MESBON CHINA NYLON LIMITED

ABN 77 123 178 852

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APPENDIX 4E

PRELIMINARY FINAL REPORT

MESBON CHINA NYLON LIMITED

ABN 77 123 178 852

Report for the Year Ended 31 December 2009
(Previous Corresponding Period is for the year ended 31 December 2008)

The report is based on accounts which are in the process of audit review and which is not yet complete. The company is not aware of any dispute or qualification which would have a material impact on the results represented within these accounts.

Mesbon China Nylon Limited was incorporated in Australia on 18 December 2006. It acquired the trading operations of Meibang International Holding Limited in November 2007.

Mesbon was founded in 2002 by by Mr Zhehao Shen, a civil engineer with 20 years experience in textile manufacturing. Mr Shen anticipated the emergence of nylon yarn, especially high quality nylon textile yarn, as a fundamental product for use by the China textile and apparel industries. Within a short period, Mesbon has emerged as one of the five largest nylon textile yarn manufacturers in China, and the largest in Zhejiang Province, based on production capacity. Mesbon's production facility is ideally located in Xiaoshan District, Hangzhou City, Zhejiang Province, within the heart of the textile manufacturing base in East China.
Mesbon's production capacity has grown from 20,000 tonnes per annum in 2004, to 45,000 tonnes currently.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Financial Summary

	Consolidated Group		
	31 December 2009 $	**31 December 2008 $**	**% Change**
Revenues from ordinary activities	127,415,868	102,728,680	24.03%
Cost of Sales	(117,011,634)	(98,663,429)	18.60%
Gross Profit	10,404,234	4,065,251	155.93%
Other Income	664,740	3,442,801	-80.69%
Distribution Costs	(780,841)	(680,694)	14.71%
General and Administration costs	(3,887,814)	(2,840,706)	36.86%
Finance Costs	(3,600,358)	(3,302,221)	9.03%
Equity based Remuneration Expense	-	-	
Profit from ordinary activities	2,799,961	684,431	309.09%
Income tax expense relating to ordinary activities	(92,823)	(92,823)	0.00%
Net Profit attributable to members of the parent entity	2,707,138	591,608	357.59%

Net Tangible Assets

	December 2009	December 2008
Net tangible asset backing per ordinary security	31.70 cents	37.71 cents

Dividends

The directors have declared a final dividend of one half of one cent ($0.005) per share, (2008: nil). The dividend will be shown as conduit foreign income and is unfranked. The record date for the purpose of determining eligibility for the dividend will be 7 April 2010. The company's Dividend Reinvestment Plan (DRP) will be in place for this dividend. The election date for the DRP will be 7 April 2010 with a payment date of 12 May 2010. Shares issued under the DRP will be at a 5% discount to the volume weighted average sale price per share of all shares sold in the ordinary course of trading on the ASX in the five trading days up to and including the Record Date for the dividend.

Commentary on Results

2009 has seen a significant improvement in results for the company compared with 2008. The core business of the company is in China and the sales and profit results, when expressed in the currency in use for a high proportion of its operations, shows a strong rebound from the difficulties of 2008.

Using the functional currency basis, (Chinese Renmimbi (RMB)), sales improved from RMB 584,336,533 to RMB701,523,408, an increase of 20.05%.

Units of sales (kg) in 2009 increased by 42.15% relative to 2008, offset by a 16.20% decrease in average sales prices.

Reduced sales prices and gross margins experienced in early 2009 improved as the year progressed through to September 2009. Increasing raw material costs in the second half of 2009 resulted in reduced November and December gross margins of approximately 4.90%.

Using the reporting currency basis, (Australian dollars (AUD)), sales revenue improved from AUD102,728,680 in 2008 to AUD127,415,868 in 2009, a 24.03% increase relative to 2008. Gross margin increased from 3.96% in 2008 to 8.17% in 2009 resulting in a gross profit of AUD10,404,234 (2008: AUD4,065,251).

General and administration costs increased from AUD2,840,706 in 2008 to AUD3,887,814 in 2009 reflecting the first time depreciation on the Phase 3 production facility of AUD1,581,003.

Short term loans of AUD46,401,022 (RMB282,416,448) at 31 December 2009 compared to AUD50,596,605 (RMB238,101,671) at 31 December 2008 has resulted in an increase in finance costs.

Net profit after income tax increased to AUD2,707,138 (2008: AUD591,608.

Outlook for 2010

With the global economy showing signs of stability and recovery, Mesbon is expecting a positive year for the sale of its products. The move towards premium product will continue and should provide improved margins overall during the year than were achieved during the latter part of 2009.

By August 2009, the final production lines in the Phase 3 development were commissioned and all lines are operating at optimum capacity. The Phase 3 development has fulfilled the company's expectations and the resultant economies of scale have been a significant contributor to the increase in the gross margin during the year.

Demand both locally and in the export arena continue to strengthen since 2008 and is expected to continue. This will allow the company to move into new and premium product segments and to broaden its geographic markets to new markets such as Fujian and Guangzhou, with higher selling prices and gross profits.

China is emerging from the shadow of the global financial crisis and it is anticipated that the worst of this crisis is now over for Mesbon. The Company is confident to move forward through 2010. The Company continues to look for growth, including Merger & Acquisition opportunities.

Mesbon China Nylon Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Revenue from operating activities	2	127,415,868	102,728,680	-	-
Cost of goods sold	2	(117,011,634)	(98,663,429)	-	-
Gross profit		10,404,234	4,065,251	-	-
Other income	2	664,740	3,442,801	3,323,801	4,434,226
Distribution costs	2	(780,841)	(680,694)		-
General and administration costs	2	(3,887,814)	(2,840,706)	(294,500)	(308,262)
Finance costs	2	(3,600,358)	(3,302,221)	-	-
Profit before income tax expense		2,799,961	684,431	3,029,301	4,125,964
Income tax expense	3	(92,823)	(92,823)	(92,823)	(92,823)
Profit for the year from continuing operations		2,707,138	591,608	2,936,478	4,033,141
Profit attributable to members of the parent entity		2,707,138	591,608	2,936,478	4,033,141
Other comprehensive income					
Exchange differences on translating foreign operations		(10,672,646)	11,863,504	-	-
Total comprehensive income/(loss) for the year		**(7,965,508)**	**12,455,112**	**2,936,478**	**4,033,141**

	Note	Consolidated Group 2009	Consolidated Group 2008
Earnings per share for profit from continuing operations:			
Basic earnings per share	7	2.04 cents	0.46 cents
Diluted earnings per share	7	2.04 cents	0.45 cents

The accompanying notes form part of the above statement of comprehensive income.

