

# **Novarise Renewable Resources International Limited**

**ACN 138 537 596**

## **Half Year Report**

**Ended 30 June 2011**

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- Appendix 4D
- Consolidated Financial Statements

# Novarise Renewable Resources International Limited – Half Year Report

## CORPORATE DIRECTORY

**Novarise Renewable Resources International Limited ACN 138 537 596**

### **Directors**

Mr Qingyue Su (Chairman, Managing Director)  
Mr Chung Yi So (Executive Director)  
Mr Xiaobin Zhuang (Executive Director)  
Mr Fai-Peng Chen (Independent Director)  
Mr John Keiran O'Brien (Independent Director)  
Mr Liandong Tu (Independent Director)

### **Company Secretary**

Ms Winnie Chen  
Mr Xiaobin Zhuang

### **Registered Office**

Suite 5, Level 1, 325 Pitt Street,  
Sydney, AUSTRALIA, 2000

### **Australian Business Office**

Suite 5, Level 1, 325 Pitt Street,  
Sydney, AUSTRALIA, 2000

### **China Business Office**

Address: No.2-16A Quanzhou Economy & Technology Development Zone(QingMeng), P.R. China 362005  
Telephone: 86 595 22353329  
Fax: 86 595 22353392

### **Bankers**

ANZ Bank  
8/20 Martin place, Sydney 2000, Australia

China Construction Bank  
Quanzhou Bincheng Branch  
No. 10-14 Haosheng Garden, Pingshan Road, Quanzhou, P.R. China

### **Share Registrar**

Computershare Investor Services Pty Limited  
Level 5, 115 Grenfell Street  
Adelaide, SA 5000  
Telephone: 1300 787 272

### **Auditors**

BDO Audit (NSW-VIC) Pty Ltd  
Level 19, 2 Market Street  
Sydney NSW 2000

### **Internet Address**

<http://www.novarise.com.au/>

**Novarise Renewable Resources International Limited – Half Year Report**  
Appendix 4D

HALF YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A

Name of entity

NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED

ABN

48 138 537 596

Reporting period

Half Year ended 30 June 2011

Previous corresponding period

Half Year ended 30 June 2010

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

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2011

### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from continuing operations	UP	6.59	%	\$33,934,335
Profit from ordinary operations after income tax attributable to members	UP	37.14	%	\$7,268,014
Net profit for the period attributable to members	UP	37.14	%	\$7,268,014
Net tangible asset value per share	No Change	0	%	\$ 0.14

### 2. REVIEW OF OPERATIONS

A review of operations is included in the Directors' Report.

### 3. DETAILS OF CONTROLLED ENTITIES

During the period the Group gained control of Great Rises International New Resources Limited and its controlled subsidiaries. A summary is included in the half year financial report.

### 4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

### 5. DIVIDENDS

No dividend was paid or proposed for the period to 30 June 2011 or the comparative period.

### 6. AUDIT DISPUTES OR QUALIFICATIONS

There are no audit disputes or qualifications.

### 7. ACCOUNTING STANDARDS

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

# **Novarise Renewable Resources International Limited and its Subsidiaries**

ABN 48 138 537 596

**Consolidated Financial Statements**

For the Period Ended 30 June 2011

# **Novarise Renewable Resources International Limited and its Subsidiaries**

ABN 48 138 537 596

**Consolidated Financial Statements**

For the Half Year Ended 30 June 2011

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# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

30 June 2011

Your directors present their Report on the Company and its subsidiaries (the Group) for the half year ended 30 June 2011

### 1. General information

#### Directors

The directors in office at any time during, or since the end of, the period are:

Mr Qingyue Su

Mr Chung Yi So

Mr Xiaobin Zhuang

Mr Liandong Tu

Mr Fai-Peng Chen

Mr John O'Brien

Mr Phillip Fook Weng AU (resigned 28 January 2011)

Mr Chenzhang Li (resigned 31 January 2011)

### 2. Business review

#### Review of operations

##### Business Report in the First Half Year of 2011

Fully owned by FJSH, Fujian Sungreen Eco-friendly Technology Co., Ltd (hereinafter as "FSET") was established on 28 December, 2010 and specializes in various PP bags and indoor slippers. During the first half year of 2011, FSET has made great progress in expanding its current scope of business. FSET now has five major sales areas in China with ongoing negotiation with several leading hotels in terms of potential cooperation opportunities. It is expected that FSET will achieve a satisfactory sales outcome in the second half year of 2011.

