

## Appendix 4E

### Preliminary Final Report

Name of entity: **NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD**

#### 1. Details of the reporting period

**Current Period: 1 January 2011 – 31 December 2011**  
**Previous Corresponding Period: 1 January 2010 – 31 December 2010**

#### 2. Results for announcement to the market

	\$A'000		
2.1			
Revenue from continuing operations	Up	9.98% to	\$ 82,072
Other income	Up	33.75% to	\$ 893
Total revenue and other income from ordinary activities	Up	10.19% to	\$ 82,965
2.2			
Profit from ordinary activities after tax attributable to Members	Up	12.06% to	\$ 17,053
2.3			
Profit for the period attributable to members	Up	12.06% to	\$ 17,053

2.4 Dividends / Distributions	Amount per security	Franked amount per security
<i>Current Period:</i>		
Final distribution for the year ended 31 December	0	Nil
Interim distribution for the period ended 30 June	0	Nil
<i>Previous Corresponding Period:</i>		
Final distribution for the year ended 31 December	1cent	Nil
Interim distribution for the period ended 30 June	0	Nil
2.5 Record date for determining entitlements to dividends	Nil	

### 3. Consolidated Statement of Comprehensive Income

	<b>12 Months Ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Revenue	82,071,659	74,627,039
Cost of sales	(56,193,283)	(51,349,404)
<b>Gross profit</b>	<b>25,878,376</b>	<b>23,277,635</b>
Other income	893,277	667,883
Distribution expenses	(314,763)	(247,101)
Marketing expenses	(499,887)	(181,743)
Administration expenses	(3,271,056)	(3,458,352)
Occupancy expenses	(144,786)	(104,250)
Finance costs	(2,540,298)	(1,045,075)
Other expenses	(57,570)	(1,090,795)
<b>Profit before income tax expense</b>	<b>19,943,293</b>	<b>17,818,202</b>
Income tax expense	(2,890,559)	(2,600,639)
<b>Profit after income tax expense</b>	<b>17,052,734</b>	<b>15,217,563</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences	2,400,077	(4,255,808)
<b>Total Other comprehensive income for the 12 months, net of tax</b>	<b>2,400,077</b>	<b>(4,255,808)</b>
<b>Total comprehensive income for the 12 months</b>	<b>19,452,811</b>	<b>10,961,755</b>
<b>Profit for the 12 months is attributable to:</b>		
Equity holders of Novarise Renewable Resources International Limited	17,052,734	15,217,563
	17,052,734	15,217,563

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**Total comprehensive income for the 12 months****is attributable to:**

Equity holders of Novarise Renewable

Resources International Limited	19,452,811	10,961,755
	<u>19,452,811</u>	<u>10,961,755</u>

Basic Earnings per Share	4.11 Cents	4.14 Cents
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Diluted Earnings per Share	4.11 Cents	4.14 Cents
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#### 4. Consolidated Statement of Financial Position

	As at 31 December	As at 31 December
	2011	2010
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	7,067,316	6,532,233
Term Deposits With Maturity over three months	62,824,805	50,968,916
Trade and other receivables	75,305,556	6,594,665
Inventories	5,487,091	5,855,258
Other assets	6,439,960	9,660,857
<b>TOTAL CURRENT ASSETS</b>	<b>157,124,728</b>	<b>79,611,929</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	47,185,487	15,860,331
Leasehold land use rights, net	7,103,520	4,456,858
Deferred tax assets	150,105	36,256
Long-term prepayment for PPE	8,013,746	4,872,321
<b>TOTAL NON-CURRENT ASSETS</b>	<b>62,452,858</b>	<b>25,225,766</b>
<b>TOTAL ASSETS</b>	<b>219,577,586</b>	<b>104,837,695</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	15,352,159	9,455,690
Borrowings	112,468,410	37,293,995
Current tax liabilities	2,279,606	1,957,176
Other liabilities	2,604,861	3,769,204
<b>TOTAL CURRENT LIABILITIES</b>	<b>132,705,036</b>	<b>52,476,065</b>

**NON-CURRENT LIABILITIES**

Borrowings	14,637,250	-
Deferred tax liabilities	420,859	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>15,058,109</b>	<b>-</b>

<b>TOTAL LIABILITIES</b>	<b>147,763,145</b>	<b>52,476,065</b>
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<b>NET ASSETS</b>	<b>71,814,441</b>	<b>52,361,630</b>
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**EQUITY**