Mesbon China Nylon Limited

Statement of Financial Position
as at 31 December 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	8	24,116,119	42,343,680	165,527	240,821
Trade and other receivables	9	19,766,403	15,080,895	-	1,253,911
Inventories	10	26,478,708	17,514,997	-	-
Notes receivable	11	19,915,998	15,556,416	-	-
Prepayments	12	176,662	1,157,946	27,186	24,721
Current tax assets		405,750	402,604	-	-
TOTAL CURRENT ASSETS		90,859,640	92,056,538	192,713	1,519,453
NON-CURRENT ASSETS					
Property, plant & equipment	14	40,270,591	54,135,534	-	-
Trade and other receivables	15	-	-	4,573,238	17,662,744
Financial Assets	16	-	-	33,948,330	19,447,584
Deferred tax asset	3	278,469	371,292	278,469	371,292
TOTAL NON-CURRENT ASSETS		40,549,060	54,506,826	38,800,037	37,481,620
TOTAL ASSETS		131,408,700	146,563,364	38,992,750	39,001,073
CURRENT LIABILITIES					
Trade and other payables	17	19,982,034	5,602,607	25,363	33,686
Notes payable	18	23,002,000	40,375,000	-	-
Financial Liabilities	19	46,401,022	50,596,605	-	-
TOTAL CURRENT LIABILITIES		89,385,056	96,574,212	25,363	33,686
TOTAL LIABILITIES		89,385,056	96,574,212	25,363	33,686
NET ASSETS		42,023,644	49,989,152	38,967,387	38,967,387
EQUITY					
Issued capital	20	28,334,616	28,334,616	34,384,482	37,320,960
Reserves	21	789,612	11,462,258	870,393	870,393
Retained earnings	24	12,899,416	10,192,278	3,712,512	776,034
TOTAL EQUITY		42,023,644	49,989,152	38,967,387	38,967,387

The accompanying notes form part of the above statement of financial position.

Mesbon China Nylon Limited

Statement of Changes in Equity
For the Year Ended 31 December 2009

Consolidated Group

	Issued capital $	Retained Earnings $	Share Option Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 31 December 2007	**27,507,044**	**12,141,077**	**870,393**	**(1,271,839)**	**39,246,675**
Total comprehensive income for the period	-	591,608	-	11,863,704	12,455,312
Shares issued during the period	827,572	-	-	-	827,572
Dividends paid or provided for	-	(2,540,407)	-	-	(2,540,407)
Balance at 31 December 2008	**28,334,616**	**10,192,278**	**870,393**	**10,591,865**	**49,989,152**
Total comprehensive income for the period		2,707,138		(10,672,646)	(7,965,508)
Balance at 31 December 2009	**28,334,616**	**12,899,416**	**870,393**	**(80,781)**	**42,023,644**

Parent Entity

	Issued Capital $	Retained Earnings $	Share Option Reserve $	Foreign Currency Translation Reserve $	Total $
Balance at 31 December 2007	**37,961,532**	**(716,701)**	**870,393**	**-**	**38,115,224**
Total comprehensive income for the period	-	4,033,141	-	-	4,033,141
Shares issued pursuant to DRP	827,581	-	-	-	827,581
Unissued performance rights lapsed	(1,468,153)	-	-	-	(1,468,153)
Dividends paid	-	(2,540,406)	-	-	(2,540,406)
Balance at 31 December 2008	**37,320,960**	**776,034**	**870,393**	**-**	**38,967,387**
Total comprehensive income for the period	-	2,936,478	-	-	2,936,478
Unissued performance rights lapsed	(2,936,478)	-	-	-	(2,936,478)
Balance at 31 December 2009	**34,384,482**	**3,712,512**	**870,393**	**-**	**38,967,387**

The accompanying notes form part of the above statement of changes in equity.

Mesbon China Nylon Limited

Statement of Cash Flows
For the Year Ended 31 December 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash Flows From Operating Activities:					
Receipts from customers		112,207,505	88,553,727	-	1,811,827
Payments to suppliers and employees		(128,654,992)	(72,337,450)	(425,557)	(465,855)
Interest received		3,772,688	746,952	263	-
Finance costs		(3,536,529)	(3,275,078)	-	-
Taxes paid		(405,751)	(402,604)	-	-
Net cash provided by/(used in) operating activities	25	**(16,617,079)**	**13,285,547**	**(425,294)**	**1,345,972**
Cash Flows from Investing Activities:					
Proceeds - sale of property, plant & equipment		-	724,246	-	-
Payment for property, plant and equipment		(1,693,075)	(26,268,753)	-	-
Net cash provided by/(used in) investing activities		**(1,693,075)**	**(25,544,507)**	**-**	**-**
Cash Flows From Financing Activities:					
Proceeds of borrowings		112,910,165	71,127,289	-	-
Repayment of borrowings		(104,586,964)	(59,350,198)	-	-
Dividends paid		-	(1,712,834)	-	(1,712,834)
Loans from subsidiaries		-	-	350,000	-
Net cash provided by/(used in) financing activities		**8,323,201**	**10,064,257**	**350,000**	**(1,712,834)**
Net increase/(decrease) in cash		(9,986,953)	(2,194,703)	(75,294)	(366,862)
Cash at the beginning of the financial year	8	42,343,680	32,982,025	240,821	607,683
Effect of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(8,240,608)	11,556,358	-	-
Cash at the end of the financial year	8	**24,116,119**	**42,343,680**	**165,527**	**240,821**

The accompanying notes form part of the above statement of cash flows.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes the consolidated financial statements and notes of Mesbon China Nylon Limited and controlled entities (the Group), and the separate financial statements and notes of Mesbon China Nylon Limited as an individual parent entity. Mesbon China Nylon Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated financial statements are presented in currency (AUD), which is also the functional currency of Mesbon China Nylon Limited.

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 financial year. 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 content 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 and 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 theseparate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with this Standard.

Notes to the Financial Statements
For the Financial Year ended 31 December 2009

Note 1 (Cont)

Accounting Policies

Two comparative periods are presented for the statement of financial position when the group:
- Applies an accounting policy retrospectively,
- Makes a retrospective restatement of items in its financial statements, or
- Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presentad primary financial statements that were presented in the prior year financial statements.

(a) Principles of Consolidation

A controlled entity is any entity over which Mesbon China Nylon Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a December financial year end.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was gained (ceased).

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Mesbon China Nylon Limited.

(b) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted or are substantially enacted as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which the benefits of the deferred tax asset can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Incorporation

The Company was incorporated on 18 December 2006.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

- Sale of goods - on delivery of the goods to the customer; and
- Interest - on a time proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and service tax (GST).

(e) Business Combination

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Note 1 (Cont)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Reverse acquisitions, where the cost of the business combination is deemed to have been incurred by the legal subsidiary (ie the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (ie the acquiree for accounting purposes), are accounted for using AASB 3 Business Combinations. The method calculates the fair value of the instruments issued by the legal parent on the basis of the fair value of existing instruments in the legal subsidiary.

