

**NOVARISE RENEWABLE RESOURCES
INTERNATIONAL LTD
ABN – 48 138 537 596**

**FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2010**

Directors' Report

Your Directors present their Report on the consolidated entity (hereinafter referred to as the Group) consisting of Novarise Renewable Resources International Ltd and its controlled entities for the year ended 31 December 2010.

Directors:

The following persons were directors of the Group during the whole of the financial year and up to the date of this Report, unless otherwise stated:

Director:		Appointed	Resigned
Mr. Qingyue Su	Chairman and Managing Director	6 Aug 2009	
Mr. Xiaobin Zhuang	Executive Director	9 Dec 2009	
Mr. Chung Yi So	Non-Executive Director	9 Dec 2009	
Mr. Liandong Tu	Non-Executive Director	9 Dec 2009	
Mr. John O'Brien	Non-Executive Director	9 Dec 2009	
Mr. Fai Peng Chen	Non-Executive Director	6 Aug 2009	
Mr. Phillip Fook Weng AU	Non-Executive Director	27 January 2010	28 January 2011
Mr. Chenzhang Li	Non-Executive Director	27 January 2010	31 January 2011

Company Secretary:

The following persons were Company Secretary of the Group during the whole of the financial year and up to the date of this Report, unless otherwise stated:

Company Secretary:		Appointed	Resigned
Mr. Fai Peng Chen		6 Aug 2009	01 Dec 2010
Mr. Xiaobin Zhuang	Joint Company Secretary	18 January 2010	
Ms Winnie Chen	Joint Company Secretary	1 Dec 2010	

Information on Directors

Mr. Qingyue Su – Chairman and Managing Director

Mr. Su is the Chairman and Managing Director of Novarise. He has more than 20 years' experience in the polypropylene fibre industry.

Prior to founding the Company in 1998, Mr. Su occupied positions as general manager for a number of companies in China which produce PP filament yarn and related products.

Under his leadership, the Company has successfully developed the technology to process post-consumer PP waste material to produce fibre-grade recycled polypropylene pellets, which have won a number of awards for technological innovation.

Mr. Su's experience and achievements in the polypropylene filament yarn industry are widely recognised. He has led the Company to become a member of the China Chemical Fibres Association, and the Polypropylene Committee of the China Chemical Fibres Association, and was involved in establishment of the industry standard for polypropylene filament yarn.

Mr. Su is also a member of the China Chemical Fibres Association, an honorary member of the China Association of Environmental Protection Industry, and a director of the China Resource Recycling Association, the Quanzhou Bags Association, the Quanzhou Youth Chamber of Commerce, and the Quanzhou Economy and Development Zone Commerce Union.

Mr. Su is a resident of China and does not hold directorship of any other listed companies.

Interest in Shares and Options: Ordinary shares of 268,269,444 shares.

Mr. Xiaobin Zhuang – Executive Director

Mr. Zhuang is an executive director and is the joint Company Secretary of Novarise. He is also the Chief Financial Officer of the Company and has more than 10 years' experience in accounting and financial management.

Mr. Zhuang has acted as the Chief Financial Officer of the Company since 2003, and is in charge of the Group's financial management and planning.

Before joining the Sanhong Group in 2003, Mr. Zhuang was the financial manager for the Quanzhou Branch of Jitong Communications Co. Ltd, a large state owned communication Company in China, where he was involved in corporate finance and mergers and acquisitions projects. Prior to his appointment to Executive Director of Novarise Renewable Resources International Ltd, he was an account manager with Tianyu Futures Investment Co., Ltd. Mr. Zhuang graduated from Xiamen University in Fujian Province, China with a degree in accounting. In 2007 he undertook further study in relation to senior financial management and chief financial officer roles with the Sino-British University of Cambridge. He is currently undertaking an MBA course at the Huaqiao University in Quanzhou, Fujian Province.

Mr. Zhuang is a resident of China and does not hold directorship of any other listed companies.

Interest in Shares and Options: Nil

Mr. Chung Yi So – Non-Executive Director

Mr. So is a non-executive director of the Company.

Mr. So co-founded the Company in 1998 with Mr. Qingyue Su, first with the establishment of Quanzhou Sanhong in 1998, and then with the establishment of Fujian Sanhong in 2006.

Prior to co-founding the Company, between 1982 and 1988 Mr. So managed a trading company in Hong Kong, which was involved in the business of importing and exporting polypropylene products. Between 1988 and 1998, Mr. Su managed Hongli Weaving Co. Ltd in mainland China, which manufactured and sold polypropylene yarn.

Mr. So has been involved in the management and administration of the Company including in the expansion of the Company's export business.

Mr. So is a resident of Hong Kong and does not hold directorship of any other listed companies

Interest in Shares and Options: Ordinary shares 31,561,111 shares.

Mr. John O'Brien – Non-Executive Director

Mr. O'Brien is a Non-Executive Director of Novarise. He has had over 10 years of experience in the green technology sector, and is the founder and Managing Director of Australian Clean Technology Consulting Pty Ltd. He has advised numerous organisations with respect to clean technology investments.

Prior to joining the Australian energy industry, Mr. O'Brien held oil and gas and consulting engineering roles in the UK, Canada and the Middle East. Mr. O'Brien previously worked for Origin Energy Limited on growth, strategy and mergers and acquisitions projects, which focused on reviewing clean energy and water industry opportunities. He was also the founding secretary of that company's Operational Risk Committee.

Mr. O'Brien is also on the board of two unlisted clean technology start-up companies, is an adjunct lecturer on the MBA course at the University of Adelaide and is a member of the South Australian Premier's Climate Change Council. He is a Chartered Engineer with the Institute of Engineers of Australia and is a member of both the Australian Water Association and the Responsible Investment Association of Australasia. Mr. O'Brien has engineering degrees from the University of Oxford in England, and Trinity College in Ireland, and an MBA from the University of Adelaide.

Mr. O'Brien is a resident of Australia and does not hold directorship of any other listed companies.

Interest in Shares and Options: Nil

Mr. Liandong Tu – Non-Executive Director

Mr. Tu is a Non-Executive Director of Novarise. He is the Chief Financial Officer of Power Capital Corp. Ltd, and, from 2005 to 2008, he was a non-executive director of Shanghai Prosolar Real Estate Co., Ltd, listed on the Shanghai Stock Exchange. He was previously the Principal Clerk of the China Securities Regulatory Commission. Mr. Tu is a registered Certified Public Accountant.

Mr. Tu graduated from Fuzhou University in Fujian Province, China, with a Bachelor of Science and from Xiamen University with a Master of Science (Physical Chemistry). He has also been accredited as a qualified independent director (public company) by the Shenzhen Stock Exchange, and he is a qualified lawyer and an accredited valuer.

Mr. Tu has experience in corporate advisory and corporate finance work, and has acted as the corporate advisor for a number of companies which have listed in China and overseas.

Mr. Tu is a resident of China and does not hold directorship of any other listed companies.

Interest in Shares and Options: Nil

Mr. Fai Peng Chen – Non-Executive Director

Mr. Chen is a Non-Executive Director and was also until recently joint Company Secretary of Novarise. He is a partner at Minter Ellison Lawyers and a director of ASX listed companies TWT Group Ltd, and Mesbon China Nylon Limited.

Mr. Chen graduated with a Bachelor of Laws from the University of Adelaide and an MBA (International Management) from RMIT University Melbourne.

Interest in Shares and Options: Nil

Mr. Phillip Fook Weng Au - Non-Executive Director

Phillip Fook Weng Au resigned as a Non-executive Director on 28 January 2011.

Interest in Shares and Options: Nil

Mr. Chenzhang Li - Non-Executive Director

Mr. Chenzhang Li resigned as a Non-executive Director on 31 January 2011.

Interest in Shares and Options: Nil

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Ms Winnie Huei Chi Chen - Company Secretary

Ms Chen was appointed Company Secretary in December 2010. She is franchise owner of the Cabot Square accounting franchise in the Sydney CBD since 2004 and is active particularly in Sydney's Chinese business community. Ms Chen has also been working with the Institute of Bi-Lingual Business Training since 2004 in delivering a range of vocational training modules (including Accounting, Book Keeping & Taxation, etc.) to many hundreds of Chinese ESL small business owner clients.

Ms Chen previously worked as associate or adviser to several large manufacturing businesses in Australia and in Hong Kong.

Ms Chen was awarded a Bachelor of Business Degree from Northern Territory University in 1995 and a MBA (International Management) also from Northern Territory University in 1997. Ms Chen is licenced as a Financial Planner and is a Justice of the Peace in NSW.

Ms Chen is a resident of Australia.

Interest in Shares and Options: Nil

PRINCIPAL ACTIVITIES:

The Group combines scientific research, production and operation as a Chinese-foreign joint venture new high-tech enterprise. The principal activities of the Group are the use of technology to process polypropylene (PP) waste material into fibre-grade PP pellets. The re-cycled PP pellets are used to produce polypropylene filament yarns, PP consumer webbing products and agricultural twine. Novarise utilises up to 100 per cent of re-cycled PP waste materials to produce PP filament yarn and other products. Our Group is the only enterprise recycling polypropylene (PP) waste material to produce fibre-grade recycled PP pellets, and is also the largest manufacturer of the resultant polypropylene filament yarn which is supplied to industries in China and internationally.

The company utilises recycling technology and is focussed on further broadening the application of its technology from the consumer area to requirements in the agricultural, industrial and construction industries.

The company has been able to harness its technology and know-how, to develop what it believes to represent a distinct competitive advantage by recycling PP waste to produce quality PP fibre-based products at lower production costs than if virgin PP pellets were to be used.

There were no significant changes in the nature of the Group's activities that occurred during the reporting year.

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Dividends:

On 26 November 2010, the Group announced an unfranked dividend of \$0.01 per share, payable on 13 December 2010.

- Total Dividend declared = A\$3,992,549
- Total Dividend paid by Cash = A\$1,148,040
- Total Dividend Reinvestment Plan: A\$2,844,509

Review of Operations:

The following provides a summary of the activities of the Group during the course of the financial year under review:

In accordance with a resolution of the Directors dated 1 December 2010, the Australian Securities & Investments Commission was advised that the Company's registered office was transferred to Suite 5 Level 1 325 Pitt Street Sydney NSW 2000.

Mr. Fai Peng Chen resigned as Company Secretary on 1 December 2010 and the Company's registered office and principal place of business were relocated to Sydney at that time.

Completion of main operational targets in 2010:

Items	2010(AUD\$000)	2009(AUD\$000)	2010(RMB\$000)	2009(RMB\$000)
Revenue including interest income	74,627 ¹	63,363 ²	462,774	337,363
NPAT	15,217	13,314	94,367	70,888

1. Results as announced to the market

	\$A'000			
Revenue from continuing operations	Up	17.78 %	to	\$ 74,627
Other income	Up	315.98 %	to	\$ 668
Total revenue and other income from ordinary activities	Up	18.53 %	to	\$ 75,295
Profit from ordinary activities after tax attributable to Members	Up	14.29 %	to	\$ 15,217
Total comprehensive income for the period attributable to members	Up	62.06 %	to	\$ 10,962

¹ Interest revenue – 2010 \$553,927.00 AUD

² Interest revenue – 2009 \$685,505.00 AUD

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2. Commentary on results

The company achieved a significant milestone when it became a listed company on 29 April, 2010 and after it raised approximately \$25 million from its initial public offering.