On 20 October 2010, FJSH established its subsidiary in Nan'an city (Nan'an subsidiary). The plant of the Nan'an subsidiary is currently under construction, with almost 80% of its infrastructure completed by the end of June 2011. (Below pictures are taken from the construction site of Nan'an subsidiary).



The new Nan'an facility is expected to be put into production in the fourth quarter of 2011. It is estimated that Nan'an facility will gain a significant production effect in the next half year.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

### 30 June 2011

The R&D department of the Group has been focusing on the research and development of new products. In April 2004, the Group was issued a patent certificate in relation to producing PP fibre by using waste polypropylene. The Group now owns 11 successful patented inventions with the following 11 patent applications currently being processed:

1. Green climbing backpack;
2. Granules canning device;
3. Green knapsack;
4. Green haversack;
5. R&D of waste plastic cleansing device;
6. R&D of PP direct spinning technology;
7. Green computer bag;
8. Green slipper;
9. Green clothing;
10. Green waist pack;
11. Green storage box

### Review of financials

A summary of the consolidated revenues and results by significant industry segment is set out below:

	Segment Revenues		Segment Result – Gross Profit	
	2011	2010	2011	2010
7	\$	\$	\$	\$
Polypropylene yarns	5,992,454	6,809,969	1,202,236	1,509,030
Polypropylene straps and ropes	24,012,830	23,210,763	8,383,845	7,180,779
Recycled Polypropylene pellets	3,314,966	1,619,771	685,056	514,030
Polypropylene cloths	264,489	-	72,433	-
	<u>33,584,739</u>	<u>31,640,503</u>	<u>10,343,570</u>	<u>9,203,839</u>

The Group recorded revenue of \$33,934,335 (or RMB 230 million) for the 6 months period to June 2011, compared to \$31,835,169 (or RMB194 million) for the corresponding period of 2010. This represents an increase of 6.59% in A\$ or 18.55% in RMB.

The NPAT for the 6 months to June 2011 was \$7,268,014 (or RMB 49,211,280) compared to previous corresponding period of 2010 of \$5,299,549 (or RMB 32,387,983), an increase of 37.14% in A\$ and an increase of 51.94% in RMB.

The discrepancies in the percentages between reporting currency in Australian Dollars and the functional currencies for the previous corresponding periods of 2010 and 2011 was due to the rise of the Australian Dollars against RMB by 26% during the comparison period. Taking into account the appreciation of the Australian Dollars against RMB during the periods under comparison, the financial metrics of the Group are positive.

The Group is experiencing optimum and full utilization of its production capacities and expects utilization to be near optimum for the remaining months of 2011 with strong demands for all its products.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

30 June 2011

### Outlook and Prospect for Second Six Months of 2011

The Group reaffirms its Directors' Forecasts that it is on track to achieve its revenue and profit forecasts for 2011 as disclosed in Part 9 of its Prospectus dated 4 February 2010.

Driven by strong demands for its recycled PP yarn and other finished products, the Group anticipates that its production and its utilization will be near capacity for the remainder of the calendar year 2011 and this trend is expected to continue for first half of 2012.

The demand for PP yarn is expected to remain strong in China with strong domestic demands and export of premium PP yarn finished products such as laptop bags and tents etc remain strong.

The Group anticipates that its Nan'an facility will be completed in Quarter 4 of 2011. This advanced and integrated facility will enable efficient manufacturing process for the recovery of PP pallets from recycled waste to spinning of yarn. When production commences, the Group will be the largest producer of PP yarn in China and the only one relying on recycled PP waste.