(f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

For statements of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity.

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 1 (Cont)

(i) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(j) Financial Instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related instruments classified as at fair value through profit and loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

(k) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

Property, Plant and equipment is measured on the cost basis.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Buildings	5%
Land use rights	2%
Plant & Equipment	10-20%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(I) Trade and Other Payables

Trade and other payables amounts represent liabilities for goods and services provided to the consolidate group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1 (Cont)

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(n) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Note 1 (Cont)

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rate prevailing at the date of the transaction.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rate prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Statement of Comprehensive Income in the period in which the operation is disposed.

(p) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows for those benefits.

Equity settled compensation
The group operates an employee option plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all vesting conditions.The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(q) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(r) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and

Receivables and payables are stated inclusive of the amount of GST/VAT.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis and the GST and VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from or payable to the taxation authority.

(s) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Earnings per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Financial Statements
For the Financial Year ended 31 December 2009

Note 1 (Cont)

(u) Changes in Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date.

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Accounting Standards						
AASB 1 *First time adoption of Australian Accounting Standards* (May 2009) – "AASB 1R"	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	Structure of the standard has been amended for ease of use.	30-Jun-10	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report	None	No impact for entities who have transitioned to IFRS
AASB 3 Business Combinations (March 2008) – "AASB 3R"	AASB 3 Business Combinations (April 2007)	AASB 3R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling AASB 3 is applied prospectively.	Business combinations occurring on or after an annual reporting period **<u>beginning on</u>** or after 1 July 2009	As the entity has not been a party to a business combination during the year, this standard is not expected to have any impact on the entity's	AASB 127 (March 2008) AASB 2008 -3	Significant impact for entities undertaking business combinations.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 127 Consolidated and Separate Financial Statements (March 2008) – "AASB 127R"	AASB 127 Consolidated and Separate Financial Statements (July 2004)	AASB 127R amends how entities account for business combinations and changes in ownership interests in subsidiaries.	30-Jun-10	As the transitional provisions of AASB 127 provide that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations effected prior to the amendments being adopted, this standard is not expected to have any	AASB 3 (March 2008)	Significant impact for entities who have changed ownership percentage of subsidiaries.
		Many changes were made to this standard affecting acquisitions and disposals which do not result in a change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control in relation to Associates and Joint Ventures		the entity's financial report.	AASB 2008 - 3	
		AASB 127 replaces the term "Minority Interest" with the "Non-controlling Interest"				
		AASB 127 is applied retrospectively, with certain exceptions relating to the significant changes made in this revision				

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
IFRS 9 Financial Instruments (to be issued in Australia as AASB 9)	AASB 139 Financial Instruments: Recognition and Measurement (part)	IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for	31-Dec-13	IFRS 9 amends the classification and measurement of financial assets; the entity has not yet determined the impact of this standard due to it's late release date.	IFRS 9	Depending on assets held, there may be significant movement of assets between fair value and cost categories and ceasing of impairment testing on available for sales assets.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and	Various	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting	30-Jun-10	See above for AASB 3 and AASB 127 information.	AASB 3 (March 2008) AASB 127 (March 2008)	See above for AASB 3 and AASB 127 information.

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & 5]	AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 5 Non-current assets Held for Sale and Discontinued Operations	AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition	30-Jun-10	As the entity does not have any plans to lose control of a subsidiary, these amendments will not have any impact on the entity's financial report.	AASB 1 AASB 5	Increased disclosure for entities that have lost control of a subsidiary.
AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139]	AASB 139 Financial Instruments: Recognition and Measurement	AASB 2008-8 makes amendments to AASB 139 to clarify the application of some of AASB 139's requirements on designation of a risk or a portion of cash flows for hedge The main issues addressed are: – Designation of one-sided risks – Designation of portions of cash flows of a financial instrument, with reference to inflation components; and – Hedge effectiveness when hedging one-sided risks with a purchased option	30-Jun-10	As the entity does not apply cash flow hedge accounting, these amendments will not have any impact on the entity's financial report.	None	Impact depends on type of hedge and risks being mitigated.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]	AASB 3 Business Combinations (March 2008)	AASB 2008-11 mandates that the requirements in AASB 3 (March 2008) are applicable to business combinations among not-for-profit entities (other than restructures of local governments) that are not commonly controlled. It also allows those requirements to be early adopted by not-for-profit entities. Also included are specific recognition, measurement and disclosure requirements relating to local	30-Jun-10	As the entity is a for-profit entity, this standard is not expected to have any impact on the entity's financial report.	AASB 127 (March 2008) AASB 2008 -3	Significant impact for not-for-profit entities involved in business combinations.
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners. AASB 5 & AASB 110	Various	AASB 2008-13 makes amendments to AASB 5 and AASB 110 resulting from the issue of Interpretation 17. The amendments relate to the classification, presentation and measurement of non-current assets held for distribution to owners and the disclosure requirements for dividends that are declared after the reporting period but before the financial statements are authorised for	30-Jun-10	As the entity has not declared any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report.	Interpretation 17	Significant impact for entities declaring non-cash dividends.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	N/a	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	30-Jun-10	Given the number of standards amended by AASB 2009-4, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation	Related standard where applicable	Varies depending on relevance, however impact is unlikely to be
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117,	N/a	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	31-Dec-10	Given the number of standards amended by AASB 2009-5, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation	Related standard where applicable	Varies depending on relevance, however impact is unlikely to be
AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	Various	AASB 2009-7 makes amendments to correct errors that occurred in AASB 2008-12, AASB 2008-13 and Interpretation 17, as well as amendments which reflect changes made by the IASB to its pronouncements. The editorial amendments have no major impact on the	30-Jun-10	Given the number of standards amended by AASB 2009-4, an example disclosure is not included. Entities assess the impact of each of the amendments on their organisation.	Related standard where applicable	Little impact.