The growth achieved is better than forecast in the prospectus. The strength of the Australian Dollar has meant that growth in Australian Dollar terms does not fully reflect the growth of the actual underlying business

Revenue during the reporting period grew by 17.78% compared to previous corresponding period. NPAT rose from \$13,314,286 in FY 2009 to \$15,217,563 in FY 2010. The management forecast for NPAT contained in Section 9.3(b) of its Prospectus dated 4 February 2010 was RMB 86,997,000. The actual NPAT for FY2010 was RMB 94,366,632, 8.47% above the prospectus forecast.

Revenue grew significantly during the period due to the reduction in unit costs achieved through economies of scale, strong demand and growing sales from domestic and international buyers. Manufacturing and process improvements which increased productivity and efficiency also contributed to 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 2010 driven by the global economic recovery. Sale prices of PP yarn and webbing products maintained and grew as a result of this strong demand. Consistent with its intent to be an integrated manufacturer and to improve its profitability, the Group began to develop finished products such as notebook bags, shopping bags, hotel slippers and work clothing. These products are expected to be launched for sale by second or third quarter in 2011.

Procurement of post consumer PP products grew in volume and expanded geographically as the Group's demand for PP waste and feedstock increased in 2010. The supply and procurement costs for PP waste and feedstock remained stable during the time.

During 2010, Novarise was granted four industrial patents. Novarise is the first and only PP recycling manufacturer awarded the certification from the Chinese Ministry of Environment Protection that comply with technical requirements for environmental labelling for PP filament yarn, PP consumer webbing and green bags.

The Group paid its maiden dividend on 13 December 2010 as part of its undertaking to provide sustainable returns to its investors. Overall, the financial year just ended has been a monumental year in the history of Novarise and one which the management and the board are confident has laid a strong foundation in the growth and life of Novarise.

3. Main operating business:

Novarise's main operating business is the production of polypropylene yarn, the manufacture of its finished products using this yarn, and the clearing & reuse of waste plastic as raw material inputs.

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4. Business by Region:

Region	Sales Revenue AUD\$000	Rate (%)	Sales ratio at home and abroad in 2009
China	62,814	85	84
Overseas	11,259	15	16
Total	74,073		

From the above data we can see the Group's main sales region is in China. Many of these (Chinese) domestic customers, however, have points of sale overseas. They are the suppliers of components and completed products for many global brands including HP, IBM, LENOVO, DELL, TOSHIBA, ACER, BENQ and ASUS. Those relevant and substantial quantities of indirect exports are not included in the above Novarise export statistics.

5. Major suppliers and customers:

The value of purchases from our top five major suppliers represents 37.60 % of our total purchases. The value of sales to our top five major customers represents 18.16 % of our total sales.

In order to reduce our material costs and procure materials with economy of scale, we focus our efforts on those areas where our major suppliers are located or are concentrated.

6. Significant expenditure:

Items	Currency	(AUD\$000) amount
Machinery & Equipment	AUD\$	2,834
Factory Building	AUD\$	4,743
Land use right	AUD\$	4,596
Total		12,173

7. Business Update:

For the year ended 31 December 2010, the Company can report that:

(1) Novarise continues to research different production processes for PP waste and continues to look for additional sources and treatment methods. To date there are more than 30 kinds of PP waste which can be productively used.

(2) As part of the ongoing process of improving the existing manufacturing technology, in June, 2010 the Group obtained 3 patents over new technology, including plastic granulator cooling tank arrangements, a pellet filling device and granulator template.

(3) With its green business philosophy, & proven fibre-grade recycled PP technology, Novarise has successfully developed 100% recyclable PP woven cloth and various new products, such as a range of bags & cases, garments & shoes, daily necessities and outdoor applications. All of these are 100% recyclable. Some new products are expected to be fully launched for sale by the second quarter of 2011. Those products are expected to provide additional profit streams for Novarise.

Significant changes in the State of Affairs:

Significant changes in the states of affairs of the Group for the financial year were as follows:-

- (a) Increase in contributed equity of \$2,844,509, resulting from issue of 15,802,829 shares as a result of issue of shares under the Dividend Reinvestment Plan.
- (b) Increase in contributed equity of \$25,063,727, resulting from issue of 100,254,908 shares as a result of issue of shares from the IPO.
- (c) Borrowings were increased by \$ 10,759,390 to finance development of further production facilities.

Significant changes in the nature of activities:

Other than as otherwise disclosed in this Report, there were no other changes in the nature of activities that occurred during the course of the financial year under review.

Matters subsequent to the end of the financial year:

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs, in subsequent financial years other than as disclosed in Note 31 in the accompanying financial report.

Likely developments and expected results of operations:

1. Outlook

The Group anticipates that its sales and revenue for 2011 will grow due to increased sales, higher sale price and the gradual introduction of finished products. The Group 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.

Following its IPO, Novarise commenced the construction for its new facilities at Nan'an in the third quarter of 2010. The development of the new production facilities, which have adopted the integrated, advanced and 'green' manufacturing processes, is being divided into three stages. Stage 1 of the development is anticipated to be completed in the third quarter of 2011 and will have a production capacity of 75,000 tonnes of PP yarn per annum. Following the ultimate completion of Stages 2 and 3, the Nan'an facility is anticipated to have an annual production capacity of 140,000 tonnes per annum. The proposed timing of completion of Stages 2 and 3 will be decided by the Board dependent on product demand forecasts.

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Gross margins of Novarise's products are expected to improve with the introduction of new production from the Nan'an facility. 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 Group established an international office in Xiamen city to oversee its international operations and pursue its international objectives. The international objectives include expanding its international sales and procurement of post consumer feedstock. The Group 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 Group will need to raise more capital to fund its growth. The Group is currently undertaking a technical feasibility study to raise additional capital via the Taiwan Depository Receipts. The Group is also looking at raising more capital through options such as private placements.

The Group wishes to highlight the following factors that might adversely and materially affect its outlook for 2011:

- 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;
- 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 Middle East.

2. Operating Plans and Objectives in 2011

(1) Purchases: the Group will continue to search for new types of recyclable PP waste and more business relationships in different regions & countries to ensure the ongoing supply of PP waste. Simultaneously, the Group is considering the formal establishment of an overseas procurement network to lock in raw material supplies.

(2) Production capacity: the new Nan'an facility is expected to be put into production in the second quarter of 2011, resulting in even more production lines. It is forecast that the production capacity of PP yarn by Novarise will reach 75,000 tonnes annually.

(3) Marketing: under Fujian Sanhong Renewable Resources Technology, Ltd., the Group set up a wholly-owned subsidiary in Xiamen city (China), which is one of the first five Special Economic Zones in China and will be engaged in selling laptop bags, school bags, travelling bags, recyclable shopping bags, hotel slippers and working clothes. Subject to the product features and market conditions, the Group has developed a marketing plan to adapt to development of the Group.

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In 2011, the sales model in domestic markets will be to search directly for the end-users who need the products (i.e. without intermediate agents in the domestic market). There will then be two kinds of sales patterns in the international market. One of these is to make full use of our business networking to find potential end-users, in order to better control the distribution of profits and have a better understanding of timely and accurate market information. The other is to set up intermediate agent arrangements in different countries or regions to expand our market and increase market share.

(4) Human resources: after the completion of our new production facility, the Group will search for new human resources by various means to satisfy labour demand.

In summary, 2011 will be a very important year for the Group's development. Putting the new production facility into production will bring large economic benefits and returns to the Company. Marketing planning and the orderly construction process of the new facility are of vital importance to the Group's development.

Environmental Regulation:

The Group is subject to significant environmental regulation in respect of its use of technology to process polypropylene (PP) waste material into fibre-grade PP pellets. The re-cycled PP pellets are used to produce polypropylene filament yarns, PP consumer webbing products and agricultural twine. Novarise utilises up to 100 per cent of re-cycled PP waste materials to produce its PP filament yarn and other products.

The process of recycling wasted PP does not only save resources consumption, but also minimizes the landfill and incineration of the wasted PP, and reduces greenhouse gas discharge. This meets the requirement of the Twelfth Five-year Program (2011-2015) of China. Our company plays a positive role in achieving emission reduction target set by our country.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and we are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

The Group believes it is the only company in China currently recycling polypropylene (PP) waste to produce fibre-grade recycled PP pellets. The Group is a pioneer of green economy and recycling economy. The three essential principles of the Group are use of minimum resources, re-using and recycling. In order to economize on resources and minimize pollution, the Group requires that the production targets must be achieved by using minimum resources. The product can be reused and will be available again as a raw resource after its useful life. After recovering the product by the Group, it can be recycled to produce fibre-grade recycled PP pellets, then change to a new product again. The recycling cycle is thereby achieved

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Meetings of Directors

The numbers of meetings of the Group's Board of Directors held during the year ended 31 December 2010, and the numbers of meetings attended by each director are as follows:

Name:	Board		Audit committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. Qingyue Su	11	11	-	-	-	-
Mr. Xiaobin Zhuang	11	11	-	-	-	-
Mr. Chung Yi So	11	9	1	1	-	-
Mr. Liandong Tu	11	10	1	1	-	-
Mr. John O'Brien	11	10	1	1	-	-
Mr. Fai Peng Chen	11	11	1	1	-	-
Mr. Phillip Fook Weng Au	11	5	-	-	-	-
Mr. Chenzhang Li	11	6	-	-	-	-

Meeting	Date of Board Meeting Held	Date of Audit Meeting Held	Date of Remuneration Meeting Held
1	18 January 2010 ³	25 August 2010	
2	27 January 2010 ³		
3	28 January 2010		
4	3 February 2010		
5	18 February 2010		
6	22 February 2010		
7	22 February 2010		
8	29 April 2010		
9	28 July 2010		
10	25 August 2010 ⁴		
11	1 December 2010		

Share Options

There are no options on issue during the year and up to the date of the directors' report.

³ No separate remuneration committee meeting was held, but directors' remuneration was resolved on the Board meeting held on 18 January 2010 and 27 January 2010.

⁴ Both the full board and the audit committee was held on 25th August 2010

Remuneration Report - Audited

(a) Policy for determining the nature and amount of key management personnel remuneration

The remuneration committee of the Group is to help the Board in determining and reviewing compensation arrangements for the directors, and the executive team.

The Board's remuneration policy is:-

1. To ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.
2. To reward directors and executives having regards to the performance of the Group, the performance and the general pay environment.
3. To issue options free of charge to any officer or employee of the Company and any subsidiary (Eligible Employee) under an established Employee Option Plan. Options may be granted subject to conditions specified by the Board, which must be satisfied, before the Option can be exercised. Options may be exercised at any time within five years of the date of grant.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Remuneration of non-executive directors is determined by the Board. The Board intends to undertake an annual review of its performance.

