



Results for Announcement to the Market

**APPENDIX 4D
HALF YEAR INFORMATION GIVEN TO ASX
UNDER LISTING RULE 4.2A**

Name of entity	Mesbon China Nylon Limited
ABN	77 123 178 852
Half year ended	30 June 2009
Previous corresponding period	30 June 2008

The information contained in this report should be read in conjunction with the most recent annual financial report.

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Details of entities over which control has been gained	3.
Details of associates and joint venture entities	4.
Dividends	5.
Accounting standards	6.
Audit disputes or qualifications	7.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up	24.08%	to	<u>\$'000</u> 48,647
Profit/(loss) from ordinary activities after income tax attributable to members	down	182.82%	to	(1,028)
Net profit/(loss) attributable to members	down	182.82%	to	(1,028)

Dividends per share	Amount per share	Franked amount per share at 100% tax
Final – FY 2008	0.0 cents	0.0 cents
Interim – FY 2009	0.0 cents	0.0 cents

Record date for determining entitlements to dividends: N/A

Payment date for dividend: N/A

Explanation of revenue

The increase in revenue for the period over the corresponding period last year was as a result of the recovery in domestic demand in the Chinese economy. Mesbon products have also been aggressively priced to ensure that its sales demand was reflective of the change in market sentiment during this period. In addition, from April 2009 production capacity has increased for high quality 6FDY products which sell at higher margins than other Mesbon products.

Explanation of Net Profit after Tax

The reduction in profitability for the period over the corresponding period last year was as a result of the short term inability to match the rapid decline of unit sales prices with lower unit purchase costs because of the lead time from purchase through manufacture to finished goods ready for sale. Whilst Mesbon was able to purchase raw materials at advantageous prices in the last months of 2008, the effect of this advantage was not felt until May and June 2009 where gross margins started to recover.

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current period	Previous corresponding period
31.94 cents	30.96 cents

3. DETAILS OF CONTROLLED ENTITIES

3.1 Control gained over entities during the period	Nil
3.2 Loss of control of entities during the period	Nil

4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

4.1 Equity accounted Associates and Joint Venture Entities	Nil
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5. DIVIDENDS

	Current period \$'000	Previous corresponding period \$'000
5.1 Dividends per share		
(a) Dividends not recognised at the end of the current period		
Directors have not declared an interim unfranked dividend for the current financial year (2008: 2.0 cents per share)	Nil	2,540
5.2 Dividend Reinvestment Plan		
Mesbon has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the average market price.		
The last date for the receipt of an election notice for participation in the dividend reinvestment plan is:	N/A	13 September 2008

6. ACCOUNTING STANDARDS

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4D.

7. AUDIT DISPUTES OR QUALIFICATIONS

There are no audit disputes or qualifications.



MESBON CHINA NYLON LIMITED
A.C.N. 123 178 852
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 30 JUNE 2009

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MESBON CHINA NYLON LTD and Controlled Entities

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half-year ended 30 June 2009.

Directors

The names of directors who held office during or since the end of the half year are:

- Zehao Shen
- Bolong Xing
- Yanfu Jiang (Retired 1 January 2009)
- Paul Teisseire
- Fai-Peng Chen
- Weijie Gu (Appointed 1 January 2009)

Review of Operations

General China Market Overview - First Six Months of 2009

The first six months of the year saw a continuing impact of the 2008 world economic difficulties, particularly during the first quarter. During the second quarter, general conditions have improved steadily as the economic stimulus package has taken effect. In particular:

- The Chinese economy has been affected by the 2008 financial economic crisis, and which has also affected the Chinese Nylon industry
- China's economic growth accelerated in the June quarter due to the Chinese stimulus package. The share market and real estate markets have improved step by step.
- The Chinese macro economy is developing satisfactorily and the easing of monetary policy is continuing.

The sale of Mesbon products has followed the positive change in market sentiment during this period, and Mesbon has been able to increase its sales of premium nylon products as the market in China has recovered.