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	AASB 2 Share-based Payment	AASB 2009-8 makes amendments which clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in	31-Dec-10	As the entity does not make any group cash-settled share based payment transactions, these amendments will not have any impact on the entity's financial report.	AASB 2	Significant if group share-based payment agreements are in place.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	AASB 2009-9 makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular	31-Dec-10	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report	AASB 1	No impact for entities who are applying IFRS.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	AASB 132 Financial Instruments: Presentation	AASB 2009-10 makes amendments which clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its non-	31-Jan-11	As the entity does not have any rights, options or warrants to acquire their own equity instruments, these amendments will not have any impact on the entity's financial report.	AASB 132	Potentially significant if rights issues have been offered and denominated in foreign currency.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Australian Accounting Interpretations						
Interpretation 17 Distributions of Non-cash Assets to Owners	N/A	This Interpretation provides guidance on how entities should measure distributions of assets other than cash when it pays dividends to its owners, except for common control	30-Jun-10	As the entity has not declared any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report.	AASB 2008-13	Significant if non-cash dividends have been distributed.
Interpretation 18 Transfers of Assets from Customers	N/A	This Interpretation clarifies the accounting for agreements in which an entity receives an item of PPE from a customer that they must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of	Asset transfers received on or after 1 July 2009	As the entity does not have any agreements in place under the scope of Interpretation 18; this standard is not applicable to the entity.	None	Significant if the entity receives transfers of assets from customers, eg utility entity.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	N/A	This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as	1-Jul-10	As the entity has not renegotiated any financial liabilities into equity instruments this interpretation is not expected to have any impact on the entity's financial report.	None	Significant if the entity has renegotiated any financial liabilities to equity instruments.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 1 (Cont)

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Related pronouncement which must be early adopted if this standard is early adopted	Likely impact
Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)	N/A	This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined	1-Jan-11	As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.	IFRIC 14	Possibly significant if the entity has a defined benefit pension plan.

Notes to the Financial Statements
For the Financial Year ended 31 December 2009

Note 2 - Revenue and Expenses

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Revenue				
Sale of Goods	127,415,868	102,728,680	-	-
Other Income				
Interest income	531,972	1,273,671	263	18,446
Foreign exchange gains	-	1,754,854	-	-
Non operating income	-	385,557	-	-
Subsidy income	53,060	-	-	-
Other business income	-	-	-	-
Dividend revenue	-	-	-	2,564,988
Performance rights lapsed (a)	-	-	2,936,478	1,468,153
Other income	79,708	28,719	387,060	382,639
	664,740	3,442,801	3,323,801	4,434,226

(a) Performance Rights lapsed represent the fair value of 16,987,000 Performance Rights which lapsed at 31 December 2009. The Performance Rights were issued as part of the consideration for the acquisition of Meibang International Holdings Ltd in November 2007.

	Consolidated Group 2009	Consolidated Group 2008	Parent Entity 2009	Parent Entity 2008
Cost of Goods sold				
Cost of goods sold	115,147,441	96,899,748	-	-
Depreciation	1,864,193	1,763,681	-	-
	117,011,634	98,663,429	-	-
Expenses				
Distribution Costs	780,841	680,694	-	-
General and Administration Costs				
Employee benefit expenses	501,476	464,183	-	-
Research & Development	-	253,196	-	-
Commissions paid	139,160	225,658	-	-
Depreciation	1,798,327	81,103	-	-
Water	127,024	101,133	-	-
Legal Expenses	60,000	69,554	60,000	35,000
Doubtful debts provision	47,375	1,027,534	-	-
Other	1,214,452	618,345	234,500	273,262
	3,887,814	2,840,706	294,500	308,262
Finance Costs				
Interest payments	3,196,652	2,832,374	-	-
Bank fees	292,286	404,685	-	-
Other	111,420	65,162	-	-
	3,600,358	3,302,221	-	-

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 3 - Income Tax Expense

		Consolidated Group		Parent Entity	
		2009	**2008**	**2009**	**2008**
		$	**$**	**$**	**$**
(a)	The components of income tax expense comprise:				
	Current tax	-	-	-	-
	Deferred tax	92,823	92,823	92,823	92,823
		92,823	92,823	92,823	92,823
(b)	The prima facie tax benefit on the profit/(loss) from ordinary activities is reconciled to the income tax expense in the accounts as follows:				
	Net Profit	2,614,314	591,608	3,029,302	4,434,226
	Prima facie income tax on the profit from ordinary activities before income tax at 30% (2008: 30%)	784,294	177,482	908,791	1,330,268
	Add:				
	Tax effect of:				
	- Income tax losses not recognised	(27,847)	(120,326)	(27,847)	(120,326)
	- Movement in deferred tax assets related to amounts in equity	92,823	92,823	92,823	92,823
		849,270	149,979	973,767	1,302,765
	Less:				
	Tax effect of:				
	- Non assessible items		-	(880,944)	(440,446)
	- Differences in tax rate for China controlled entities	(756,447)	(57,156)	-	-
	- Exempt dividend income	-	-	-	(769,496)
	Total income tax expense	92,823	92,823	92,823	92,823

Zhejiang Mesbon Chemical Fiber Limited (ZMCF) has a two year enterprise income tax exemption and has a 50% tax concession from the People's Republic of China (PRC) for the following three years. The company also has tax rebates for the purchase of China made capital equipment to the extent of RMB7,481,709 (Approximately AUD$1,229,245), of which RMB1,806,524 (Approximately AUD$296,812) remain unused at 31 December 2009.

The current taxation rate in PRC is 25.0%.

The Australian company tax rate will remain at 30%.

As a result, ZMCF is exempt from enterprise income tax until the tax credits are used.

For the financial years 2008, 2009 and 2010, the enterprise income tax rate in PRC is expected to remain at 25.0% on profits, resulting in a tax rate of 12.5% under the 50% tax concession.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 3 - Income Tax Expense (cont)

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Deferred Tax Asset	278,469	371,292	278,469	371,292

The deferred tax assets relate to the future taxation benefit of the capital raising costs, calculated as follows:

Capital raising costs during 2007:	1,547,050
At the Group's statutory income tax rate of 30%	464,115
Expensed during 2008	(92,823)
Expensed during 2009	(92,823)
Closing balance	278,469

The utilisation of these assets is expected to be recouped through future trading income arising predominantly from profitable trading.

Note 4 - Key Management Personnel Compensation

The names and positions held of the Group's key management personnel in office at any time during the financial year are as follows:

Zhehao Shen - Chairman and Managing Director
Bolong Xing - Non-Executive Director
Paul Teisseire - Non-executive Director
Fai-Peng Chen - Non-executive Director
Chengjun Hu - General Manager - Finance
Weijie Gu - Executive Director - Sales and Marketing and China Company Secretary
Graham Seppelt - Australian Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Number of Options held by Key Management Personnel

	Balance 31.12.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 31.12.2009	Total Vested	Total Exercisable
Yanfu Jiang	700,000	-	-	-	700,000	700,000	700,000
Paul Teisseire	700,000	-	-	-	700,000	700,000	700,000
Fai-Peng Chen	700,000	-	-	-	700,000	700,000	700,000

No other key management personnel hold options over shares in the company.