Contributed equity	32,066,227	32,066,227
Reserves	6,025,754	960,054
Retained earnings	33,722,460	19,335,349
<b>TOTAL EQUITY</b>	<b>71,814,441</b>	<b>52,361,630</b>

## 5. Consolidated Statement of Cash Flows

	12 Months ended	
	31 December	31 December
	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	87,936,474	86,806,597
Payments to suppliers and employees	(66,636,175)	(76,240,846)
Receipts of subsidy income for successful IPO	-	532,158
Interest received	888,708	365,553
Interest paid	(426,008)	(790,691)
Income tax paid	(2,346,994)	(759,707)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>19,416,005</b>	<b>9,913,064</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	(28,547,104)	(7,786,015)
Proceeds from property, plant & equipment	-	60,801
Increase in term deposits with maturity over three months	(9,719,217)	(34,807,901)
Payment for capitalised interest	(999,685)	(243,660)
Payments for land use rights	(2,554,392)	(4,595,910)
Loans to third party	(61,073,327)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(102,893,725)</b>	<b>(47,372,685)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from shareholders, net of costs	-	22,407,952
Proceeds from borrowings	124,230,426	68,524,227
Repayment of borrowings	(84,322,320)	(54,286,358)

## Appendix 4E

Loans from third party	40,378,051	5,018,044
Repayment to shareholders' equity contribution	-	-
Dividend distribution	-	(1,240,754)
Loans from related parties	3,481,633	1,117,464
Realised foreign exchange losses for funds transfer	-	(1,183,531)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>83,767,790</b>	<b>40,357,044</b>
<b>NET INCREASE IN CASH HELD</b>	<b>290,070</b>	<b>2,897,423</b>
Effects of exchange rate changes on the balance of cash held in foreign currency	245,013	(601,667)
Cash and cash equivalents at beginning of the year	6,532,233	4,236,477
<b>CASH AT END OF YEAR</b>	<b>7,067,316</b>	<b>6,532,233</b>

## 6. Consolidated Statement of Changes in Equity

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2010</b>	<b>7,314,758</b>	<b>10,924,855</b>	<b>3,678,544</b>	<b>(1,277,202)</b>	<b>20,640,955</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	15,217,563	-	-	15,217,563
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(4,255,808)	(4,255,808)
<b>Total comprehensive income for the 12 months</b>	<b>-</b>	<b>15,217,563</b>	<b>-</b>	<b>(4,255,808)</b>	<b>10,961,755</b>
<b>Transaction with owners in their capacity as owners</b>					
Contributions of equity, net of transaction costs	21,906,960	-	-	-	21,906,960
Dividends reinvested by shareholders	2,844,509	-	-	-	2,844,509
Appropriation to surplus reserve	-	(2,814,520)	2,814,520	-	-
Dividends paid	-	(3,992,549)	-	-	(3,992,549)
	<b>24,751,469</b>	<b>(6,807,069)</b>	<b>2,814,520</b>	<b>-</b>	<b>20,758,920</b>
<b>At 31st December 2010</b>	<b>32,066,227</b>	<b>19,335,349</b>	<b>6,493,064</b>	<b>(5,533,010)</b>	<b>52,361,630</b>
<b>Total comprehensive income for the year</b>					
Profit for the year	-	17,052,734	-	-	17,052,734
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	2,400,077	2,400,077
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>17,052,734</b>	<b>-</b>	<b>2,400,077</b>	<b>19,452,811</b>



**Transaction with owners in their capacity as owners**

Appropriation to surplus reserve	-	(2,665,623)	2,665,623	-	-
		<b>(2,665,623)</b>	<b>2,665,623</b>	-	-
<b>At 31st December 2011</b>	<b>32,066,227</b>	<b>33,722,460</b>	<b>9,158,687</b>	<b>(3,132,933)</b>	<b>71,814,441</b>

**7. Details of dividends/distributions**

No dividend was paid or proposed for the financial year ended 31 December 2011.

**8. Details of dividend/distribution reinvestment plan**

No dividend/distribution reinvestment plan for the financial year ended 31 December 2011.

**9. Net tangible assets per security**

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (excluding minority interest)*	\$0.17	\$0.12

\* Calculated net of goodwill and other intangibles.

**10. Control gained or lost over entities during the year**

10.1 Name of entity (or group of entities) over which control was gained or lost	N/A
10.2 Date control was gained or lost	N/A

10.3 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

## 11. Details of associates and joint venture entities

11.1 Name of the entity.	N/A
11.2 The date of the gain or loss of control.	N/A
11.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.	N/A

## 12. Other significant information

Refer to commentary on results below.