Financial Highlights

Mesbon China Nylon Limited's total revenue for the six months increased to **\$48.65 million** (2008: \$39.21M) but with a resultant loss after tax (NPAT) of **(\$1.03 million)** (2008: Profit of \$1.24M).

Interest expense increased from \$1.18 million to \$1.98 million and impacted the NPAT result when compared to last year.

General and administration costs also increased from \$0.93 million to \$1.38 million for the six months ended June 2009.

Revenue grew because of the group's marketing approach to ensure that production resources were maintained and operating and as a result, was able to take advantage of the improving domestic economy in April to June 2009. The lower margins that were experienced resulted in a significant contraction in profit across the business and can be attributed to the falling demand in both the export market and internal China economy in the first three months of 2009. In particular, export demand contracted significantly more than demand from within China.

The gross contribution margins were especially low in the first months of 2009 as higher priced raw materials purchased in 2008 flowed through the production process into finished goods for sale in 2009. Margins have since improved in May and June and there is strong evidence of further recovery in July and August 2009.

Since April 2009, the number of new production lines in the Phase 3 production facility has increased from 3 lines in April to 6 in May and 9 in June. All 12 lines are now in operation.

The quality of the products produced from the new production lines has been well received by the market, enabling increased production and sales into markets previously occupied by imports.

Mesbon's financial year end is 31 December.

General Market Expectations – Second Six Months of 2009

The consumption of the group's nylon products is seasonal by nature, with the majority of revenue normally occurring in the second half of the year. Mesbon has already seen improvements in the July sales figures and gross margins. Mesbon expects that normal business operations will progressively be restored in China as a result of the financial stimulus package and the growth in consumer confidence.

Mesbon's profits in the second half of the year are expected to increase, by taking advantage of more favourable conditions, including:

- sales are historically much stronger in the second half of the year, largely due to increased domestic and international demand for warmer clothing in winter;
- improved domestic and international demand for Mesbon's products, as normal business conditions resume in China, with improved prices for those products;
- increased market share of premium nylon sales through Mesbon's import replacement strategy, as the new production lines provide improved products at the premium end of the market;
- higher margins due to an increased product mix, such as the new DTY Dope Dyed Yarn and the Nylon-Polyester Bi-component Yarn products and the new nylon 6 FDY product;
- The real economy appears to have turned around as is represented by an increase in industrial value added and an increase in investments in fixed assets.
- The Chinese economy is predicted to grow GDP by 9.4% in 2009 and 11.9% in 2010 surpassing earlier predictions of 8.3% and 9.4%. (Source: Goldman Sachs)

Forecast Projections

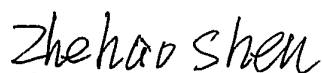
The reported loss is within the market guidance given in May 2009 at the Annual General Meeting. Whilst the actual result of (\$1.03 million) was disappointing, the directors are pleased that the results for May and June 2009 have been most encouraging.

The directors are also pleased to reaffirm guidance of a profit result for the full year 2009 of between \$3.8 – 4.5 million.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 30 June, 2009.

This report is signed in accordance with a resolution of the Board of Directors



Zhehao Shen
Chairman

Adelaide

Dated this 31st day of August 2009

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MESBON CHINA NYLON LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Mesbon China Nylon Limited for the half-year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 31st day of August 2009

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MESBON CHINA NYLON LIMITED and Controlled Entities
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2009

	Note	Consolidated Group	
		30 June 2009 \$	30 June 2008 \$
Revenue	2	48,337,178	37,489,675
Cost of goods sold		(45,908,844)	(35,328,491)
Gross Profit		2,428,334	2,161,184
Other income	2	309,603	1,716,569
Distribution costs		(356,668)	(334,412)
General and administration costs		(1,384,833)	(933,309)
Finance costs		(1,977,911)	(1,176,563)
		(3,409,809)	(727,715)
Profit/(Loss) before income tax expense		(981,475)	1,433,469
Income tax expense		(46,412)	(192,486)
Profit/(Loss) from continuing operations		(1,027,887)	1,240,983
Profit/(Loss) attributable to members of the parent entity		(1,027,887)	1,240,983
Other Comprehensive income			
Foreign currency translation differences for foreign operations		(6,623,535)	(1,161,754)
Total comprehensive income for the period		(7,651,422)	79,229
Earnings per share from continuing operations			
Basic earnings per share (cents per share)		(0.78)	0.98
Diluted earnings per share (cents per share)		(0.78)	0.98