Each director receives a fee for being a director of the Group. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

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(b) Company performance, shareholder wealth and directors and executive remuneration

	2008	2009	2010
	\$	\$	\$
Revenue	40,702,085	63,363,547	74,627,039
Net Profit after income tax/(Loss)	6,322,138	13,314,286	15,217,563
Dividend paid	3,569,977	5,716,477	3,992,549
Share price at year end	NA	NA	0.225

The Director fee for the first 12 months commencing on 1 January 2010 is as following –

Name:	Position	Director fee per annum	
		(GST exclusive)	Director fee paid
		AUD \$	AUD \$
Mr. Qingyue Su	Chairman and Managing Director	8,063	8,063
Mr. Xiaobin Zhuang	Executive Director	8,063	8,063
Mr. Chung Yi So	Non-Executive Director	8,063	8,063
Mr. Liandong Tu	Non-Executive Director	8,063	8,063
Mr. John O'Brien	Non-Executive Director	40,000	40,000
Mr. Fai Peng Chen	Non-Executive Director	40,000	40,000
Mr. Phillip Fook Weng Au	Non-Executive Director (Resigned on 28 January 2011)	40,000	40,000
Mr. Chenzhang Li	Non-Executive Director (Resigned on 31 January 2011)	8,063	8,063

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(c) Key management personnel and executives

Unless otherwise stated, the following persons were key management personnel and executives of Novarise during the financial year under review:

Name	Date appointed	Date resigned	Position held
Mr. Qingyue Su	6 August 2009		Chairman and Managing Director
Mr. Xiaobin Zhuang	9 December 2009		Company Secretary / Chief financial officer
Mr. Chung Yi So	9 December 2009		Non-Executive
Mr. Liandong Tu	9 December 2009		Non-Executive
Mr. John O'Brien	9 December 2009		Non-Executive
Mr. Fai Peng Chen	6 August 2009		Non-Executive
Mr. Phillip Fook Weng Au	27 January 2010	28 January 2011	Non-Executive
Mr. Chenzhang Li	27 January 2010	31 January 2011	Non-Executive
Mr. Zhenwen Zhang	21 June 2008		Chief Operating Officer
Mr. Wenpo Xie	1 March 2008		Chief Marketing Officer
Mr. Sing Sha So	1 September 2009		Director of QZSH/FJSH
Ms Winnie Chen	1 December 2010		Company Secretary

There are no additional persons not disclosed above that are among the five highest remunerated Group and Company Executives.

(d) Details of remuneration

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below.

Key management personnel include all directors of the Company and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

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Details of compensation key management personnel and other executives of Novarise are set out below:

2010	Short-term employee benefits		Post-employment benefits	Total	Proportion of remuneration that is performance based %
	Salaries and fees	Cash bonus	Super-annuation		
	\$	\$	\$		
Directors					
Mr. Qingyue Su	33,530	16,126	292	49,948	-
Mr. Chung Yi So	17,739	16,126	-	33,865	-
Mr. Xiaobin Zhuang	22,846	16,126	290	39,262	-
Mr. Liandong Tu	8,063	-	-	8,063	-
Mr. Chenzhang Li	8,063	-	-	8,063	-
Mr. Phillip Fook Weng Au	40,000	-	-	40,000	-
Mr. John Keiran O'Brien	40,000	-	-	40,000	-
Mr. Fai Peng Chen #	40,000	-	-	40,000	-
Other Key Management Personnel					
Mr. Zhenwen Zhang	29,417	16,126	290	45,833	-
Mr. Wenpo Xie	14,783	16,126	290	31,199	-
Mr. Sing Sha So ^	-	-	-	-	-
Company Executives					
Ms Winnie Chen*	2,500++	-	-	2,500	-
	<u>256,941</u>	<u>80,630</u>	<u>1,162</u>	<u>338,733</u>	

Mr. Fai Peng Chen resigned his position as Company Secretary of Novarise on 1 December 2010.

* Ms Winnie Chen was appointed as Company Secretary of Novarise on 1 December 2010.

++ This amount including Company Secretary fees and accounting fees (Novarise Australia only).

^ Mr. Sing Sha So is a non-executive director and is not involved in daily management of FJSH and QZSH. Mr. Sing Sha So is the father of Mr. Tse Lit So who is a director of Great Rises International Group Investment Ltd (BVI), a shareholder of the Group. Mr. Sing Sha So provides his director services to the Group at no charge.

NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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2009	Short-term employee benefits		Post-employment benefits	Total	Proportion of remuneration that is performance based
	Cash salary and fees	Cash bonus	Super-annuation		
	\$	\$	\$	\$	%
Directors					
Mr. Qingyue Su	14,258	15,026	204	29,488	-
Mr. Chung Yi So	7,748	15,026	-	22,774	-
Mr. Xiaobin Zhuang	8,940	9,598	524	19,062	-
Mr. Liandong Tu & Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Fai Peng Chen & Mr. Sing Sha SO	-	-	-	-	-
Other Key Management Personnel					
Mr. Zhenwen Zhang	10,446	9,391	411	20,248	-
Mr. Wenpo Xie	8,850	9,391	524	18,765	-
Mr. Sing Sha SO & Mr. Fai Peng Chen	-	-	-	-	-
Total key management personnel compensation	50,242	58,432	1,663	110,337	-

& Mr. Sing Sha So is a non-executive director and is not involved in daily management of FJSH and QZSH. Mr. Sing Sha So is the father of Mr. Tse Lit SO who is a director of Great Rises International Group Investment Ltd (BVI), a shareholder of the Group. Mr. Sing Sha So provides his director services to the Group at no charge.

Mr. Liandong Tu and Mr. John Keiran O'Brien were appointed as directors on 9 December 2009. Mr. Fai Peng Chen was appointed as a director on 6 August 2009. Their remuneration started from January 2010.

(e) Cash bonuses

The board of directors approved and ratified the payment of cash bonuses as disclosed in (d) above in accordance with reasonable remuneration practice in China. The cash bonuses were awarded to Mr. Qingyue Su, Mr. Chung Yi So, Mr. Xiaobin Zhuang and members of senior management team, including Mr. Zhenwen Zhang and Mr. Wenpo Xie, on an accruals basis on 31 December, 2010 for the whole of the financial year 2010.

There are no specific guidelines for the distribution of cash bonuses within the Group and the distribution of cash bonuses is based on the performance of the Group as a whole. The Group performed well in 2009 and 2010 therefore cash bonuses were distributed to both executive officers and employees. The bonus reflects the Group's satisfaction with the overall performance of the respective executives and employees and of the Group as a whole.

No specific performance criteria were attached to these cash bonuses.

(f) Share – based payment bonuses

No share based payment bonuses were paid during the financial years ended 31 December 2010 and 31 December 2009 to directors or key management personnel and other employees.

(g) Options and rights granted as remuneration

No options and rights were granted during the financial years ended 31 December 2010 and 31 December 2009 to directors or key management personnel and other employees.

(h) Equity Instruments issued on exercise of remuneration options

No equity instruments were issued on exercise of remuneration options during the financial years ended 31 December 2010 and 31 December 2009 to directors or key management personnel.

(i) Value of options to key management personnel and executives

No options or rights were granted during the financial years ended 31 December 2010 and 31 December 2009 to directors or key management personnel.

(j) Executive Contracts

Service agreement have been entered into by the Group with all key management personnel and executives, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Remuneration Committee to align with changes in job responsibilities and market salary expectations.

All contracts are ongoing and there is mutual understanding between the executive directors and the Group that contracts can be terminated by either party with 3 months notice, subject to termination payments as described below.

(k) Non-Executive Director (NED) Remuneration

NEDs are not currently covered by any contract of employment and therefore have no contract duration, notice period for termination or entitlement to termination payments. NEDs have signed Letter of Consent to Act under an oral agreement.

Mr. Liandong Tu has an ongoing oral contract arrangement.

NEDs receive an annual fee paid monthly for their services.

NEDs also receive reimbursement for reasonable travel, accommodation and other expenses incurred in travelling to or from meetings of the board or when otherwise engaged in the business of the Company in accordance with Board policy.

Contracts with Executive Directors are summarised as below:

Chairman and Managing Director

SU Qingyue

Ongoing contract commenced on 15 March 2008

Base Salary: Not specified in the contract. Set to be RMB209,734 p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually.

Termination payments: Termination payment is not applicable.

Non-Executive Director

SO Chung Yi

Ongoing contract commenced on 15 March 2008.

Base Salary: Not specified in the contract. Set to be RMB110,000 p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually

Termination payments: Termination payment is not applicable.

Executive Director & Joint Secretary

ZHUANG Xiaobin

Ongoing contract commenced on 15 March 2008.

Base Salary: Not specified in the contract. Set to be RMB143,476 p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually.

Termination payments: Termination payment is not applicable.

Non-executive directors only have oral agreements with the Group which are summarised as below:

Non-Executive Director

TU Liandong

Ongoing oral agreement commenced on 9 December 2009.

Base Salary: RMB50,000 p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Non-Executive Director

LI Chenzhang

Commenced on 27 January 2010 and resigned on 31 January 2011.

Base Salary: RMB50,000 p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Non-Executive Director

O'BRIEN John

Commenced on 9 December 2009 and the continuance of their term as director shall be subject to normal director rotation rule.

Base Salary: AUD\$ 40,000 p.a. to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Non-Executive Director

AU Phillip Fook Weng

Commenced on 27 January 2010 and resigned on 28 January 2011.

Base Salary: AUD\$40,000 p.a. to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Non-Executive Director

CHEN Fai Peng

Commenced on 6 August 2009 and the continuance of their term as director shall be subject to normal director rotation rule.

Base Salary: AUD\$40,000 p.a. to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Joint Secretary

CHEN Winnie Huei Chi

Ongoing contract commenced on 15 November 2010.

Base Salary: AUD\$2,500 per month until 14th May 2011, AUD\$4,166 per month until 14th November 2011, AUD\$4,166 per month afterwards subject to review of the Remuneration Committee.

Termination payments: Termination payment is not applicable.

(I) Contracts of other key management personnel

Chief Operating Officer

ZHANG Zhen Wen

Contract Term: 21 June 2008 to 21 June 2013

Base Salary: Not specified in the contract. Set to be RMB184,220 p.a. to be reviewed annually by the remuneration committee.

Termination payments: Termination payment is not applicable.

Chief Marketing Officer

XIE Wen Po

Contract Term: 1 March 2008 to 1 March 2013

Base Salary: Not specified in the contract. Set to be RMB93,476 p.a. to be reviewed annually by the remuneration committee.

Termination payments: Termination payment is not applicable.

Director of QZSH/FJSH

SO Sing Sha

Contract Term: 1 March 2008 to 1 March 2013

There is nil remuneration according to the employment contract.

Termination payments: Termination payment is not applicable.

End of Audited Remuneration Report

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Indemnification of officers and Auditors.

During or since the end of the year, the Group has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by the Corporations Act 2001.

During the year, the Group paid premiums in respect of directors' and officers' indemnity insurance contracts for the year ended 31 December 2010.

The insurance contracts offer continued indemnity to officers of the Group where the person is no longer an officer at the time the claim is made. The Company paid a premium to insure the directors and company secretaries of the company during the financial year.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amount relating to insurance against legal costs and those relating to other liabilities.

Non – Audit Services

During the financial year, the following fees for non–audit services were paid or payable to the auditor, BDO or their related practices:

	Consolidated	
	2010	2009
	\$	\$
Non-audit services		
Amounts paid/payable to BDO for Independent Accountants' report services for the Group	-	116,001
	<hr/>	<hr/>
	-	116,001
	<hr/>	<hr/>
Taxation services		
Amounts paid/payable to BDO for IPO tax consulting services performed for the Group	-	20,000
	<hr/>	<hr/>
	-	20,000
	<hr/>	<hr/>
Total fees for non-audit services	-	136,001

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on behalf of the auditor), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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On the advice of the Audit Committee, the directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Proceedings on behalf of the Company

The Company is not aware that any person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings in which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

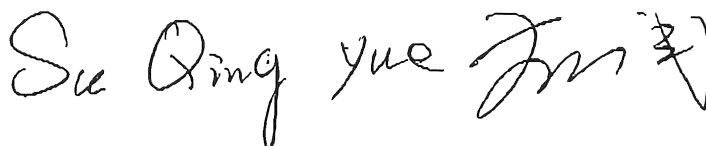
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out at page 23.

The report is made in accordance with a Resolution of Directors.

