). After further weighing up all factors known to directors at this time, the board has revised its net profit after tax forecast for the full year ended 31 December 2008 to AUD\$2.8 – 3.2 million (forecast using the current average exchange rate of \$1AUD/5.4486RMB).

While the board is disappointed to lower forecasts for 2008 in line with the recent adverse world and Chinese economic conditions, it is confident that the company can prosper through strong management, solid brand recognition and its high quality products.

The Board also wishes to stress that Mesbon has strong cash reserves, and is in a sound financial position and is well placed to take advantage as business confidence returns.

For the reasons explained above, MSB International Trading Ltd, a company associated with Chairman and Managing Director, Mr Shen, is unlikely to become entitled to 8,493,000 performance shares, which were conditional on the company achieving its prospectus forecast net profit after tax for the 2008 financial year.

Shareholder Road Show

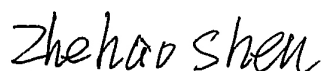
The board wishes to advise that during the latter part of February 2009, when the financial results for the full year ended 31 December 2008 (unaudited) are released to the market through the Appendix 4E disclosure, Chairman and Managing Director Mr Shen will visit Sydney, Melbourne, Perth and Adelaide to discuss the results for the year, the latest economic update for China and the world as it affects textile manufacture, and the expectations for Mesbon in 2009.

Whilst exact dates are not yet known, all shareholders will be invited to join with directors at those meetings to discuss the company's performance.

Mr Shen will again return to Australia in May 2009 for the Annual General Meeting of the company, at which time a further update will be given. Shareholders will again be encouraged to come to that meeting, to discuss the future operations of the company.

Apart from these scheduled updates, the company will keep shareholders informed of any important developments, and will release further updates as required.

The board wishes to again express its confidence in the future of the company moving forward, and thanks shareholders for their patience and continuing support.



Zhehao Shen
Chairman and Managing Director