Notes to the financial statements are included on pages 8 to 10

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MESBON CHINA NYLON LIMITED and Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Note	Consolidated Group	
		30 June 2009	31 Dec 2008
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		19,662,353	42,343,680
Trade and other receivables		16,575,765	15,080,895
Inventories		24,825,365	17,514,997
Notes receivable		21,862,242	15,556,416
Prepayments		679,708	1,157,946
Other current assets		473,747	402,604
TOTAL CURRENT ASSETS		84,079,180	92,056,538
NON-CURRENT ASSETS			
Property, plant and equipment		46,450,671	54,135,534
Deferred tax asset		324,881	371,292
TOTAL NON-CURRENT ASSETS		46,775,552	54,506,826
TOTAL ASSETS		130,854,732	146,563,364
CURRENT LIABILITIES			
Trade and other payables		16,243,003	5,602,607
Notes payable		22,034,100	40,375,000
Short term financial liabilities		50,239,899	50,596,605
TOTAL CURRENT LIABILITIES		88,517,002	96,574,212
TOTAL LIABILITIES		88,517,002	96,574,212
NET ASSETS		42,337,730	49,989,152
EQUITY			
Issued capital		28,334,616	28,334,616
Reserves		4,838,723	11,462,258
Retained earnings		9,164,391	10,192,278
TOTAL EQUITY		42,337,730	49,989,152

Notes to the financial statements are included on pages 8 to 10

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MESBON CHINA NYLON LIMITED and Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2009

CONSOLIDATED GROUP

	Issued Capital \$	Foreign Currency Translation Reserve \$	Share Option Reserve \$	Retained Earnings \$	Total \$
BALANCE AT 31 DECEMBER 2007	27,507,044	(1,271,839)	870,393	12,141,077	39,246,675
Total comprehensive income for the period	-	(1,161,754)	-	1,240,983	79,229
BALANCE AT 30 JUNE 2008	27,507,044	(2,433,593)	870,393	13,382,060	39,325,904
BALANCE AT 31 DECEMBER 2008	28,334,616	10,591,865	870,393	10,192,278	49,989,152
Total comprehensive income for the period	-	(6,623,535)	-	(1,027,887)	(7,651,422)
BALANCE AT 30 JUNE 2009	28,334,616	3,968,330	870,393	9,164,391	42,337,730

Notes to the financial statements are included on pages 8 to 10

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MESBON CHINA NYLON LIMITED and Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2009

	Consolidated Group	
	30 June 2009	30 June 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	37,835,189	32,794,667
Payments to suppliers and employees	(60,992,240)	(26,207,163)
Interest received	586,696	257,167
Borrowing costs	(1,691,467)	(1,118,307)
Taxes paid	-	(113,151)
	<u>(24,261,822)</u>	<u>5,613,213</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	-	724,246
Payments for property plant & equipment	(1,616,185)	(19,049,319)
	<u>(1,616,185)</u>	<u>(18,325,073)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of borrowings	56,907,286	23,610,578
Repayment of borrowings	(49,085,861)	(21,451,573)
	<u>7,821,425</u>	<u>2,159,005</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Effect of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year	(4,624,745)	838,526
Net increase/(decrease) in cash held	(22,681,327)	(9,714,329)
Cash at beginning of period	<u>42,343,680</u>	<u>32,982,025</u>
Cash at end of period	<u><u>19,662,353</u></u>	<u><u>23,267,696</u></u>