Qingyue Su
Managing Director



Quanzhou, P.R. China

31st March 2011

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD
TO THE DIRECTORS OF NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED**

As lead auditor of Novarise Renewable Resources International Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Novarise Renewable Resources International Limited and the entities it controlled during the period.



WAYNE BASFORD

Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, dated this 31st of March 2011

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated 2010 \$	2009 \$
Revenue	4	74,627,039	63,363,547
Cost of sales		(51,349,404)	(45,423,720)
Gross profit		23,277,635	17,939,827
Other income	5	667,883	160,555
Distribution expenses		(247,101)	(208,356)
Marketing expenses		(181,743)	(158,273)
Administration expenses		(3,458,352)	(2,229,247)
Occupancy expenses		(104,250)	(73,550)
Finance costs	6	(1,045,075)	(1,663,377)
Other expenses	6	(1,090,795)	(171,418)
Profit before income tax expense		17,818,202	13,596,161
Income tax expense	7	(2,600,639)	(281,875)
Profit after income tax expense		15,217,563	13,314,286
Other comprehensive income			
Foreign currency translation differences		(4,255,808)	(6,550,204)
Income Tax Expenses		-	-
Other comprehensive income for the year, net of tax		(4,255,808)	(6,550,204)
Total comprehensive income for the year		10,961,755	6,764,082
Profit for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		15,217,563	13,314,286
		15,217,563	13,314,286
Total comprehensive income for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		10,961,755	6,764,082
		10,961,755	6,764,082

Earnings per share for profit from continuing operations

Basic Earnings per Share	11	4.14 cents	4.45 cents
Diluted Earnings per Share		4.14 cents	4.45 cents

Earnings per share for profit for the year

Basic Earnings per Share	11	4.14 cents	4.45 cents
Diluted Earnings per Share		4.14 cents	4.45 cents

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Notes	Consolidated	
		31 December 2010 \$	31 December 2009 \$
CURRENT ASSETS			
Cash and cash Equivalents	12	6,532,233	4,236,477
Term Deposits With Maturity over three months	13	50,968,916	20,625,621
Trade and other receivables	14	6,594,665	8,063,075
Inventories	15	5,855,258	3,611,472
Other assets	16	9,660,857	3,771,412
TOTAL CURRENT ASSETS		79,611,929	40,308,057
NON-CURRENT ASSETS			
Property, plant and equipment	17	15,860,331	13,039,651
Land Use Rights	19	4,456,858	322,388
Long-term prepayment for PPE	18	4,872,321	3,423,839
Deferred tax assets		36,256	42,532
TOTAL NON-CURRENT ASSETS		25,225,766	16,828,410
TOTAL ASSETS		104,837,695	57,136,467
CURRENT LIABILITIES			
Trade and other payables	20	9,455,690	7,223,568
Borrowings	21	37,293,995	26,534,605
Current tax liabilities	7	1,957,176	250,750
Other liabilities	22	3,769,204	2,456,529
TOTAL CURRENT LIABILITIES		52,476,065	36,465,452
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	30,060
TOTAL NON-CURRENT LIABILITIES		-	30,060
TOTAL LIABILITIES		52,476,065	36,495,512
NET ASSETS		52,361,630	20,640,955
EQUITY			
Contributed equity	23	32,066,227	7,314,758
Reserves	24	960,054	2,401,342
Retained earnings		19,335,349	10,924,855
TOTAL EQUITY		52,361,630	20,640,955

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2009	11,554,898	5,544,710	1,460,880	5,273,002	23,833,490
Total comprehensive income for the year					
Profit for the year	-	13,314,286	-	-	13,314,286
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(6,550,204)	(6,550,204)
Total comprehensive income for the year	-	13,314,286	-	(6,550,204)	6,764,082
Contributions of equity, net of transaction costs	94,028	-	-	-	94,028
Repayment of shareholders' equity contribution	(4,334,168)	-	-	-	(4,334,168)
Appropriation to surplus reserve	-	(2,217,664)	2,217,664	-	-
Dividends paid	-	(5,716,477)	-	-	(5,716,477)
Transaction with owners in their capacity as owners	(4,240,140)	(7,934,141)	2,217,664	-	(9,956,617)
At 31 December 2009	7,314,758	10,924,855	3,678,544	(1,277,202)	20,640,955
Total comprehensive income for the year					
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)
Total comprehensive income for the year	-	15,217,563	-	(4,255,808)	10,961,755
Issue of share capital through IPO, net of transaction costs	21,906,960	-	-	-	21,906,960
Issue of share capital through dividend reinvestment plan, net of transaction costs	2,844,509	-	-	-	2,844,509
Appropriation to surplus reserve	-	(2,814,520)	2,814,520	-	-
Dividends paid	-	(3,992,549)	-	-	(3,992,549)
Transaction with owners in their capacity as owners	24,751,469	(6,807,069)	2,814,520	-	20,758,920
At 31 December 2010	32,066,227	19,335,349	6,493,064	(5,533,010)	52,361,630

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated	
		2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		86,806,597	74,268,455
Payments to suppliers and employees		(76,240,846)	(60,202,980)
Receipts of subsidy income for successful IPO		532,158	-
Interest received		365,553	1,670,899
Interest paid		(1,034,351)	(1,663,376)
Income tax paid		(759,707)	(515,254)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	9,669,404	13,557,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(7,786,015)	(6,658,779)
Payments for land use rights		(4,595,910)	-
Proceeds from sale of property, plant & equipment		60,801	134,469
Increase in term deposits with maturity over three months		(34,807,901)	(16,203,015)
Repayment of loans by/(loans to) related parties		-	22,988,765
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(47,129,025)	261,440
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		68,524,227	39,938,593
Repayment of borrowings		(54,286,358)	(45,332,981)
Proceeds from Group shareholders' equity contribution		-	98,938
Repayment of Group shareholders' equity contribution		-	(4,334,168)
Dividends paid to Group shareholders		(1,240,754)	-
Loans from/(repayment of loans to) related parties		1,117,464	(1,098,549)
Proceeds from issue of shares, net of transaction costs		22,407,952	-
Loans from third party		5,018,044	-
Realised foreign exchange losses for funds transfer		(1,183,531)	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		40,357,044	(10,728,167)
NET INCREASE IN CASH HELD		2,897,423	3,091,017
Effects of exchange rate changes on the balance of cash held in foreign currency		(601,667)	(1,192,894)
Cash and cash equivalents at beginning of the year		4,236,477	2,338,354
CASH AT END OF YEAR	12	6,532,233	4,236,477

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010

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**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

Notes to the Consolidated Financial Statements

Note 1: Corporate Information

The financial statements of Novarise Renewable Resources International Ltd for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 March 2011 and covers the consolidated entity consisting of Novarise Renewable Resources International Ltd (Novarise) and its subsidiaries as required by the Corporation Act 2001. Separate financial statements for Novarise Renewable Resources International Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for Novarise Renewable Resources International Limited as an individual entity is included in note 27.

The financial statements are presented in Australian dollars.

Novarise Renewable Resources International Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office is Suite 5, Level 1 325 Pitt Street, Sydney Australia, 2000.

Great Rises International New Resources Pty Ltd (Great Rises) is a 100% owned subsidiary of Novarise and is a company limited by the shares incorporated in Hong Kong. Great Rises is an intermediate company of the Group and undertakes administration function of the Chinese subsidiaries.

The principal activities of the Group are the use of technology to process polypropylene (PP) waste material into fibre-grade PP pallets. The re-cycled PP pallets are used to produce polypropylene filament yarns, PP consumer webbing products and agricultural twine.

Note 2: Summary of significant accounting policies

a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

As required by AASB 101 Presentation of Financial Statements paragraph 38, the financial statements for the year ended 31 December 2010 contain comparative information in respect of the previous period for all amounts reported in the current period's financial statements. Comparative information for narrative and descriptive information is provided and reclassified when it is relevant to an understanding of the current period's financial statements.

The financial statements have been prepared on accruals basis and are based on historical costs and do not take into account changing money values, except for derivatives that have been measured at fair value.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Novarise Renewable Resources International Limited and its subsidiaries at each reporting date ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

Subsidiaries

The consolidated financial statements comprise the financial statements of Novarise Renewable Resources International Limited and its subsidiaries at 31 December 2010 and 31 December 2009 ("the Group"). Subsidiaries are entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

Investments in subsidiaries are accounted for in the parent entity financial statements at cost.

c) Foreign Currency Translation

The functional currency of Novarise Renewable Resources International Limited and its subsidiaries is Chinese Yuan (Renminbi). The presentation currency is Australian dollars (A\$).

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

c) Foreign Currency Translation (continued)

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

At the end of the reporting period, the assets and liabilities of the Group are translated into the presentation currency at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the period. All resulting exchange difference is recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

d) Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer. Revenue excludes value added tax or other sales taxes.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

e) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

e) Income tax (continued)

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 tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

f) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with 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.

Term deposits with maturity over three months include bank deposits with fixed terms over three months period. For the purpose of the Consolidated Statement of Cash Flows, term deposits with maturity over three months are shown as cash flows from investing activities.

h) Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 60 and 90 days.

Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidences of impairment include financial difficulties of the debtor, or debtor ceased its production and business. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision

The amount of the impairment loss is recognised in the profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

i) Inventories

Inventories consist of raw materials, finished goods and packaging materials.

Inventories are measured at the lower of cost and net realisable value. Costs are determined using the weighted average method and include direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenses. Fixed overheads are allocated on the basis of normal capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

j) Financial instruments

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets of the Group are classified in two categories as following:

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 stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Derivatives

The Group uses derivative financial instruments such as forward foreign currency contracts and interest rate swaps to hedge its risk associated with interest rate and foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The derivatives of the Group do not qualify for hedge accounting therefore any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

k) Fair value

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

l) Property, plant and equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The depreciable amounts of all property, plant and equipment including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the assets are held ready for use.

Assets are depreciated over their useful lives as follows:

	2010	2009
Buildings	20 years	20 years
Machinery and vehicles	10 years	10 years
Furniture, fittings and equipment	5 years	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

m) Land use rights

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The upfront prepayment made for land use rights are expensed in profit or loss on a straight line basis over the period of the lease or, when there is impairment, it is recognized immediately. The lease period is 50 years.

n) Research costs

Research costs are expenses as incurred.

o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 90 day payment terms.

p) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

q) Borrowings costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

r) Employee benefit provisions

The permanent Chinese employees of the Group participate in employee social security plans, including pension, medical insurance, unemployment insurance, maternity insurance and work related injury insurance, organized and administered by the governmental authorities. The Group has no other substantial commitments to employees.

Liabilities for wages and salaries and welfare expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries are included as part of other payables and liabilities for welfare are included as part of other liabilities.

Contributions are made by the Group to an employee welfare funds and are charged as expenses when incurred.

The Group recognises an expense and a liability for bonuses when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

s) Contributed equity

Contributions by shareholders are classified as equity. Costs directly attributable to capital raising are shown as a deduction from the equity proceeds, net of any income tax benefit.

t) Dividends

Provision is made for dividends declared and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

u) Value added tax (VAT)

The Group's sales of self-manufactured products are subject to Value Added Tax (VAT). The applicable tax rate for domestic sales is 17%. The Group has been approved to use the "exempt, credit, refund" method on goods exported providing a tax refund at the rate of 11% - 14%. Effective 1 February 2009, amendments to regulations on the tax refund rate provide a revised refund rate of 15% - 16%.