For the current year, the Group is focused on:

- Expanding its sales and marketing network within China and international markets;
- Establishing its procurement networks for PP waste in China and other countries;
- Significant production in the fourth quarter of 2011 from its Nan'an site;
- Undertaking marketing and promotion activities to promote the Group as the producer of green and environmentally friendly PP yarn; and
- Maintaining and strengthening its overall market position and core competitiveness through technological innovation and expansion in production and growth strategies in both China and internationally.

### 3. Auditors Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on Page 9 to this half year financial statements.

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

Chairman:



Mr Qingyue Su

Quanzhou, P.R. China

Dated this 30th day of August 2011

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

As lead auditor for the review of Novarise Renewable Resources International Limited for the half-year ended 30 June 2011, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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, 30<sup>th</sup> day of August 2011

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2011

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2011

	<b>Consolidated Entity</b>	
	<b>Half – Year</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Revenue	33,934,335	31,835,169
Cost of sales	(23,241,169)	(22,436,665)
<b>Gross profit</b>	10,693,166	9,398,504
Other income	66,301	82,141
Distribution expenses	(176,031)	(97,270)
Marketing expenses	(99,841)	(45,656)
Administration expenses	(1,707,057)	(1,147,879)
Occupancy expenses	(77,368)	(58,455)
Finance costs	(200,227)	(626,186)
Other expenses	(76,427)	(1,252,017)
<b>Profit before income tax expense</b>	8,422,516	6,253,182
Income tax expense	(1,154,502)	(953,633)
<b>Net profit for the half-year</b>	7,268,014	5,299,549
<b>Other comprehensive income</b>		
Foreign currency translation differences	(1,248,524)	3,070,357
<b>Other comprehensive income for the half-year, net of tax</b>	(1,248,524)	3,070,357
<b>Total comprehensive income for the half-year</b>	6,019,490	8,369,906
<b>Profit for the half-year is attributable to:</b>		
Equity holders of Novarise Renewable Resources International Limited	7,268,014	5,299,549
	7,268,014	5,299,549
<b>Total comprehensive income for the half-year is attributable to:</b>		
Equity holders of Novarise Renewable Resources International Limited	6,019,490	8,369,906
	6,019,490	8,369,906
<b>Earnings per share for profit attributable to owners of Novarise Renewable Resources International Limited</b>		
Basic earnings per share	1.75 cents	1.68 cents
Diluted earnings per share	1.75 cents	1.68 cents

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

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2011

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF-YEAR ENDED 30 JUNE 2011

	Consolidated Entity	
	30 June 2011	31 December 2010
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	26,172,151	6,532,233
Term Deposits With Maturity over three months	51,431,305	50,968,916
Trade and other receivables	15,471,716	6,594,665
Inventories	7,787,746	5,855,258
Other assets	11,338,880	9,660,857
<b>TOTAL CURRENT ASSETS</b>	<u>112,201,798</u>	<u>79,611,929</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	31,526,175	15,860,331
Lease prepayments	6,254,999	4,456,858
Long-term prepayment for PPE	7,260,526	4,872,321
Long-term deposits	249,833	-
Deferred tax assets	2,746	36,256
<b>TOTAL NON-CURRENT ASSETS</b>	<u>45,294,279</u>	<u>25,225,766</u>
<b>TOTAL ASSETS</b>	<u>157,496,077</u>	<u>104,837,695</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	13,319,567	9,455,690
Borrowings	67,961,106	37,293,995
Current tax liabilities	2,190,162	1,957,176
Other liabilities	1,433,184	3,769,204
<b>TOTAL CURRENT LIABILITIES</b>	<u>84,904,019</u>	<u>52,476,065</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	14,124,806	-
Deferred tax liabilities	86,132	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>14,210,938</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>99,114,957</u>	<u>52,476,065</u>
<b>NET ASSETS</b>	<u>58,381,120</u>	<u>52,361,630</u>
<b>EQUITY</b>		
Contributed equity	32,066,227	32,066,227
Reserves	793,736	960,054
Retained earnings	25,521,157	19,335,349
<b>TOTAL EQUITY</b>	<u>58,381,120</u>	<u>52,361,630</u>