Notes to the financial statements are included on pages 8 to 10

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009

NOTE 1 – BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 30 June 2009 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Mesbon China Nylon Limited and its controlled entities (the Group). It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2008 together with any public announcements made during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and are consistent with those in the December 2008 financial report, except for the adoption of the following new and revised accounting standards:

Accounting Standards not Previously Applied

The group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the group's chief operating decision maker which, for the group, is the board of directors. There are no material changes in disclosure of segment information.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009

Foreign Currency Translation

The half-year report has been prepared using the following currency conversion rates from Chinese RMB to Australian dollars:

		Exchange Rate \$AUD/RMB	
At 30 June 2009	5.4915	At 31 December 2008	4.7059
Av. 6 Months to 30 June 2009	4.8316	Av. 6 months to 30 June 2008	6.5108

NOTE 2 - REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

Revenue	Consolidated Group	
	30 June 2009	30 June 2008
	\$	\$
Sale of goods	48,337,178	37,489,675
Other income		
Interest income	268,206	569,818
Foreign exchange gains	-	802,418
Government IPO bonus	-	211,954
Subsidy income	-	103,074
Other income	41,397	29,305
Total	309,603	1,716,569

NOTE 3 - SEGMENT INFORMATION

Identification of reportable segments

The group is engaged in the production, sale and development of premium nylon textile yarn throughout China and internationally. The group operates predominantly in China with all goods being manufactured and distributed from a single facility in China.

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors and management in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of geographic region. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

All amounts reported to the board of directors with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the group.

Segment assets

Assets are not allocated across segments but are held as a corporate asset for the group.

Segment liabilities

Liabilities are not allocated to segments and are considered to relate to the group as a whole.

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2009

Unallocated Items

The following items of revenue and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Other income, which includes subsidy income, forex gains and losses, interest income and non operating income;
- General and administration expenses; and
- Finance costs.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

SEGMENT PERFORMANCE	CHINA \$	INTERNATIONAL \$	TOTAL \$
2009			
Revenue from operating activities	46,196,197	2,140,981	48,337,178
Less:			
Other income	309,603	-	309,603
Cost of goods sold	(43,923,807)	(1,985,037)	(45,908,844)
Distribution costs	(356,668)	-	(356,668)
General and administration costs	(1,384,833)	-	(1,384,833)
Finance costs	(1,977,911)	-	(1,977,911)
Net profit/(loss) before tax	(1,137,419)	155,944	(981,475)
2008			
Revenue from operating activities	33,875,900	3,613,775	37,489,675
Less:			
Other income	1,716,569	-	1,716,569
Cost of goods sold	(31,855,675)	(3,472,816)	(35,328,491)
Distribution costs	(246,310)	(88,102)	(334,412)
General and administration costs	(933,309)	-	(933,309)
Finance costs	(1,176,563)	-	(1,176,563)
Net profit/(loss) before tax	1,380,612	52,857	1,433,469

Major Customers

The group has a number of customers to which it provides products. The group supplies one external customer who accounts for 25.1% of external revenue (2008: 21.4%). The next most significant client accounts for 4.0% (2008: 2.5%) of external revenue.

NOTE 4 – CONTINGENT LIABILITIES

There has been no material change to contingent liabilities since the last annual reporting date.

NOTE 5 – EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no material events occurring after the reporting date.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 4 to 10 are in accordance with the *Corporations Act 2001*, including:
 - a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
 - b) complying with Accounting Standard AASB 134 "Interim Financial Reporting".
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Zhehao Shen

Zhehao Shen
Chairman

Adelaide

Dated this 31st day of August 2009

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gttsa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MESBON CHINA NYLON I

We have reviewed the accompanying half-year financial report of Mesbon China Nylon the consolidated financial statements being the statement of financial position as at 30 statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mesbon China Nylon Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MESBON CHINA NYLON LIMITED Cont

Auditor's responsibility Cont

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion..

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mesbon China Nylon Limited is not in accordance with the Corporations Act 2001, including:

- 2 giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- 3 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 31st day of August 2009