Revenues, cost of sales are recognised net of VAT except where VAT incurred on a purchase of goods is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of VAT included. The net amount of 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, except for the VAT components of investing and financing activities, which are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the Chinese Taxation Bureau.

v) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Novarise Renewable Resources International Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

w) Critical accounting estimates & judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

w) Critical accounting estimates & judgements (continued)

(i) Estimated impairment of tangible and other non-current assets

The Group considers annually whether any impairment indicators exist which suggest tangibles and other non-current assets have suffered an impairment, in accordance with the accounting policy stated in note 2 (f).

No impairment of tangibles or other non-current assets was necessary during the year based on management's assessment. Any unfavourable variances in actual results may require an impairment write-down of tangibles and other non-current assets in future periods.

(ii) Consolidation under Common Control

The group has applied judgement in assessing that the group restructure, as described in note 26(a), is between entities under common control. As such, accounting for this transaction has been done in accordance with the accounting policy for acquisitions of entities under common control described in note 2(b), rather than under AASB 3 (2008) Business Combinations.

x) Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for financial years ended 31 December 2010. They have not been adopted in preparing the financial statements for the year ended 31 December 2010 and are expected to impact the Group in the period of initial application. In all cases the Group intends to apply these standards from the mandatory application date as indicated in the table below.

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the Group has not yet made an assessment of the impact of these amendments.
Amendments to AASB 9 (issued December 2010)	Financial Instruments	Carries forward unchanged from AASB139 to AASB9; amends measurement of financial liabilities	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the Group has not yet made an assessment of the impact of these amendments.

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Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

x) Accounting standards issued, not yet effective (continued)

Standards likely to have a disclosure impact only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
Amendments to IAS 24 (issued November 2009)	Amendments to IAS 24 Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB 7 (issued June 2010)	Financial Instruments: Disclosures	Reduces disclosure requirements for financial instruments	Annual reporting periods commencing on or after 1 January 2011.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB 101 (issued June 2010)	Presentation of Financial Statements	Requires detailed reconciliation of each item of other comprehensive income be included in the statement of changes in equity or in the notes to the financial statements.	Annual reporting periods commencing on or after 1 January 2011.	There will be no impact on initial adoption as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.
Amendments to AASB 7 (issued November 2010)	Financial Instruments: Disclosures	Increases significantly disclosure requirements for transfers of financial assets	Periods beginning on or after 1 July 2011	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Group.

y) Reclassifications

Long-term prepayments for property, plant and equipment amounting to \$3,423,839 were reflected in the previous financial year as other assets (current). During the current financial year, these balances have been classified as long-term prepayments for property, plant and equipment (non-current) and as such prior year balances have also been reclassified.

z) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. The Group has RMB 249,792,331 Loans and notes payables due for renewal between March 2011 and November 2011. The Group has RMB 218,748,587 capital and lease commitments due before 31 December 2011. The Group has RMB 385,138,314 cash and cash deposits therefore the ongoing viability of the Group is dependent upon the issuing of extra debts or equities, and the rolling over of short term bank facilities.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Note 3: Segment Reporting

Operating segments have been determined on the basis of reports reviewed by the chief operating decision makers for making strategic decisions. The chief operating decision makers comprise the managing director, finance director and other directors of the Group. The chief operating decision makers monitor the business based on product factors and have identified 3 reportable segments. The basis of determining segments has not changed from the last annual financial statements.

a. Description of segments

Polypropylene yarns: Sale of polypropylene yarns to international customers as well as customers located in mainland China and Hong Kong.

Polypropylene straps and ropes: Sale of polypropylene straps and ropes to international customers as well as customers located in mainland China and Hong Kong.

Recycled polypropylene pellets: Sale of polypropylene pellets produced from recycled materials to customers located in mainland China.

b. Segment information

Segment information provided to the board of directors for the year ended 31 December 2010 is as follows:

	Polypropylene yarns	Polypropylene straps and ropes	Recycled polypropylene pellets	Total
	\$	\$	\$	\$
2010				
Total segment revenue	14,736,218	54,295,460	4,355,213	73,386,891
Revenue from external customers	14,736,218	54,295,460	4,355,213	73,386,891
Gross profit	3,406,276	17,504,671	1,152,888	22,063,835
2009				
Total segment revenue	14,237,636	47,626,098	792,285	62,656,019
Revenue from external customers	14,237,636	47,626,098	792,285	62,656,019
Gross profit	3,540,901	13,545,482	160,975	17,247,358

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 3: Segment Reporting (continued)

c. Other segment information

(i) Segment revenue

The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the profit or loss.

Revenues from external customers are derived from the sale of polypropylene yarns, the sales of polypropylene straps and ropes, and the sales of recycled polypropylene pellets to P.R. China and international customers. A breakdown of revenue and results is provided in the tables above.

Segment revenue reconciles to total revenue as follows:

	Consolidated	
	2010	2009
	\$	\$
Total Segment Revenue	73,386,891	62,656,019
Interest revenue	553,927	685,505
Other revenue	686,221	22,023
	<hr/>	<hr/>
Total revenue (note 4)	74,627,039	63,363,547
	<hr/>	<hr/>

(ii) Gross profit

The board of directors monitors segment performance based on gross profit. This measure excludes interest revenue and other operational and non-operational expenses. The basis of measuring segment profit or loss has not changed from the last annual financial statements.

Reconciliation of adjusted gross margin to profit before income tax is as follows:

Gross profit	22,063,835	17,247,358
Gross profit from unallocated sales	659,873	6,964
Interest revenue	553,927	685,505
Gross profit per Statement of Comprehensive Income	<hr/>	<hr/>
	23,277,635	17,939,827
Other income	667,883	160,555
Distribution expenses	(247,101)	(208,356)
Marketing expenses	(181,743)	(158,273)
Administration expenses	(3,458,352)	(2,229,247)
Occupancy expenses	(104,250)	(73,550)
Finance costs	(1,045,075)	(1,663,377)
Other expenses	(1,090,795)	(171,418)
	<hr/>	<hr/>
Profit before income tax	17,818,202	13,596,161
	<hr/>	<hr/>

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
FINANCIAL REPORT
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Notes to the Consolidated Financial Statements (continued)

Note 3: Segment Reporting (continued)

	Consolidated	
	2010	2009
	\$	\$

d. Entity-wide disclosures

The trading entities in the Group are domiciled in China. The Group's revenue from external customers by geographical location is detailed below:

P.R. China	62,814,254	52,665,144
Hong Kong	3,896,426	2,926,876
Philippines	1,902,715	2,271,727
Russia	1,478,806	852,257
Turkey	1,228,138	672,272
Indonesia	534,156	534,431
India	444,517	1,295,707
Colombia	412,990	17,467
Sri Lanka	193,500	47,558
Brazil	178,873	-
Other Asian countries	223,872	94,380
Other non Asian countries	764,865	1,300,223
	<u>74,073,112</u>	<u>62,678,042</u>

In 2009 & 2010 no revenue from a single external customer exceeded 10% of the Group's total revenue from external customers.

As at 31 December 2010 and 31 December 2009, all non-current assets of the Group were located in P.R. China.

Note 4: Revenue

Sales of goods	74,073,112	62,678,042
Interest	553,927	685,505
	<u>74,627,039</u>	<u>63,363,547</u>

Note 5: Other Income

Government grant	532,158	132,311
Sundry income	135,725	28,244
	<u>667,883</u>	<u>160,555</u>

Government Grants

Government grant of \$532,158 (2009: \$132,311) was recognised by the Group in the current year. The grant is the government's support for growth-oriented enterprises and successful overseas IPOs. There are no unfulfilled conditions or other contingencies attaching to this grant.

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 6: Expenses		
Profit before income tax is derived at after taking the following into account:		
Finance costs		
Interest expenses	1,039,937	1,435,908
Bank fees	248,798	227,469
	<hr/>	<hr/>
Amount capitalised	(243,660)	-
	<hr/>	<hr/>
	1,045,075	1,663,377
	<hr/>	<hr/>
Depreciation expense		
Lease hold improvement	5,802	6,758
Buildings	294,548	343,061
Machinery and vehicles	1,187,302	1,316,960
Furniture, fittings and equipment	9,056	13,227
	<hr/>	<hr/>
	1,496,708	1,680,006
	<hr/>	<hr/>
Add: net movement of depreciation capitalised in inventory	-	239,205
	<hr/>	<hr/>
	1,496,708	1,919,211
	<hr/>	<hr/>
Amortisation of operating lease prepayment		
Land use rights	98,449	9,158
	<hr/>	<hr/>
Employee benefits expense		
Wages and salaries	2,524,757	2,200,176
Superannuation costs	39,829	58,666
Other welfare expense	73,007	131,302
	<hr/>	<hr/>
	2,637,593	2,390,144
	<hr/>	<hr/>
Net foreign exchange loss (included as "Other expenses")	1,072,543	134,175
	<hr/>	<hr/>
IPO Costs	407,064	-
	<hr/>	<hr/>
Research and development expenditures	249,243	181,282
	<hr/>	<hr/>

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 7: Income Tax Expense		
Major components of income tax expense are:		
Current tax expense		
Current tax expense	2,624,423	328,353
	<u>2,624,423</u>	<u>328,353</u>
Deferred tax expense		
Origination and reversal of temporary differences	(23,784)	2,143
Timing difference to be taxed at a higher tax rate	-	(48,621)
	<u>(23,784)</u>	<u>(46,478)</u>
Total income tax expense in income statement	<u>2,600,639</u>	<u>281,875</u>
Applicable income tax rate		
The applicable income tax rate for Quanzhou Sanhong Chemical Fibre Co., Limited, one of the Chinese subsidiaries, is 25% (2009: 25%).		
The applicable income tax rate for Fujian Sanhong Renewable Resources Technology Co., Limited, another Chinese subsidiaries, is 12.5% (2009: 0%).		
A deferred tax asset has not been recognized in respect of the unused tax losses of Novarise Renewable Resources International Limited and its Hong Kong subsidiary, Great Rises International New Resources Pty Ltd of \$1,714,976 (2009:Nil) arising from current year losses because neither of the entities will be generating business income in the foreseeable future therefore the tax losses are not expected to be realised.		
Reconciliation of the effective tax rate		
Accounting profit before income tax	17,818,202	13,596,161
Prima facie tax payable on profit at the Australian tax rate of 30% (2009: 25% for QZSH, 12.5% for FJSH)	5,345,461	171,707
Add/(Less) Tax effect of:		
- Non-taxable government grant	(6,950)	(27,487)
-Related party interest	-	219,661
-Deferred tax asset not recognized for losses in Novarise and Great Rises	514,492	-
-Impact of overseas tax differential	(3,193,793)	-
- Non-deductible Entertainment expenses	2,754	-
Timing difference to be taxed at a higher tax rate	-	(48,621)
Other difference	(61,325)	(33,385)
Income tax expense at effective tax rate of 15% (2009: 2%)	<u>2,600,639</u>	<u>281,875</u>
Income tax payable	<u>1,957,176</u>	<u>250,750</u>

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 8: Key Management Personnel Disclosures		
(a) Compensation		
Short-term employee benefits	335,071	108,674
Post-employment benefits	1,162	1,663
Total	<u>336,233</u>	<u>110,337</u>

(b) Guarantees provided by key management personnel

The director of Novarise Renewable Resources International Ltd, Mr. Qingyue Su, and his wife Ms. Yulu Pan, have provided a guarantee of up to RMB 208,000,000 (equivalent to A\$31,054,400) to Quanzhou Sanhong Chemical Fibre Co., Ltd effective to 4 August 2012 for its credit facility contracts and short term borrowing contracts signed with China Citic Bank and Construction Bank of China.