Shareholdings of Key Management personnel

	Balance at 31.12.2008	Exercise of Options	Net change Other	Balance at 31.12.2009
Directors				
Zhehao Shen*	100	-	-	100
Paul Teisseire	113,368	-	-	113,368

* MSB International Trading Limited, a company associated with Mr Shen, holds 78,911,499 shares. Mr Shen is a director and shareholder of MSB International Trading Limited.No other key management personnel hold shares in the company.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 5 - Auditors Remuneration

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Remuneration of the auditor of the consolidated entity for:				
Auditing or reviewing the financial report	150,000	108,000	30,000	22,000
Taxation compliance	15,900	-	15,900	-
	165,900	108,000	45,900	22,000

Note 6 - Dividends

During October 2008 the company paid an unfranked interim dividend of 2.0 cents per share. No final dividend was paid for the year ended 31 December 2008.

During 2008, the company commenced operation of the Dividend Reinvestment Plan and applied the DRP to the interim dividend declared. As per the Purchase and Sale Agreement with MSB International Trading Limited, MSB reinvested 50% of its dividend entitlement in shares under the DRP.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Distributions paid				
Interim unfranked ordinary dividend of 2.0 cents per share (2007: Nil)	-	2,540,407	-	2,540,407

Note 7 - Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share.
Options have an exercise price of $0.50 and $0.65 each. These are not dilutive in 2009 in accordance with AASB123 paragraph 46 as the exercise price is above the average market price for the year.

	Consolidated Group	
	2009	2008
	$	$
Net profit attributed to ordinary equity holders of the parent	2,707,138	591,608
Weighted average number of shares for basic earnings per share	132,552,233	128,217,410
Weighted average number of options assuming issued at average market rate	-	3,974,700
Weighted average number of ordinary shares adjusted for the effect of dilution*	132,552,233	132,192,110
Earnings per Share	2.04 cents	0.46 cents
Diluted Earnings per share	2.04 cents	0.45 cents

* The performance rights issued as part of the acquisition of Meibang International Holding Limited have been excluded from the diluted earnings per share calculation.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Note 8 - Cash and Cash Equivalents				
Cash on hand	9,817	18,873	-	-
Cash at bank	2,917,470	14,674,307	165,527	240,821
Other monetary assets	21,188,832	27,650,500	-	-
	24,116,119	42,343,680	165,527	240,821

The effective interest rate on short term bank deposits and other monetary assets is 1.94% (2008: 3.14%).

Other monetary assets act as security for letters of credit for the purchase of raw materials ($5,842,538), notes payable ($11,174,717) and financial liabilities ($4,171,577).

Note 9 - Current Trade and Other Receivables

	Consolidated Group 2009	Consolidated Group 2008	Parent Entity 2009	Parent Entity 2008
Trade receivables	19,102,609	14,148,485	-	-
Provision for doubtful debts	(841,839)	(1,027,534)	-	-
	18,260,770	13,120,951	-	-
Other receivables				
Interest revenue	94,078	690,382	-	-
Dividend receivable	-	-	-	850,000
Related party receivables	1,411,555	1,264,084	-	392,898
Goods & Services Tax receivable	-	5,478	-	11,013
	19,766,403	15,080,895	-	1,253,911

Related party receivables relate to Hangzhou Zhebang Chemical Fibre Trading Co Ltd of $411,555 and Hangzhou Yibang Spandex Co Ltd of $1,000,000, both director related entities of Mr Zhehao Shen.

Trade receivables past due but not impaired:
Current trade receivables are non-interest bearing. They are generally on 30 day terms, however longer credit terms are given to customers with long relationships. As of 31 December 2009, trade receivables of $9,110,377 were past due but not impaired. These relate to customers in which there is no recent history of default. The ageing analysis of these receivables is as follows:

30-90 days	6,362,866
90-365 days	2,747,511
Total	9,110,377

Impaired trade receivables:
As at 31 December 2008, trade receivables of $849,139 were considered doubtful. These relate to customers which are in long relationships but outstanding balances are outside agreed trading terms. Analysis of doubtful trade receivables is as follows:

90-365 days	-
>365 days	841,839
Total	841,839

Notes to the Financial Statements
For the Financial Year ended 31 December 2009

Note 9 - Trade and Other Receivables (cont)

Movement in the provision for doubtful receivables is as follows:

	Opening Balance 01.01.2009 $	Charge for the year $	Difference on Conversion to AUD $	Closing balance 31.12.2009 $
Consolidated Group				
Doubtful debts	1,027,534	47,375	(233,070)	841,839
Parent Entity				
Doubtful debts	-	-	-	-

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Note 10 - Inventories				
At cost and net realisable value				
Raw materials	15,625,897	8,650,301	-	-
Work in progress	213,733	183,036	-	-
Finished goods	10,639,078	8,681,660	-	-
	26,478,708	17,514,997	-	-
Note 11 - Notes Receivable				
Notes receivable	19,915,998	15,556,416	-	-

Notes receivable are bills received from customers which are then endorsed to accounts payable providers where possible.

Related party notes receivables of $13,144,000 relate to Hangzhou Zhebang Chemical Fibre Trading Co Ltd, a director related entity of Mr Zhehao Shen.

Note 12 - Prepayments

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Prepayments	176,662	1,157,946	27,186	24,721
	176,662	1,157,946	27,186	24,721

Note 13 - Controlled Entities

Interests held in controlled entities are as follows:

Name of Entity	Country of Incorporation	Ownership Interest* 2009 %	Ownership Interest* 2008 %
Parent Entity			
Mesbon China Nylon Limited	Australia	-	-
Subsidiaries of Mesbon China Nylon Limited			
Meibang International Holdings Limited	British Virgin Islands	100%	100%
Zheijang Mesbon Chemical Fiber Limited	People's Republic of China	100%	100%
Mesbon China Nylon (Australia) Pty Ltd	Australia	100%	100%

* Percentage of voting power is proportional to ownership.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 14 - Property Plant and Equipment

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Buildings on leasehold land				
At cost	10,846,657	5,735,187	-	-
Accumulated amortisation	(1,323,439)	(1,070,337)	-	-
Total buildings on leasehold land	**9,523,218**	**4,664,850**	-	-
Leasehold land (Land use rights)				
At cost	3,097,219	2,997,570	-	-
Accumulated depreciation	(385,134)	(461,484)	-	-
Total leasehold land	**2,712,085**	**2,536,086**	-	-
Motor Vehicles				
At cost	425,361	484,653	-	-
Accumulated depreciation	(163,126)	(127,547)	-	-
Total motor vehicles	**262,235**	**357,106**	-	-
Plant and equipment				
At cost	34,645,532	18,864,725	-	-
Accumulated depreciation	(6,878,229)	(5,451,026)	-	-
Total plant and equipment	**27,767,302**	**13,413,698**	-	-
Capital Works in Progress				
At cost	5,750	33,163,794	-	-
Accumulated depreciation	-	-	-	-
Total capital works in progress	**5,750**	**33,163,794**	-	-
TOTAL NET BOOK VALUE OF PROPERTY PLANT & EQUIPMENT	**40,270,591**	**54,135,534**	-	-