## 13. Accounting standards used by foreign entities

All consolidated foreign entities have prepared financial information under International Financial Reporting Standards which are consistent with Australian Accounting Standards.

## 14. Commentary on results

Revenue during the reporting period grew by 9.98% compared to previous corresponding period. NPAT rose from \$15,217,563 in FY 2010 to \$17,052,734 in FY 2011.

Revenue grew significantly during the period due to the increase of new buyers and the sales volume of regenerated fibre granules. Manufacturing and process improvements which increased productivity and efficiency also contributed to the unit cost reduction and improved overall gross profit margins.

Sales in recycled PP yarn and PP webbing products grew due to growing market acceptance of Novarise's products and quality. Overall demand for PP yarn expanded in China and internationally in 2011 driven by the global economic recovery. Sale prices of PP yarn and webbing products were maintained and grew as the result of this strong demand. Consistent with its intent to be a profitable, integrated manufacturer the Company began to develop finished products such as notebook bags, shopping bags, hotel slippers and work clothing.

Procurement of post-consumer PP products grew by volume and expanded geographically as the company's demand for PP waste and feedstock increased in 2011. The supply and procurement costs for PP waste and feedstock remained stable during the time.

During 2011, Novarise was issued a patent of invention certificate in relation to producing PP fibre by using waste polypropylene as well as a utility model patent in relation to a rinser of cleaning waste polypropylene plastics. The company was also awarded as the national manufacturing and R&D base for polypropylene renewable products.

The Nan'an Facility which was expected to be put into trial production in November 2011 has been delayed due to two main reasons: one is that Nan'an factory is located in mountainous area where the rainy season is relatively long, for which the Group did not take into account; the other one is that construction units changed their management teams frequently. Therefore, it's prospected that the trial production of Nan'an facility would be delayed to June 2012.

During 2011, the Company borrowed additional funds totalling A\$46,410,000. These funds were partly used to fund the development of the Nan'an project. In addition, the Company took advantage of a short term opportunity to arbitrage interest rates and lend a total of A\$43,989,345 to a company based in Xiamen called Leiqliang Company. The terms of this loan agreement were favourable to the Company and the funds will be repaid in full in the third quarter of 2012. The Company carefully assessed the risk of default on this unsecured loan and believed that it was in the best interest of the Company to take advantage of this opportunity.

## 15. Outlook

The Company anticipates that its sales and revenue for 2012 will grow by increasing the sales volume, particularly of regenerated fibre granules and new products like computer bags. The company also expects to expand its domestic and international sales to more regions, countries and buyers.

Demand and market acceptance of Novarise's recycled products are expected to grow in China and internationally as governments and consumer behaviours encourage the wider use of Green PP products such as green shopping bags.

Gross margins of Novarise's products are expected to improve with the introduction of new production from the Nan'an facility in the third quarter of 2012. This will include new finished products with higher margins and the lowering of costs through manufacturing and process improvements.

Continuous R&D investments in the manufacturing and industrial process underpin Novarise's ongoing intent to become the industry leader in PP recycling. The company will continue to invest in R&D in its manufacturing and industrial process, quality improvement and new product development.

The company has established an international office in Xiamen to oversee its international operations and pursue its international objectives. These international objectives include expanding its international sales and procurement of post-consumer feedstock. The company will also work to develop, grow and enhance its corporate brand and profile as an emerging international recycler and manufacturer of PP yarn.

With the growth and expansion of its business, the company will need to raise more capital to fund its growth. The company is looking at raising more capital through options such as private placements.

The company wishes to highlight the following factors that might adversely and materially affect its outlook for 2012:

- -- Core inflation pressures and further tightening of China's monetary and macro-economic policies that may impact demand for and sales of Novarise's products and thereby erode profit margins; and
- --The continued rise of the RMB will invariably affect the profit margins of international sales denominated in USD as not all of the rise of RMB can be passed to all international buyers; and
- --The global economic recovery remains erratic and volatile and may be interrupted by "shock" factors such as sudden and rapid rise of the price of crude oil due to, for example, political unrest in the Europe and Middle East.

**16. Audit / review of accounts upon which this report is based**

This report is based on accounts to which one of the following applies (tick one)

The accounts have been audited. (refer attached financial statements)

The accounts have been subject to review. (refer attached financial statements)



The accounts are in the process of being audited or subject to review.

The accounts have not yet been audited or reviewed.

**17. Accounts not yet audited or reviewed**

N/A

**18. Qualification of audit / review**

No