(c) Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

2010	Balance @31/12/2009	Received as remuneration	Group Restructuring	Dividend Reinvestment	Balance @ 31/12/2010
Mr. Qingyue Su	2	-	254,149,998	14,119,444	268,269,444
Mr. Chung Yi So	-	-	29,900,000	1,661,111	31,561,111
Mr. Xiaobin Zhuang	-	-	-	-	-
Mr. Liandong Tu	-	-	-	-	-
Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Fai Peng Chen	-	-	-	-	-
Mr. Chenzhang Li	-	-	-	-	-
Mr. Phillip Fook Weng Au	-	-	-	-	-
Mr. Wenpo Xie	-	-	-	-	-
Mr. Zhenwen Zhang	-	-	-	-	-
Mr. Sing Sha So	-	-	-	-	-
Total	<u>2</u>	<u>-</u>	<u>284,049,998</u>	<u>15,780,555</u>	<u>299,830,555</u>

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 8: Key Management Personnel Disclosures (continued)

(c) Shareholdings (continued)

2009	Balance @31/12/2008	Received as remuneration	Incorporation of parent	Net Change/other	Balance @ 31/12/2009
Mr. Qingyue Su	-	-	2	-	2
Mr. Chung Yi So	-	-	-	-	-
Mr. Xiaobin Zhuang	-	-	-	-	-
Mr. Liandong Tu	-	-	-	-	-
Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Fai Peng Chen	-	-	-	-	-
Mr. Chenzhang Li	-	-	-	-	-
Mr. Phillip Fook Weng Au	-	-	-	-	-
Mr. Wenpo Xie	-	-	-	-	-
Mr. Zhenwen Zhang	-	-	-	-	-
Mr. Sing Sha So	-	-	-	-	-
Total	-	-	2	-	2

(d) Dividend Distributed to Directors

During the period for the year ended 31 December 2010 the following directors received dividends from the Group with the capacity of major shareholders.

	Consolidated	
	2010 \$	2009 \$
Mr. Qing Yue Su	2,541,500	4,859,005
Mr. Chung Yi So	299,000	571,648
	<u>2,840,500</u>	<u>5,430,653</u>

The above dividends were paid to directors through following entities:

Related entity	Dividends \$	Shares
<i>Great Rises International Investment Ltd.(BVI) – 100% owned by Group Director, Mr. Qingyue Su</i>	2,541,500	14,119,444
<i>Great Rises New Resources Technology Co.,Ltd.(BVI) – 100% owned by Group Director, Mr. Chung Yi So</i>	299,000	1,661,111

(e) Other transactions and balances

For the financial year ended 31st December 2010 fees paid to Minter Ellison amounted to \$ 24,312. The payments were in respect of the reimbursement of travelling expenses and remuneration for secretarial services provided by Mr. Fai Peng Chen.

Mr. Sing Sha So provides his director services at no charge to FJSH and QZSH because Mr. Sing Sha So is Mr. Tse Lit So's father who is a director of Great Rises International Group Investment Ltd (BVI), a shareholder of the Group.

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 9: Auditor's Remuneration		
Remuneration of the auditor of the Group:		
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the Group		
- BDO Sydney	109,075	155,904
- BDO China	36,358	60,326
Audit-related services		
Amounts paid/payable to BDO for Independent Accountants' report services for the Group		
	-	116,001
Taxation services		
Amounts paid/payable to BDO for IPO tax consulting services performed for the Group		
	-	20,000
Total	145,433	352,231

Note 10: Dividends

Total Unfranked dividend for year ended 31 December 2010 of 1 cents per share (2009: 1.9 cents) per fully paid share paid on 13 December 2010

3,992,549	5,716,477
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An unfranked dividend for 1 cent was declared and has been paid for the year ended 31 December 2010. The Group generated all operating profits from overseas subsidiaries in P.R. China therefore all dividends were unfranked dividends. The franking credit account had nil balance throughout the year.

Dividends for the year ended 31 December 2009 were paid to shareholders of Chinese subsidiaries by a related party on behalf of the Group in China.

Note 11: Earnings per share

	Number of shares		Profit attributable to the owners of the company used to calculate basic earnings per share and diluted earnings per share	
	Consolidated		Consolidated	
	2010	2009	2010	2009
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	367,666,345	299,000,000	15,217,563	13,314,286

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 12: Cash & Cash Equivalents		
Cash in hand	13,146	9,724
Cash at bank	3,961,132	3,022,309
Short-term deposits with maturity less than three months	2,557,955	1,204,444
	<hr/>	<hr/>
Cash and cash equivalents	6,532,233	4,236,477
	<hr/> <hr/>	<hr/> <hr/>

Cash in hand is non-interest bearing. Cash at bank bears a floating interest rate at 0.36% (2009: 0.36%).

As at 31 December 2010, short-term deposits with maturity less than three months of \$2,552,216 (2009: 1,204,444) are pledged as collateral for the bank accepted notes issued by the Group. These pledged short-term deposits bear fixed interest rates of 1.47% (2009: 4.14%) and have an average maturity of 3 months.

Concentration of risk by bank credit rating

A1	1,494,029	1,092
A-2	3,825,883	2,939,746
Baa2	1,153,079	1,280,691
BBB+	3,575	3,624
Ba1	1,670	-
Unrated	40,851	1,600
	<hr/>	<hr/>
Total	6,519,087	4,226,753
	<hr/> <hr/>	<hr/> <hr/>

Note 13: Short Term Deposits with Maturity over three months

Short-term deposits with maturity over three months	<hr/> 50,968,916	<hr/> 20,625,621
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As at 31 December 2010, there were short-term deposits with maturity over three months of \$12,389,389 (2009: \$3,696,750) that are pledged as collateral for bank loans, bank acceptance notes and letter of credit issued by the Group. These pledged short-term deposits bear fixed interest rates of 2.39% (2009:1.98%) and have an average maturity of 6 months. The remaining short-term deposits with maturity over three months of \$38,579,527 (2009: \$16,928,871) bear fixed interest rates of 2.61% (2009:1.98%) and have an average maturity of 6 months to 1 year.

Concentration of risk by bank credit rating

A1	780,839	-
A-2	20,458,579	16,019,250
Baa2	12,542,004	4,606,371
BBB+	5,001,550	-
Ba1	3,001,009	-
Unrated	9,184,935	-
	<hr/>	<hr/>
Total	50,968,916	20,625,621
	<hr/> <hr/>	<hr/> <hr/>

Note 14: Trade and other receivables

Current

Trade receivables	6,382,702	8,010,579
Other receivables	211,963	52,496
	<hr/>	<hr/>
	6,594,665	8,063,075
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the Consolidated Financial Statements (continued)

Consolidated
2010 **2009**
\$ **\$**

Note 14: Trade and other receivables (continued)

Age analysis of trade receivables that are past due but not impaired at the reporting date

	Year ended 31 Dec 2010			Year ended 31 Dec 2009		
	Amount not impaired	Amount Impaired	Total	Amount not impaired	Amount Impaired	Total
Not past due	6,115,668	-	6,115,668	7,475,107	-	7,475,107
Past due < 3 months	267,034	-	267,034	441,891	-	441,891
Past due 3- 9 months	-	-	-	93,581	-	93,581
Total	6,382,702	-	6,382,702	8,010,579	-	8,010,579

As at 31 December 2010, trade receivables of \$267,034 (2009: \$535,472) were past due but not impaired. Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

All receivables, which are neither past due nor impaired, are with long standing customers who have sound credit histories. It is expected that these amounts will be received when due.

The Group does not hold any collateral in relation to the receivables (2009: nil).

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Refer to note 25 for more information relating to the risk management policy of the Group.

Note 15: Inventories

At cost		
Raw materials	5,179,728	2,714,457
Finished goods		
- at cost	575,219	516,578
- at net realisable value	98,294	377,627
	<u>673,513</u>	<u>894,205</u>
Other inventories	<u>2,017</u>	<u>2,810</u>
	<u>5,855,258</u>	<u>3,611,472</u>

Note 16: Other assets

<i>Current</i>		
Prepayments to suppliers	9,652,959	3,765,729
Recoverable VAT	7,898	5,683
	<u>9,660,857</u>	<u>3,771,412</u>

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 17: Property, Plant and Equipment		
Buildings		
At cost	5,741,108	6,317,910
Accumulated depreciation	(1,631,755)	(1,495,595)
	4,109,353	4,822,315
Leasehold improvements		
At cost	275,429	303,101
Accumulated depreciation	(55,066)	(54,687)
	220,363	248,414
Machinery and vehicles		
At cost	11,535,026	12,572,484
Accumulated depreciation	(5,259,022)	(4,622,589)
	6,276,004	7,949,895
Furniture, fittings and equipment		
At cost	82,514	86,253
Accumulated depreciation	(69,474)	(67,226)
	13,040	19,027
Capital Works in Progress	5,241,571	-
Total property, plant and equipment		
At cost	22,875,648	19,279,748
Accumulated depreciation	(7,015,317)	(6,240,097)
	15,860,331	13,039,651

Movement in carrying amounts

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

	Buildings	Lease hold improvement	Machinery and vehicles	Furniture, fittings and equipment	Capital Works in Progress	Total
	\$	\$	\$	\$	\$	\$
Carrying amount at 1 January 2009	6,625,156	328,936	8,812,415	38,866	-	15,805,373
Additions	-	-	2,752,071	626	-	2,752,697
Disposals	-	-	(136,098)	-	-	(136,098)
Depreciation expense	(343,061)	(6,758)	(1,316,960)	(13,227)	-	(1,680,006)
Effect of movement in foreign exchange	(1,459,780)	(73,764)	(2,161,533)	(7,238)	-	(3,702,315)
Carrying amount at 31 December 2009	4,822,315	248,414	7,949,895	19,027	-	13,039,651
Additions	-	-	227,767	4,467	5,661,459	5,893,693
Disposals	-	-	(64,508)	-	-	(64,508)
Depreciation expense	(294,548)	(5,802)	(1,187,302)	(9,056)	-	(1,496,708)
Effect of movement in foreign exchange	(418,414)	(22,249)	(649,848)	(1,398)	(419,888)	(1,511,797)
Carrying amount at 31 December 2010	4,109,353	220,363	6,276,004	13,040	5,241,571	15,860,331

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$

Note 17: Property, Plant and Equipment (continued)

Non-current assets pledged as security

Refer note 21 for information on non-current assets pledged as security by the Group.

Capitalisation of Borrowing Costs

During current financial year, significant loans and notes payables were incurred to support both the operations as well as the construction of Nan'an project. No specific loan agreement made a reference to Nan'an project therefore the weighted average borrowing rate 5.11% was used to calculate the capitalised borrowing costs included in Capital Work in Progress.

Note 18: Long Term Prepayment for Property, Plant and Equipment

Long Term Prepayment for Property, Plant and Equipment	4,872,321	3,423,839
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Long term prepayment for property, plant and equipment represented the prepayments made to suppliers for purchases of equipment and construction services in relation to Nan'an project development. The prepayment was expected to form property, plant and equipments therefore were classified as non-current assets. The comparatives at 31 December 2009 were included in current assets but were reclassified as non-current assets in 2010 financial report for comparative purpose.

Note 19: Land Use Rights

The Group's interest in land use rights represents prepaid operating lease payments in the PRC with lease periods for 50 years.

At 1 January	322,388	427,326
Additions	4,595,910	-
Amortisation charge	(98,449)	(9,158)
Effect of movement in foreign exchange	(362,991)	(95,780)
	4,456,858	322,388
At 31 December	4,456,858	322,388

Non-current assets pledged as security

Refer note 21 for information on non-current assets pledged as security by the Group.