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

# Novarise Renewable Resources International Limited and its Subsidiaries

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## Consolidated Financial Statements

For the Period Ended 30 June 2011

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2011

CONSOLIDATED ENTITY	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2010</b>	<b>7,314,758</b>	<b>10,924,855</b>	<b>3,678,544</b>	<b>(1,277,202)</b>	<b>20,640,955</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	5,299,549	-	-	5,299,549
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	3,070,357	3,070,357
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>5,299,549</b>	<b>-</b>	<b>3,070,357</b>	<b>8,369,906</b>
Issue of share capital, net of transaction costs	21,949,341	-	-	-	21,949,341
Appropriation to surplus reserves	-	(1,008,537)	1,008,537	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>21,949,341</b>	<b>(1,008,537)</b>	<b>1,008,537</b>	<b>-</b>	<b>21,949,341</b>
<b>At 30 June 2010</b>	<b>29,264,099</b>	<b>15,215,867</b>	<b>4,687,081</b>	<b>1,793,155</b>	<b>50,960,202</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	9,918,014	-	-	9,918,014
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(7,326,165)	(7,326,165)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>9,918,014</b>	<b>-</b>	<b>(7,326,165)</b>	<b>2,591,849</b>
Appropriation to surplus reserves	-	(1,805,983)	1,805,983	-	-
Adjustment to transaction costs	(42,381)	-	-	-	(42,381)
Issue of share capital through dividend reinvestment plan, net of transaction costs	2,844,509	(2,844,509)	-	-	-
Dividends paid	-	(1,148,040)	-	-	(1,148,040)
<b>Transactions with owners in their capacity as owners</b>	<b>2,802,128</b>	<b>(5,798,532)</b>	<b>1,805,983</b>	<b>-</b>	<b>(1,190,421)</b>
<b>At 31 December 2010</b>	<b>32,066,227</b>	<b>19,335,349</b>	<b>6,493,064</b>	<b>(5,533,010)</b>	<b>52,361,630</b>

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2011

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2011 (CONTINUED)

CONSOLIDATED ENTITY	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>At 31 December 2010</b>	<b>32,066,227</b>	<b>19,335,349</b>	<b>6,493,064</b>	<b>(5,533,010)</b>	<b>52,361,630</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	7,268,014	-	-	7,268,014
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(1,248,524)	(1,248,524)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>7,268,014</b>	<b>-</b>	<b>(1,248,524)</b>	<b>6,019,490</b>
Appropriation to surplus reserves	-	(1,082,206)	1,082,206	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>(1,082,206)</b>	<b>1,082,206</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2011</b>	<b>32,066,227</b>	<b>25,521,157</b>	<b>7,575,270</b>	<b>(6,781,534)</b>	<b>58,381,120</b>

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

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2011

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2011

	Consolidated Entity Half – Year	
	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	35,937,202	31,552,242
Payments to suppliers and employees	(35,039,184)	(37,168,836)
Interest received	368,107	171,962
Interest paid	(134,085)	(430,030)
Income tax paid	(754,527)	(131,932)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>377,513</b>	<b>(6,006,594)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in term deposits with maturity over 3 months	(1,614,483)	5,945,628
Increase in long-term deposits	(252,759)	-
Payments for purchase of property, plant and equipment	(13,130,799)	(4,937,615)
Payments for land use rights	(1,993,815)	-
Payment for capitalised interest	(732,581)	-
Loans to third parties	(5,598,097)	-
Loans to related parties	(1,420,778)	-
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>	<b>(24,743,312)</b>	<b>1,008,013</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	79,796,044	21,350,779
Repayment of borrowings	(33,640,412)	(17,802,401)
Loans from related parties	2,822,881	-
Repayment of loans from third parties	(4,595,776)	-
Proceeds from issue of shares, net of transaction costs	-	22,779,942
<b>NET CASH PROVIDED/(USED IN) BY FINANCING ACTIVITIES</b>	<b>44,382,737</b>	<b>26,328,320</b>
<b>NET INCREASE IN CASH HELD</b>	<b>20,016,938</b>	<b>21,329,739</b>
Effect of exchange rate changes on the balance of cash held in foreign currency	(377,019)	(10,872)
Cash and cash equivalents at beginning of the period	6,532,233	4,236,477
<b>CASH AT END OF PERIOD</b>	<b>26,172,152</b>	<b>25,555,344</b>