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year were:

Leasehold Land (Land Use Rights)				
Opening balance	2,536,086	1,970,444	-	-
Additions	779,569	-	-	-
Currency translation difference	(452,364)	677,551	-	-
Depreciation for the year	(151,206)	(111,909)	-	-
Net book value of leasehold land	**2,712,085**	**2,536,086**	-	-
Buildings on Leasehold Land				
Opening balance	4,664,850	3,640,528	-	-
Additions	-	-	-	-
Transfers from capital works in progress	6,412,346	-	-	-
Currency translation difference	(1,117,070)	1,247,935	-	-
Depreciation for the year	(436,908)	(223,613)		-
Net book value of buildings on leasehold land	**9,523,218**	**4,664,850**	-	-

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Note 14 - Property Plant and Equipment (cont)				
Motor Vehicles				
Opening balance	357,106	107,684	-	-
Additions	50,639	265,625	-	-
Currency translation difference	(77,415)	29,781	-	-
Depreciation for the year	(68,094)	(45,984)	-	-
Net book value of motor vehicles	**262,236**	**357,106**	-	-
Plant & Equipment				
Opening balance	13,413,698	11,487,056	-	-
Additions	109,634	640,398	-	-
Disposals	-	(724,246)	-	-
Transfers	19,950,136	-	-	-
Currency translation difference	(2,699,854)	3,473,801	-	-
Depreciation for the year	(3,006,312)	(1,463,311)	-	-
Net book value of plant & equipment	**27,767,302**	**13,413,698**	-	-
Capital Works in Progress				
Opening balance	33,163,794	1,335,283	-	-
Additions	726,767	31,351,866	-	-
Transfers to buildings on leasehold land	(26,362,481)	-	-	-
Currency translation difference	(7,522,330)	476,645	-	-
Net book value of works in progress	**5,750**	**33,163,794**	-	-
TOTAL NET BOOK VALUE OF PROPERTY, PLANT & EQUIPMENT	**40,270,591**	**54,135,534**	-	-

The Phase 3 facility as detailed in the Prospectus dated 9 November 2007 is now complete and has been transferred to property plant and equipment with depreciation commencing in the year ended 31 December 2009.

Note 15 - Non Current Trade and Other Receivables

Loans to subsidiaries	-	-	4,573,238	17,662,744

Trade and other receivables refers to the proceeds of capital raising by the parent entity previously loaned to a subsidiary company. The loan amount of $14,500,746 has been capitalised during the year ended 31 December 2009

Note 16 - Financial Assets

Investments in subsidiaries	-	-	14,500,746	-
Deemed investment	-	-	19,447,584	19,447,584
	-	-	33,948,330	19,447,584

Demmed investment refer to the acquisition of Meibang International Holdings Limited on 5 November 2007.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 17 - Current Trade and Other Payables

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Trade creditors	16,974,169	1,573,968	18,788	2,763
Other payables	1,301,869	1,713,296	-	-
Related party payables	1,079,451	1,396,125	-	-
Accrued Expenses	626,545	919,218	6,575	30,923
	19,982,034	5,602,607	25,363	33,686

Related party payables relate to Hangzhou Yibang Spandex Co Ltd, a director related entity of Mr Zhehao Shen.

Note 18 - Notes Payable

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Notes Payable	23,002,000	40,375,000	-	-

The notes payable are non-interest bearing and are secured by cash under restriction of $11,174,717.

Note 19 - Financial Liabilities

Term Loans		Currency	Bank	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Term Loan	(a)	Renminbi	CCOB	-	3,187,500	-	-
Term Loan	(f)	Renminbi	CCB	-	15,937,500	-	-
Term Loan	(d)	Renminbi	SPD	-	7,650,000	-	-
Term Loan	(c)	Renminbi	CMB	-	2,125,000	-	-
Term Loan	(e)	Renminbi	ICBC	-	4,250,000	-	-
Term Loan	(h)	Renminbi	CBB	-	4,250,000	-	-
Term Loan	(i)	Renminbi	CEB	-	2,125,000	-	-
Term Loan	(j)	Renminbi	BOC	4,929,000	-	-	-
Term Loan	(k)	Renminbi	BOS	1,643,000	-	-	-
Term Loan	(h)	Renminbi	BB	3,286,000	-	-	-
Term Loan	(g)	Renminbi	CITIC	1,643,000	-	-	-
Term Loan	(f)	Renminbi	CCB	8,215,000	-	-	-
Term Loan	(i)	Renminbi	CEB	1,643,000	-	-	-
Term Loan	(c)	Renminbi	CMB	2,464,500	-	-	-
Term Loan	(e)	Renminbi	ICBC	5,421,900	-	-	-
Term Loan	(a)	Renminbi	RCB	1,779,074	-	-	-
Term Loan	(d)	Renminbi	SPD	9,151,510	-	-	-
Term Loan	(f)	USD	CCB	-	3,631,254	-	-
Term Loan	(g)	USD	CITIC	-	1,510,601	-	-
Term Loan	(e)	USD	ICBC	-	1,254,496	-	-
Term Loan	(a)	USD	CCOB	-	2,677,482	-	-
Term Loan	(b)	USD	GUDB	-	1,997,772	-	-
Term Loan	(j)	USD	BOC	3,159,004	-	-	-
Term Loan	(g)	USD	CITIC	998,467	-	-	-
Term Loan	(e)	USD	ICBC	945,694	-	-	-
Term Loan	(a)	USD	RCB	1,121,873	-	-	-
				46,401,022	50,596,605	-	-

Financial liabilities consist of Term Loans provided by lending authorities. Current loan terms are no longer than 12 months and conclude during 2010.

Loan Provider Banks

Rural Cooperative Bank	RCB
Guangzhou Development Bank	GDB
China Merchant Bank	CMB
Shanghai Pudong Development Bank	SPD
ICBanking Corporation	ICBC
China Construction Bank	CCB
CITIC Bank	CITIC
Country Cooperative Bank	CCOB
Guangdong Development Bank	GUDB
China Bohai Bank	CBB
China Everbright Bank	CEB
Bank of China	BOC
Bank of Shanghai	BOS
Bohai Bank	BB

Notes to the Financial Statements
For the Financial Year ended 31 December 2009

Note 19 - Cont

Loan providers at 31 December 2009 are as follows:

(a) The term loans provided by Rural Corporation Bank are denominated in Chinese Renminbi and US Dollars and are secured by corporate guarantee provided by Zhejiang Yinan Fibre Group Ltd a director related entity.
(b) The term loan provided by Guangzou Development Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Zhejiang Yinan Chemical Fibre Co Ltd.
(c) The term loans provided by China Merchant Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Zhejiang Yinan Fibre Group Ltd a director related entity.
(d) The term loans provided by Shanghai Pudong Development Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Zhejiang Yinan Chemical Fibre Co Ltd a director related entity and existing cash deposits.
(e) The term loans provided by ICBanking Corporation are denominated in Chinese Renminbi or US Dollars and are secured by corporate guarantee provided by Hangzhou Xiaoshan Qianchao Polyamide Fibre Ltd.
(f) The term loans provided by China Construction Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Xingri Steel Plate Ltd.
(g) The term loans provided by China Citic Bank are denominated in Chinese Renminbi and US Dollars and are secured by corporate guarantee provided by Zhejiang Yinan Fibre Group Ltd, a director related entity and Hangzhou Xiaoshan Qianchao Polyamide Fibre Ltd.
(h) The term loans provided by China Bohai Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Hangzhou Yibang Anlun Ltd a director related entity.
(i) The term loans provided by China Everbright Bank are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Hangzhou Shenshi Fibre Ltd.
(j) The term loans provided by Bank of China are denominated in Chinese Renminbi and US Dollars and are secured by corporate guarantee provided by existing cash deposits held with the bank, or Hangzhou Nianheji Manufacturing Ltd or Zhejiang Yinan Fibre Group Ltd a director related entity.
(k) The term loans provided by Bank of Shanghai are denominated in Chinese Renminbi and are secured by corporate guarantee provided by Hangzhou Yibang Anlun Ltd a director related entity.

Notes to the Financial Statements

For the Financial Year ended 31 December 2009

Note 20 - Issued Capital

(a) Share Capital

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
At beginning of the reporting period	28,334,616	27,507,035	37,320,960	37,961,532
25,480,000 unissued performance rights (refer Note 20 (b))	-	-	-	-
8,493,000 unissued performance shares lapsed	-	-	-	(1,468,153)
16,987,000 unissued performance rights lapsed (refer Note 20 (b)	-	-	(2,936,478)	-
Shares issued under Dividend Reinvestment Plan	-	827,581	-	827,581
	28,334,616	28,334,616	34,384,482	37,320,960
	No.	No.	No.	No.
At beginning of the reporting period	132,552,233	127,020,300	132,552,233	127,020,300
Shares issued under Dividend Reinvestment Plan	-	5,531,933	-	5,531,933
	132,552,233	132,552,233	132,552,233	132,552,233

87,020,200 fully paid ordinary shares were issued to Meibang International Holdings Limited (MIH) under the share sale agreement dated 5 November 2007 wherein MIH became a wholly owned subsidiary of Mesbon China Nylon Limited. These shares are free from any encumbrance and were issued with all rights of ordinary shares in the company including dividend and voting rights.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

For the consolidated entity the comparative information is based on Meibang International Holdings Ltd in accordance with AASB 3 "Business Combinations" as the acquisition was a reverse acquisition.

(b) Performance Rights

At beginning of the reporting period	-	-	2,936,478	4,404,631
Performance Rights lapsed during the year	-	-	(2,936,478)	(1,468,153)
	-	-	-	2,936,478
	No.	No.	No.	No.
At beginning of the reporting period	-	-	16,987,000	25,480,000
Performance Rights lapsed during the year	-		(16,987,000)	(8,493,000)
	-	-	-	16,987,000

25,480,000 Performance Rights were issued to the existing shareholders upon the acquisition of Meibang International Holdings Limited. In determining the fair value of the assets and liabilities acquired in Meibang International Holding Limited, an assumption has been made that 25,480,000 Performance Shares will be issued subject to the satisfaction of the Performance Conditions in Section 16.4 of the

16,987,000 Performance Rights lapsed during the year ended 31 December 2009 as a result of the company not achieving the Prospectus net profit after tax forecast.

(c) Share options

Information relating to the Mesbon China Nylon Limited Employee Share Option Plan, including details of options issued, during the financial year and options outstanding at the end of the financial year is set out in Note 26.

Note 21 - Reserves

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Foreign Currency Translation Reserve				
Balance at beginning of financial year	10,591,865	(1,271,839)	-	-
Net exchange difference on translation of foreign controlled entities	(10,672,646)	11,863,704	-	-
Balance at end of financial year	(80,781)	10,591,865	-	-

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Share Option Reserve				
Balance at beginning of financial year	870,393	870,393	870,393	870,393
Issue of options to directors pursuant to the Company's prospectus	-	-	-	-
Balance at end of financial year	870,393	870,393	870,393	870,393

The share option reserve records items recognised as expenses on valuation of employee share options.

Note 22 - Contingent Assets and Contingent Liabilities

At the date of signing this report, the Group is not aware of any contingent assets that should be disclosed in accordance with AASB 137 with exception of the following:

The company has contingent liabilities at 31 December 2009 in the form of guarantee contracts totalling $18,073,000 (RMB 110,000,000) as follows:

- Hangzhou Jiangnan Dihua Ltd — RMB 60,000,000
- Hangzhou Yibang Spandex Co Ltd — RMB 20,000,000
- Hangzhou Yinan Fibre Co Ltd — RMB 30,000,000

The company provides guarantees over bank loans held by the above entities. The guarantee contracts have 12 month terms. Hangzhou Yibang Spandex Co Ltd and Hangzhou Yinan Fibre Co Ltd are director related entities of Mr Zhehao Shen.

Note 23 - Segment Information

Identification of reportable segments

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

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 following operating segments have been noted:

Domestic - represents domestic China sales of premium nylon textile yarn produced in the China operating facility.

Export - represents export sales of premium nylon textile yarn produced in the China operating facility.

Corporate - represents corporate overheads which are unable to be allocated to either of the above segments.

Types of segments - Assets/liabilities by geographic region

China - represents assets and liabilities of the Chinese operating entity used to service domestic and export sales.

Other - represents assets and liabilities held outside of the China operating entity namely Australia and British Virgin Islands.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker 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.

Inter segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

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.