Note 20: Trade and Other Payables

Current

Trade payables	8,004,977	6,248,026
Other payables and accruals	404,187	838,983
Salary payables	919,920	136,559
Related party payables	126,606	-
	9,455,690	7,223,568

Further information relating to loans from related party is set out in note 26.

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 21: Borrowings		
Current		
Secured :		
Bank loans	18,959,955	17,908,855
Notes payable	18,334,040	8,625,750
	37,293,995	26,534,605

Further information relating to bank loans facilities is set out in note 25.

Terms and conditions

Bank loans

Bank loans' terms are within 12 months. The final instalments are due on 18 November 2011. As at 31 December 2010, \$7,762,455 bank loans bear floating interest rate (2009:nil). \$11,197,500 bank loans bear interest at fixed rate (2009: \$17,908,855). The weighted average interest rate of the fixed rate bank loans is 5.44% (2009: 5.30%).

Notes payable

Notes payable are the bank acceptance notes issued to suppliers by the Group. Note payables are non-interest bearing and issued with a term of 6 months.

Assets pledged as security

The bank loans and notes payable are all secured by the Group's short term cash deposits, buildings and land use right. The managing director, another related party and two non-related entities have also provided guarantees.

The carrying amounts of assets pledged as security for current interest-bearing liabilities are:

	Note		
Current			
Short-term deposits with maturity less than three months	12	2,552,216	1,204,444
Short-term deposits with maturity over three months	13	12,389,389	3,696,750
		14,941,605	4,901,194
Non-current			
Land Use rights	19	285,675	322,388
Lease hold improvement	17	220,363	248,414
Buildings	17	4,109,353	4,822,315
		4,615,391	5,393,117
		19,556,996	10,294,311

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 22: Other Liabilities		
Current		
Deferred revenue	1,908,847	1,236,608
Welfare payables	8,568	-
Other tax payables	1,844,128	1,209,577
Other liabilities	7,661	10,344
	3,769,204	2,456,529

Note 23: Contributed Equity

415,057,737 (2009: 2) Fully paid ordinary shares

	32,066,227	7,314,758
Total	32,066,227	7,314,758

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price\$	\$
31 December 2008	Opening balance	-		11,554,898
	Additional contribution by shareholders	-		94,028
	Repayment to shareholders	-		(4,334,168)
	Issued on incorporation of parent	2		-
31 December 2009		2		7,314,758
29 April 2010	Group restructuring	298,999,998		-
29 April 2010	Initial public offering on ASX	100,254,908	0.25	25,063,727
13 December 2010	Shares issued in accordance with the dividend reinvestment plan	15,802,829	0.18	2,844,509
	Less: transaction costs arising on shares issued	-		(3,156,767)
		415,057,737		32,066,227

Before the group restructuring, ordinary shareholders participate in dividends and the proceeds on winding up of the Group in proportion to the percentage of share holding. The voting rights of every ordinary shareholder are in accordance with the percentage of share holding.

From 29 April 2010 when the Group was floated on ASX, ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

As at 31 December 2010 there were no unpaid shares.

Employee option plan

No shares or options were issued in current financial year under the employee option plan. Refer to remuneration report for details.

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Notes to the Consolidated Financial Statements (continued)

Note 23: Contributed Equity (continued)

(b) Capital risk management

The Group considers its capital to comprise the equity as shown in the statement of financial position plus borrowings (including borrowings from bank and borrowings from related parties) net of cash and cash deposits and loans to related parties.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain a gearing level of less than 60%. The Group's gearing ratio at the end of the reporting period is shown below:

		Consolidated	
		2010	2009
		\$	\$
Gearing ratios	Note		
Total borrowings			
- borrowings from bank	21	37,293,995	26,534,605
- loans from related parties		126,606	-
Less: cash and cash equivalents	12	(6,532,233)	(4,236,477)
Term deposits with maturity over three months	13	(50,968,916)	(20,625,621)
		<u>(20,080,548)</u>	<u>1,672,507</u>
Total equity		<u>52,361,630</u>	<u>20,640,955</u>
Total capital		<u><u>32,281,082</u></u>	<u><u>22,313,462</u></u>
Gearing ratio		<u><u>-62%</u></u>	<u><u>7%</u></u>

Gearing Ratio

The gearing ratio decreased from 7% in 2009 to negative 62% in 2010 due to the funds raised via IPO and surplus cash inflows from the operating and financing activities of the Group. The Group ensures sufficient cash is available for expansion and anticipates some of its existing cash reserves will be used in the Nan'an construction project. The Group intends to maintain a gearing level of less than 60% in the future. There have been no significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

Note 24: Reserves

Surplus reserve	6,493,064	3,678,544
Foreign currency translation reserve	(5,533,010)	(1,277,202)
	<u>960,054</u>	<u>2,401,342</u>

Surplus reserves comprise the statutory surplus reserve of \$5,139,643 (2009: \$3,380,568) and other surplus reserve of \$1,353,421 (2009: \$297,976).

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Notes to the Consolidated Financial Statements (continued)

Note 24: Reserves (continued)

Statutory surplus reserve

The Chinese subsidiaries are required to appropriate 10% of its profit after income tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders and be approved by its board of directors. The statutory reserve can be utilised to offset prior year's losses or to issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's share capital after such issuance.

Other surplus reserve

Other surplus reserve includes the staff and workers' bonus and welfare fund, which is available to fund payments of special bonuses to staff and for collective welfare benefits, and the Enterprise Expansion Fund, which can be used to expand production.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of the aggregated Group to the presentation currency.

Note 25: Financial Risk Management

General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Activities undertaken by the Group may expose the Group to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Group. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

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Notes to the Consolidated Financial Statements (continued)

		Consolidated	
		2010	2009
		\$	\$
Note 25: Financial Risk Management (continued)			
At 31 December 2010 and 31 December 2009, the Group held the following financial instruments:			
Financial Assets	Note		
Current			
Cash and cash equivalents	12	6,532,233	4,236,477
Term deposits with maturity over 3 months	13	50,968,916	20,625,621
Trade and other receivables	14	6,594,665	8,063,075
Cash and receivables		<u>64,095,814</u>	<u>32,925,173</u>
Financial liabilities			
Trade and other payables	20	9,455,690	7,223,568
Borrowings	21	37,293,995	26,534,605
Financial liabilities measured at amortised cost		<u>46,749,685</u>	<u>33,758,173</u>

The fair value of these financial instruments is assumed to approximate their carrying value.

(a) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

Policy of the Group is that sales are only made to customers that are credit worthy. Credit limits for each customer are reviewed and approved by the general manager.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amount of financial assets.

Concentration of credit exposure analysis

The concentration of credit risk is monitored by the Group through geographical areas. The following tables show the maximum exposure to credit risk at balance date by geographical areas.

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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2010	2009
	\$	\$
Note 25: Financial Risk Management (continued)		
<i>Analysis of credit exposure by geographical areas</i>		
Cash and Cash equivalents		
China	4,620,520	4,236,477
Hong Kong	1,881,648	-
Australia	30,065	-
	6,532,233	4,236,477
Term deposits with maturity over 3 months		
China	50,968,916	20,625,621
Trade and other receivables		
China mainland	6,279,111	6,348,331
Russia	82,929	307,488
Colombia	45,444	-
Philippines	42,174	155,905
Indonesia	34,491	92,469
Turkey	32,456	253,593
India	30,927	235,071
Others	47,133	105,308
Hong Kong	-	564,910
	6,594,665	8,063,075
	64,095,814	32,925,173
Total Cash, Loans and receivables		

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

Prudent liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities. Flexibility in funding is maintained by keeping committed credit lines available.

Financing arrangements

Bank facilities

Total facilities	18,662,500	29,574,000
Used at the end of the reporting period	(13,283,278)	(12,010,485)
Unused at the end of the reporting period	5,379,222	17,563,515

Included within the unused bank facilities above are trade finance facilities totalling \$5,225,500 (2009: \$13,144,000).

The bank facilities may be drawn down at any time prior to maturity and have any average maturity of 6 months to one year.

The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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Notes to the Consolidated Financial Statements (continued)

Note 25: Financial Risk Management (continued)

(b) Liquidity risk (continued)

Guarantee by Related Parties or Entities

Bank	Currency	Guarantor	Maximum amount of guarantee provided
Construction Bank of China	RMB	SU, Qingyue/PAN, Yu Lu	88,000,000
		Quanzhou Xinyi Chemical Fiber Co Ltd	70,000,000
Donghu Branch of China CITIC Bank	RMB	Quanzhou Xinyi Chemical Fiber Co Ltd	120,000,000
		SU, Qingyue	120,000,000

Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities based on contractual commitments.

	Carrying Amount	Contractual Cash flows	< 6 mths	6- 12 mths
	\$	\$	\$	\$
2010				
Non-derivatives				
Non-interest bearing	9,329,084	9,329,084	9,329,084	-
Interest free borrowings	18,460,646	18,460,646	18,460,646	-
Fixed rate borrowings	11,197,500	11,617,269	4,634,002	6,983,267
Floating rate borrowings	7,762,455	7,919,429	7,919,429	-
	<u>46,749,685</u>	<u>47,326,428</u>	<u>40,343,161</u>	<u>6,983,267</u>
2009				
Non-derivatives				
Non-interest bearing	7,223,568	7,223,568	7,223,568	-
Interest free borrowings	8,625,750	8,625,750	8,625,750	-
Fixed rate borrowings	17,908,855	18,367,047	13,385,874	4,981,173
	<u>33,758,173</u>	<u>34,216,365</u>	<u>29,235,192</u>	<u>4,981,173</u>

(c) Market risk

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

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Notes to the Consolidated Financial Statements (continued)

Note 25: Financial Risk Management (continued)

(c) Market risk (continued)

i) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash at bank and floating rate borrowings of the Group.

It is the Group's policy to eliminate interest rate risk over the cash flows on its short-term debt finance through the use of fixed rate instruments. The Group monitors its interest rate exposure continuously. The Group also considers on a continuous basis alternative financing opportunities and renewal of existing positions.

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

	Weighted average interest rate	Floating rates \$	Fixed rates < 1 year \$	Non- interest bearing \$	Total \$
2010					
Financial Assets					
<i>Current</i>					
Cash and cash equivalents	0.79%	5,025,819	1,493,268	13,146	6,532,233
Term deposits with maturity over 3 months	2.56%	1,009,474	49,959,442	-	50,968,916
Trade and other receivables		-	-	6,594,665	6,594,665
Financial Liabilities					
Trade and other payables		-	-	(9,455,690)	(9,455,690)
Bank loans	5.14%	(7,762,455)	(11,197,500)	-	(18,959,955)
Notes payable		-	-	(18,334,040)	(18,334,040)
		(1,727,162)	40,255,210	(21,181,919)	17,346,129
2009					
Financial Assets					
<i>Current</i>					
Cash and cash equivalents	1.43%	3,022,309	1,204,444	9,724	4,236,477
Term deposits with maturity over 3 months	1.98%	-	20,625,621	-	20,625,621
Trade and other receivables		-	-	8,063,075	8,063,075
Financial Liabilities					
Trade and other payables		-	-	(7,223,568)	(7,223,568)
Bank loans	5.30%	-	(17,908,855)	-	(17,908,855)
Notes payable		-	-	(8,625,750)	(8,625,750)
		3,022,309	3,921,210	(7,776,519)	(833,000)

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Notes to the Consolidated Financial Statements (continued)

Note 25: Financial Risk Management (continued)

(c) Market risk (continued)

i) Interest rate risk (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate financial assets and financial liabilities).