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

## **Notes to the Consolidated Financial Statements**

### **1. Basis of Preparation of Half-Year Financial Statements**

These general purpose financial statements for the half-year reporting period ended 30 June 2011 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2010 and any public announcements made by Novarise Renewable Resources International Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

### **2. Going Concern**

The Group is mainly engaged in the processing of PP yarn, PP straps and other related green products by using recycled waste plastics. Since 2008 the Group's R&D department has focused on developing environmentally-friendly products, and, to date, more than 10 product ranges have been successfully produced. The R&D department will keep researching and developing new items to meet the market demands and business expansion targets of the Group.

Driven by the preferential policies of the Chinese Government in favour of renewable resources and the 'circular economy', the Group believes that its business will continue to grow. The Nan'an facility is expected to be put into production in the 4th quarter of 2011. Equipped with a world-class production facility, the Nan'an factory will greatly improve the quality and quantity of the Group's products.

For these reasons along with the strong balance sheet position, the Board believes that the Group will remain a going concern. It is forecast that in the 4th quarter of 2011 and throughout 2012, the Group will continue to grow profitably and within its means.

The half-year's financial report of the Group 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 465,550,805 (\$67,961,106) in short-term borrowings due for renewal or repayment between September 2011 and June 2012.

It is anticipated that completion of the Nan'an project will require further funds of approximately \$33M (RMB230M) as well as additional funds to fund working capital as the plant comes on stream.

Despite the current level of short-term borrowings, management is confident that the Group remains a going concern and that it will have sufficient available funds to complete the Nan'an construction and bring the plant into production. Management is also confident that they can renew all of these borrowings as required and generate positive cash flows from the Group's existing operations.

## Notes to the Consolidated Financial Statements (continued)

### 3. Segment Reporting

Management has determined the operating segments based on reports reviewed by the chief operating decision makers for making strategic decision. The chief operating decision makers comprise the managing director, finance director and other directors. The chief operating decision makers monitor the business based on product factors and have identified 4 reportable segments. The basis of determining segments has not changed from the last annual financial statements.

#### *Type of products*

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.

Polypropylene woven cloth: Sale of polypropylene woven cloth produced from polypropylene yarn to customers located in mainland China.

#### *Segment information*

Segment information provided to the board of directors is as follows:

Half-year ended 30 June 2011	Polypropylene yarns	Polypropylene straps and ropes	Recycled Polypropylene pellets	Polypropylene cloths	Total
	\$	\$	\$	\$	\$
Total segment revenue	5,992,454	24,012,830	3,314,966	264,489	33,584,739
Revenue from external customers	5,992,454	24,012,830	3,314,966	264,489	33,584,739
Gross profit	1,202,236	8,383,845	685,056	72,433	10,343,570
<b>Half-year ended 30 June 2010</b>	<b>Polypropylene yarns</b>	<b>Polypropylene straps and ropes</b>	<b>Recycled Polypropylene pellets</b>	<b>Total</b>	
	\$	\$	\$	\$	
Total segment revenue	6,809,969	23,210,763	1,619,771	31,640,503	
Revenue from external customers	6,809,969	23,210,763	1,619,771	31,640,503	
Gross profit	1,509,030	7,180,779	514,030	9,203,839	

## Notes to the Consolidated Financial Statements (continued)

### 3. Segment Reporting (continued)

The board of directors monitors segment performance based on gross profit. This measure excludes interest revenue and other operational and non-operational expenses. This 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:

	<b>Consolidated Half – Year</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	\$	\$
<b>Gross profit</b>	10,343,570	9,203,839
Interest revenue	349,596	194,665
Other income	66,301	82,141
Distribution expense	(176,031)	(97,270)
Marketing expense	(99,841)	(45,656)
Administration expense	(1,707,057)	(1,147,879)
Occupancy expense	(77,368)	(58,455)
Finance costs	(200,227)	(626,186)
Other expenses	(76,427)	(1,252,017)
<b>Profit before income tax</b>	<b>8,422,516</b>	<b>6,253,182</b>

### 4. Individually Significant Items

	<b>Consolidated Half – Year</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	\$	\$
Profit for the half-year includes the following items:		
IPO Costs	-	259,254
Foreign exchange loss on IPO proceeds	-	1,159,073

### 5. Dividends

No dividend was paid or proposed for the period to 30 June 2011 (half-year ended 30 June 2010: Nil)

### 6. Revisions in Estimates

During the half-year ended 30 June 2011, there were no major changes in estimates made.

### 7. Seasonality and Irregular Trends

The sales of goods are dependent on the ability of the Group to obtain sales orders from both existing and potential customers. Sales are not seasonally affected but are more market driven.

## Notes to the Consolidated Financial Statements (continued)

### 8. Equity Securities Issued

	Consolidated Half – Year		Consolidated Half – Year	
	30 June 2011 shares	30 June 2010 shares	30 June 2011 \$	30 June 2010 \$
<b>Issues of Ordinary Shares During the Half-Year</b>				
Initial public offering on ASX	-	100,254,908	-	21,949,341
Group restructuring	-	299,000,000	-	-
	-	399,254,908	-	21,949,341

During the half-year ended 30 June 2011, there were no shares issued.

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.

### 9. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 31 December 2010.

### 10. Security on Borrowings

In the first half-year of 2011, the Group obtained a third-party loan of \$23,356,800 (RMB160,000,000) for the construction of Nan'an facility, which is secured over 100% of the shareholding of a subsidiary—Fujian Sanhong Renewable Resources Technology Co., Ltd.

### 11. Acquisitions from entities under Common Control

There were no acquisitions incurred in the half-year ended 30 June 2011. In prior half-year as part of the IPO restructuring Novarise Renewable Resources International Limited ('Novarise') acquired 100% of the equity in Great Rises International New Resources Limited ('Great Rises'), a company registered in Hong Kong, by way of issuing equity. The transaction interposed Novarise as the ultimate parent company of the Group, which comprised the two operating subsidiaries based in P.R. China, Quanzhou Sanhong Chemical Fibre Company Limited and Fujian Sanhong Renewable Resources Technology Company Limited. Both subsidiaries in China are involved in manufacturing and sales of polypropylene yarns and straps, as well as recycled polypropylene pellets.

### 12. Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

**DECLARATION BY DIRECTORS**

The directors of the company declare that:

- (a) The financial statements and notes set out on page 10 to 18 are in accordance with the *Corporations Act 2001* and:
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date.
  
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Qingyue Su  
Director



Quanzhou P.R. China  
30 August 2011

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Novarise Renewable Resources International Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novarise Renewable Resources International Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Novarise Renewable Resources International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we 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.

### Conclusion


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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the half-year financial report which indicates that the consolidated entity has \$67,961,106 (RMB 465,550,805) in short-term borrowings due for renewal or repayment between September 2011 and June 2012 in addition to a requirement for future funds of approximately \$33 million (RMB 230 million) to complete the Nan'an project and additional working capital as the plant comes on stream.

Should the consolidated entity be unsuccessful in renewing existing borrowings or obtaining new loans as required and generating positive cash flows from operations sufficient to meet its funding requirements there is significant uncertainty about the consolidated entity's ability to continue as a going concern.



BDO Audit (NSW-VIC) Pty Ltd



Wayne Basford

Director

Sydney, 30<sup>th</sup> day of August 2011