

Novarise Renewable Resources International Limited

ACN 138 537 596

Half Year Report

Ended 30 June 2013

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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 (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Australia

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 2013

Previous corresponding period

Half Year ended 30 June 2012

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 2013

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from continuing operations	Down	16	%	To \$30,623,480
Profit from ordinary operations after income tax attributable to members	Down	46	%	To \$4,223,440
Net profit for the period attributable to members	Down	46	%	To \$4,223,440
Net tangible asset value per share	As at 30 June 2013			\$0.26
	As at 30 June 2012			\$0.19

2. REVIEW OF OPERATIONS

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

3. DETAILS OF CONTROLLED ENTITIES

No gain or lose control of entities incurred in the period.

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 2013 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

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Consolidated Financial Statements

For the Period Ended 30 June 2013

Novarise Renewable Resources International Limited and its Subsidiaries

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Consolidated Financial Statements

For the Half Year Ended 30 June 2013

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Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report

30 June 2013

Your directors present their Report on the Company and its subsidiaries (the Group) for the half year ended 30 June 2013

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

2. Business review

Review of operations

Business Report in the First Half Year of 2013

In the first half year of 2013, the construction of the Nan'an facility was fully completed and the production having been relocated from the Company's Quanzhou's facility in Qingmeng Park, and the new production lines being installed progressively as previously advised. The commercial production and operation of the facility has experienced further delays. Only two lines are currently in production with the remaining six production lines are expected to be fully operational by early 2014. The management has previously planned for the eight production lines to be operational and producing in the end of 2013.

The sales of recycled polypropylene pellets have doubled in the first half year of 2013, compared for the corresponding period of 2012. Recycled polypropylene pellets, green bags, hotel slippers and other new products will be the main focus the Group's future sales growth. This growth was more than offset by a 9% decline in the sales of yarns and a 65% decline in the revenue generated from the sale of straps and ropes.

2013 is a period of transition for the Group as it relocates the factory to Nan'an. The overall sales volume has decreased partially due to this transition and partly due to commissioning issues at Nan'an and this has impacted the Group's overall performance.

In the first half year of 2013, the import of post-consumer feedstock materials decreased, significantly due to the "Green Fence Action" launched by China Customs in February 2013. This policy has limited the import of waste material into China resulting in the Company having to source more of its post-consumer feedstock from within China or to substitute that with virgin PP pellets. This has resulted in the proportion of waste feedstock declining from 60% of all feedstock used down to only 49% during the first half of 2013. In turn, this has resulted in lower overall profitability for the Group during this period.

The waste consumption rate had decreased from 60% to 49% in the first half year of 2013, which resulted in a lower profitability of the Group.

Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report

30 June 2013

Below are pictures taken from the construction site of Nan'an production facility in August 2013.



Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report

30 June 2013



During the first half of 2013, the Group's Research and Development department developed and installed 60 "cylinder automatic switch filters". Forty of these filters have been used in production. The Group is the sole owner of this technology in China and is the only organisation using this technology. The technology is used to provide a spiral filter that can increase the flow of raw materials in the process of filtering. It will also prevent raw materials blocking the filter, which improves the utilisation of raw materials and ensures the filtering rate of raw materials will increase to more than 98%.

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	
	2013	2012	2013	2012
	\$	\$	\$	\$
Polypropylene yarns	5,342,432	5,866,159	917,255	1,408,993
Polypropylene straps and ropes	17,708,641	27,315,459	4,866,543	9,232,159
Recycled Polypropylene pellets	7,277,629	3,072,745	1,209,845	990,487
Other revenue	294,778	61,227	55,109	22,858
	<u>30,623,480</u>	<u>36,315,590</u>	<u>7,048,752</u>	<u>11,654,497</u>

The results of the first half year of 2013 and 2012 are listed below:

The Group recorded sales revenue of \$30,623,480 (or RMB194 million) for the 6 months period to June 2013, compared to \$36,315,590 (or RMB 236 million) for the corresponding period of 2012. This represents a decrease of 16% in A\$ or 18% in RMB.

Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report

30 June 2013

The net profit after tax for the 6 months to June 2013 was \$4,223,440 (or RMB26,778,746) compared to previous corresponding period of 2012 of \$7,790,272 (or RMB 50,691,309), a decrease of 46% in A\$ and a decrease of 47% in RMB.