(i) Performance by operating segment

2009	**Domestic**	**Export**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total segment revenue	115,886,256	11,529,612	-	127,415,868
Other revenue	664,369	-	371	664,740
Cost of sales	(106,606,831)	(10,404,803)	-	(117,011,634)
Distribution costs	(710,184)	(70,657)	-	(780,841)
General and administration costs	(3,585,587)	-	(302,227)	(3,887,814)
Finance costs	(3,600,358)	-	-	(3,600,358)
Segment result	**2,047,665**	**1,054,152**	**(301,856)**	**2,799,961**
Income tax expense	-	-	(92,823)	(92,823)
Net profit from continuing operations	**2,047,665**	**1,054,152**	**(394,679)**	**2,707,138**

2008	**Domestic**	**Export**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total segment revenue	92,126,958	10,601,722	-	102,728,680
Other revenue	3,414,081	28,720	-	3,442,801
Cost of sales	(88,599,265)	(10,064,164)	-	(98,663,429)
Distribution costs	(479,299)	(201,395)	-	(680,694)
General and administration costs	(2,532,200)	-	(308,506)	(2,840,706)
Finance costs	(3,298,273)	-	(3,948)	(3,302,221)
Segment result	**632,002**	**364,883**	**(312,454)**	**684,431**
Income tax expense	-	-	(92,823)	(92,823)
Net profit from continuing operations	**632,002**	**364,883**	**(405,277)**	**591,608**

(ii) Assets/liabilities by geographic region

2009	**China**	**Other**	**Total**
	$	**$**	**$**
Segment assets	129,454,881	1,953,819	131,408,700
Segment liabilities	89,359,693	25,363	89,385,056

2008	**China**	**Other**	**Total**
	$	**$**	**$**
Segment assets	144,432,869	2,130,495	146,563,364
Segment liabilities	96,540,526	33,686	96,574,212

Additions to property, plant and equipment in 2009 and 2008 relate to the China geographic segment.

(iii) Major customers

The Group has a number of customers to which it provides both products and services. The Group supplies one single external customer in the manufacturing segment which accounts for 11.33% of external revenue. The next most significant client accounts for 6.8% of external revenue.

Note 24 - Retained Earnings

	Consolidated Group		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Balance at beginning of the financial year	10,192,278	12,141,077	776,034	(716,701)
Dividends paid	-	(2,540,407)	-	(2,540,406)
Net profit attributable to members of the parent entity	2,707,138	591,608	2,936,478	4,033,141
Balance at end of the financial year	12,899,416	10,192,278	3,712,512	776,034

Note 25 - Cash Flow Information

Reconciliation of Net Profit after Tax to Net Cash Flows from Operations

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Net profit from continuing operations	**2,707,138**	**591,608**	**2,936,478**	**4,033,141**
Non cash flows in profit				
Depreciation	3,662,520	1,844,818	-	-
Net exchange differences	(3,055,324)	600,496	-	-
Performance rights lapsed	-	-	(2,936,478)	(1,468,153)
Changes in assets and liabilities				
(increase)/decrease in inventories	(8,963,711)	(4,248,787)	-	-
(increase)/decrease in trade and other receivables	(4,685,509)	(6,621,800)	(507,329)	(1,154,246)
(increase)/decrease in notes receivable	(4,359,582)	(10,062,826)	-	-
(increase)/decrease in other current assets	1,383,888	226,890	(2,465)	-
(increase)/decrease in current tax assets	(405,750)	(402,604)	-	-
(increase)/decrease in deferred tax assets	92,823	92,823	92,823	92,823
(decrease)/increase in trade and other payables	14,379,428	(4,819,321)	(8,323)	(157,593)
(decrease)/increase in notes payables	(17,373,000)	36,084,160	-	-
(decrease)/increase in tax liabilities	-	-	-	-
Net cash from operating activities	**(16,617,079)**	**13,285,457**	**(425,294)**	**1,345,972**

Note 26 - Share Based Payments

EMPLOYEE SHARE OPTION PLAN

The Company has established an Employee Share Option Plan (Plan) with the following key features:

(a) Eligibility
The Board may issue Options under the Plan to any officer or employee of the Company and any subsidiary (Eligible Employee).
(b) General Terms of the Options
Options will be issued free of charge. Each Option is to subscribe for one Share and, when issued, the Share will rank equally with other Shares. The Options are not transferable. Quotation of the Options on the ASX will not be sought but the Company will apply to the ASX for official quotation of Shares issued on the exercise of Options. Options may be granted subject to conditions specified by the Board, which must be satisfied, before the Option can be exercised.

Note 26 - Share Based Payments (Cont)

EMPLOYEE SHARE OPTION PLAN

(c) Exercise of Options
Subject to satisfaction of the Conditions of Exercise of Options, Options may be exercised at any time within 5 years of the date of grant, provided however that the number of Options the Eligible Employee may exercise during any period of 12 consecutive months shall not exceed that number of Options that equals one third of the total number of Options issued to the Eligible Employee under the Plan (whether or not exercised prior to the time of calculation). Options lapse upon termination of the Eligible Employee's employment by the Company and, unless the terms of the offer of the Option specify otherwise, each Option lapses 5 years after the date upon which it was granted.
(d) Exercise Price
The exercise price per Share for an option will be the amount determined by the Board at the time of the grant of the Option.
(e) New Issue of Securities
Option holders will not be entitled to participate in any new issue of securities in the Company unless they exercise their Options prior to the record date for the determination of entitlements to the new issue.
(f) Bonus Issues
If the Company makes a bonus issue of securities to ordinary shareholders, each unexercised Option will, on exercise, entitle its holder to receive the bonus securities as if the Option had been exercised before the record date for the bonus issue.
(g) Rights Issues
If the Company makes a pro-rata rights issue of Shares for cash to its ordinary shareholders, the exercise price of the unexercised Options will be adjusted to reflect the diluting effect of the issue.
(h) Capital Reorganisations
If there is any reorganisation of the capital of the Company, the number of Options and their exercise price will be adjusted in accordance with the Listings Rules.
(i) Limit on Number of Options
The maximum number of Options on issue under the Plan must not at any time exceed 5% of the total number of Shares on issue at that time.

OPTIONS ISSUED PURSUANT TO THE PROSPECTUS

On 2 November 2007, options were granted in the company on the successful completion of the Mesbon China Nylon Limited initial public offering.

The number of options and the terms of those options on issue are:

(a) 1,500,000 'A' Class options exerciseable by 31 December 2010 at $0.50 each, shared equally by Yanfu Jiang, Paul Teisseire and Fai-Peng Chen. The fair value of these options is $322,900.

(a) 600,000 'B' Class options exerciseable by 31 December 2012 at $0.65 each, shared equally by Yanfu Jiang, Paul Teisseire and Fai-Peng Chen. The fair value of these options is $143,932.

Note 26 - Share Based Payments (cont)

OPTIONS ISSUED PURSUANT TO THE PROSPECTUS (Cont)

The fair value of the share options listed above were calculated using the Black-Scholes methodology and the following assumptions:

	'A' Class Options	'B' Class Options
Share Price ($)	0.50	0.50
Exercise Price	0.50	0.65
Expected Volatility*	55%	55%
Option Life (years)	3	5
Risk Free Interest Rate	6.40%	6.40%

*Volatility has been based on the average volatility of manufacturing companies listed on the Australian Securities Exchange with a market capitalisation of less than $90 million.

OPTIONS ISSUED DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

No options were issued during the financial year ended 31 December 2009.

Note 27 - Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely in the opinion of directors to affect significantly the operations, results of those operations, or the state of affairs of Mesbon China Nylon Limited and its controlled entities, in future financial years.