	2010		2009	
	+0.4% (40 basis points)	-0.4% (40 basis points)	+0.4% (40 basis points)	-0.4% (40 basis points)
Cash and cash deposits	24,141	(24,141)	2,755	(2,755)
Floating rate borrowings	(31,050)	31,050	-	-
Tax charge at 25% (2009: 25%)	1,727	(1,727)	(689)	689
After tax increase / (decrease)	<u>(5,182)</u>	<u>5,182</u>	<u>2,066</u>	<u>(2,066)</u>

(ii) Foreign currency risk

The Group's functional currency is Renminbi (RMB). The Group exports its products to overseas customers and is mainly exposed to foreign exchange risk arising from currency exposure to the United States dollar.

The Group's policy of managing this risk is to constantly monitor its exposure to trends and fluctuations in foreign exchange rates.

The Group's major exposure to foreign currency risk is as follows:

	2010	2009
	USD\$	USD\$
Cash at bank	1,979,947	68,187
Trade receivables	463,869	1,714,744
Trade payables	(907,980)	(209,611)
Short term borrowings	(3,283,455)	(1,823,885)
Other payable	(126,606)	-
	<u>(1,874,225)</u>	<u>(250,565)</u>

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Notes to the Consolidated Financial Statements (continued)

Note 25: Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit after tax (due to changes in fair value of monetary assets).

	2010		2009	
	+10% (USD/RMB)	-10% (USD/RMB)	+1% (USD/RMB)	-1% (USD/RMB)
Cash and cash deposits	197,995	(197,995)	682	(682)
Trade receivables	46,387	(46,387)	17,147	(17,147)
Trade payables	(90,798)	90,798	(2,096)	2,096
Borrowings	(328,346)	328,346	(18,239)	18,239
Other payables	(12,661)	12,661	-	-
Tax charge	46,856	(46,856)	675	(675)
After tax increase / (decrease)	(140,567)	140,567	(1,831)	1,831

Note 26: Related Party Transactions

(a) Group Restructuring

Prior to 1 September 2009 Fook Yuen Investment Co., Limited was the parent entity of Quanzhou Sanhong Chemical Fibre Co., Limited ("QZSH") and Fujian Sanhong Renewable Resources Technology Co., Limited ("FJSH"), owning 58% and 100% of these two companies respectively.

Fook Yuen Investment Co., Limited sold its shares in FJSH and QZSH to Great Rises International New Resources Limited ("Great Rises") on 1 September 2009 and 4 September 2009 respectively. Great Rises International New Resources Limited is a company incorporated in Hong Kong on 17 July 2009.

Prior to 4 September 2009 Quanzhou Xinyi Chemical Fibre Textile Co., Limited was another parent entity of QZSH, owning 42% of the company.

On 4 September 2009, Quanzhou Xinyi Chemical Fibre Textile Co., Limited sold its shares in QZSH to FJSH for \$4,334,168.

Ultimate parent

The ultimate parent of Great Rises International New Resources Limited is Novarise Renewable Resources International Limited (Novarise), a company limited by shares incorporated in Australia. On 27 January 2010, Novarise entered into share sale agreement with the shareholder of Great Rises and acquired 100% of Great Rises by way of issuing equity.

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Notes to the Consolidated Financial Statements (continued)

	2010	2009
	\$	\$
Note 26: Related Party Transactions (continued)		
(b) Transactions with related parties		
The following transactions occurred with related parties:		
Purchases		
Purchase of goods from other related parties	217,701	9,353,734
All purchases from related parties were on normal commercial terms.		
Import/export agent services acquired from related party		
Agent services	12,008,601	-
Payments for importation agency were treated as normal operation payables included in Note 20 as accounts payables.		
Interest revenue		
Other related parties	-	459,380
Collection made on behalf of other related parties		
Other related parties	-	5,784,856
Payment made on behalf of other related parties		
Other related parties	-	5,376,509
Other related parties paid on behalf of the Group		
Other related parties	24,668,510	961,695
Dividend paid on behalf of the Group		
Other related parties	-	5,716,477
(c) Outstanding balances		
Loans from other related parties		
Balance at beginning of the year	-	553,856
Advances by other related parties	491,700	46,514,659
Repayments to other related parties	(354,951)	(47,004,189)
Effect of movement in foreign exchange	(263,355)	(64,326)
Balance at end of year	126,606	-

Loans from related parties are unsecured and interest free.

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Notes to the Consolidated Financial Statements (continued)

	2010	2009
	\$	\$

Note 26: Related Party Transactions (continued)

(c) Outstanding balances (continued)

Related parties paid on behalf of the Group

Balance at beginning of the year	-	-
Related parties paid on behalf of the Group	24,668,510	-
Repayments to other related parties	(22,512,288)	-
Effect of movement in foreign exchange	(159,918)	-
Balance at end of year	<u>1,996,304</u>	-

Related parties settled liabilities of the Group on its behalf during the period therefore the liabilities owed to related parties in this regard were treated as part of the normal payables included in Note 20 as accounts payables.

Loans to other related parties

Balance at beginning of the year	-	33,486,608
Loans advanced	-	39,305,501
Interest accrued	-	459,380
Repayments by other related parties	-	(69,362,314)
Effect of movement in foreign exchange	-	(3,889,175)
Balance at end of year	<u>-</u>	<u>-</u>

(d) Guarantee provided by Related party to the Group

Quanzhou Xinyi Chemical Fibre Co., Ltd, a company wholly owned by the Director, Mr. Qingyue Su, provided financial guarantee of RMB190,000,000 (equivalent to \$28,367,000) to the Group for the facility contracts with China Citic Bank and Construction Bank of China. The last guarantee expires on 4 August 2012.

Note 27: Parent Entity

The following information relates to the parent entity Novarise Renewable Resources International Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

Current assets	22,250,030	216,444
Non-current assets	6,996,835	-
Total assets	<u>29,246,865</u>	<u>216,444</u>
Current liabilities	2,680,991	(216,442)
Non-current liabilities	-	-
Total liabilities	<u>2,680,991</u>	<u>(216,442)</u>
Contributed equity	32,066,227	2
Retained earnings	(3,934,267)	-
Foreign currency translation reserve	(1,566,086)	-
Total equity	<u>26,565,874</u>	<u>2</u>
Profit for the year	58,282	-
Other comprehensive loss for the year	(1,566,086)	-
Total comprehensive loss for the year	<u>1,507,804</u>	<u>-</u>

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Notes to the Consolidated Financial Statements (continued)

Note 28: Subsidiaries

The consolidated financial statements of Novarise Renewable Resources International Ltd incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (b).

Name of entity	Country of Incorporation	Class of shares	Equity holding*	
			2010 %	2009 %
Great Rises International New Resources Pty Ltd	Hong Kong	Ordinary	100	100
Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd	PR China	**	100	100
			(via Great Rises International New Resources Pty Ltd)	
Quanzhou Sanhong Chemical Fibre Co Ltd	PR China	**	100	100
			(41.72% via Fujian Sanhong Renewable Resources Technology Co Ltd)	
			(58.28% via Great Rises International New Resources Pty Ltd)	

* The proportion of ownership interest is equal to the proportion of voting power held.

** No ordinary shares are issued for Chinese subsidiaries. The voting rights of every ordinary shareholder are in accordance with the percentage of share holding.

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Notes to the Consolidated Financial Statements (continued)

	2010	2009
	\$	\$
Note 29: Cash Flow Information		
Reconciliation of the profit after tax to the net cash flows from operations:		
Operating profit after tax	15,217,563	13,314,286
Depreciation of noncurrent assets	1,496,708	1,680,006
Amortisation of prepayments (land use rights)	98,449	9,157
Net loss on sale of property, plant and equipment	3,706	1,629
Realised tax losses for financing activities	1,183,531	-
Exercise costs on dividend reinvestment	(87,632)	-
Capitalised interest	(243,660)	-
Changes in Assets and Liabilities:		
Decrease in trade and other receivables	790,940	2,647,416
(Increase)/decrease in inventory	(2,779,656)	188,073
Increase in other assets	(6,375,888)	(3,192,706)
Changes in deferred tax	2,585	(46,478)
(Decrease)/increase in trade and other payables	(3,995,241)	3,065,211
Increase in other liabilities	2,519,649	2,219,766
Increase/(decrease) in income tax liabilities	1,867,850	(186,901)
Decrease in deferred tax liabilities	(29,504)	-
Decrease in notes payable	-	(6,141,714)
Effects of foreign currency	4	(1)
	<hr/>	<hr/>
Net cash flow from operating activities	9,669,404	13,557,744
Non-cash financing and investing activities:		
Dividends satisfied by reduction of loans to related parties	-	5,716,477
	<hr/>	<hr/>
Dividends satisfied by the issue of shares under the dividends re-investment plan – net of transaction costs	2,844,509	-
	<hr/>	<hr/>
Note 30: Commitments and Contingencies		
Capital commitments		
Property, plant and equipment		
Payable within one year	32,637,666	826,982
	<hr/>	<hr/>
	32,637,666	826,982
	<hr/>	<hr/>
Lease commitments		
Non-cancellable operating leases - future minimum lease payments		
Payable within one year	21,498	41,225
Later than one year but not later than 5 years	-	27,032
	<hr/>	<hr/>
	21,498	68,257
	<hr/>	<hr/>

The Group leases premises under non-cancellable operating leases expiring in 2011.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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Notes to the Consolidated Financial Statements (continued)

Note 30: Commitments and Contingencies (continued)

Contingencies

Fujian Sanhong Renewable Resources Technology Co Ltd entered into an investment agreement with Nan'an authority to develop a polypropylene project on the land as specified in the agreement. The construction started from July 2010 however the land use right certificate was not obtained until March 2011. Due to lack of clarification of the date of the rights transfer, the related land use tax for the period from July to December 2010 was unquantifiable at the date of issuing the financial statements.

Note 31: Events after the end of the reporting period

(a) Taiwan Depository Receipts

The Group is currently exploring the feasibility of raising further capital by way of Taiwan Depository Receipts (TDRs) on the Taiwan Stock Exchange. This matter is in a preliminary exploratory stage and no decision has been made by the board up to date.

The Board will announce any material updates when appropriate and will advise the market if there is any material development of the matter.

Note 32: Company details

Principal place of business

2-16A Quanzhou Economy & Technology Development Area,
The People's Republic of China

Registered office

Suite 5, Level 1 325 Pitt Street
Sydney NSW Australia 2000

Note 33: Changes of results from 4E

On 28 February 2011 the Group announced to the market its preliminary financial results for the financial year ended 31 December 2010 for \$15,265,440. The audited profit after income tax of the Group for relevant period was \$15,217,563, \$47,877 less than the preliminary financial results. The changes represented 0.31% of the final financial results and were caused by adjustments in administration expenses and deferred income tax expenses.

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
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DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date.
1. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in pages 13 to 20 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2010, comply with section 300A of the Corporations Act 2001.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Qingyue Su
Managing Director

Quanzhou, P.R. China

Date: 31 March 2011



INDEPENDENT AUDITOR'S REPORT

To the members of Novarise Renewable Resources International Limited

Report on the Financial Report

We have audited the accompanying financial report of Novarise Renewable Resources International Limited, which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Novarise Renewable Resources International Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Novarise Renewable Resources International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Novarise Renewable Resources International Limited for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (NSW-VIC) Pty Ltd

WAYNE BASFORD

Director

Sydney, dated this 31st of March 2011