The discrepancies in the percentages between reporting currency in Australian Dollars and the functional currency was due to the decrease in the exchange rate of the Australian Dollars against RMB by 3% during the comparison period.

The decline in the Group's revenue in the first half year of 2013 was mainly due to the installation of, trial production and worker training at the Nan'an plant. This process has taken significantly longer than initially anticipated but is scheduled to be completed and fully operational by early 2014.

Outlook and Prospect for Second Six Months of 2013

2013 is a period of transition for the Group due to the relocation of operations to Nan'an. The performance and the profitability of the Group will continue be impacted throughout 2013 by the trial production in Nan'an and the training of new workers. It is expected that the Group's profitability will decrease slightly in the second half year of 2013 when compared to the first half of the year. However, driven by strong and ongoing domestic demand for its recycled polypropylene ('PP') yarn and other finished products, the Group believes that revenues and profits will increase again over time so that in three years' time, the plant utilisation will be at full capacity.

Currently, there are two production lines in production and two lines in trial production at the Nan'an plant with a further two lines in the process of being installed. The Group anticipates that all eight production lines will be in trial production by the end of December 2013. The advanced and integrated production lines at the new plant can improve the efficiency of the manufacturing process of producing PP yarn from PP recycled waste materials. Even though management now forecasts that the actual production efficiency of the new production lines are significantly lower than originally anticipated, the production efficiency of the new lines still improved compared with the efficiency of the old productions lines in Quanzhou's facility. Once fully operational, the Group will become the largest manufacturer of PP yarn in China and the only manufacturer using PP waste to produce PP yarn.

For the remainder of the current year, the Group is focused on:

- Completion and commissioning of the Nan'an project;
- Expanding its sales and marketing network within China and international markets;
- Establishing its procurement networks for PP waste in China and other countries;
- Undertaking marketing 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.

Novarise Renewable Resources International Limited and its Subsidiaries

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Directors' Report

30 June 2013

Subsequent Events: Privatisation Proposal

Subsequent to the reporting date, as announced to the market on 29 July 2013, Novarise announced that it had received a preliminary, incomplete and non-binding offer for the privatisation of Novarise from its controlling shareholders, Great Rises Investment Ltd, Great Rises New Resources Technology Co., Ltd and Great Rises International Group Investment Ltd (together, GRII). The proposal is to privatise Novarise through a selective reduction of capital involving the cancellation of all shares in Novarise other than those held at the relevant record date by GRII and its associates (Privatisation Proposal). If the Privatisation Proposal is implemented, Novarise will be delisted from ASX. It is noted however that the independent directors and GRII are still in discussion to finalise and execute a definitive Implementation and Funding Agreement to implement the Privatisation (the Agreement). Assuming that the Agreement is finalised between Novarise and GRII and there is no certainty that the transaction will be completed. The Privatisation Proposal will be subject to conditions precedent as announced and will require the separate approval by special resolution of Novarise's shareholders as a whole as well as approval by special resolution in general meetings.

3. Auditors Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on Page 11 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 2013

30 August 2013

Novarise Renewable Resources International Limited
Suite 5, Level 1
325 Pitt Street
SYDNEY NSW 2000

Dear Sirs,

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

As lead auditor for the review of Novarise Renewable Resources International Limited for the half-year ended 30 June 2013, 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 (WA) Pty Ltd
Perth, Western Australia

Novarise Renewable Resources International Limited and its Subsidiaries

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Consolidated Financial Statements

For the Period Ended 30 June 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Consolidated Entity Half – Year	
	2013 \$	2012 \$
Sales revenue	30,623,480	36,315,590
Cost of sales	(23,574,728)	(24,661,093)
Gross profit	7,048,752	11,654,497
Interest revenue	3,364,066	2,146,468
Other income	722,491	331,127
Distribution expenses	(150,355)	(85,494)
Marketing expenses	(249,796)	(298,793)
Administration expenses	(1,512,719)	(1,151,068)
Occupancy expenses	(83,381)	(76,451)
Financial costs	(3,863,840)	(2,601,220)
Other expenses	(10,550)	(28,635)
Profit before income tax expense	5,264,668	9,890,431
Income tax expense	(1,041,228)	(2,100,159)
Net profit for the half-year	4,223,440	7,790,272
Other comprehensive income		
Foreign currency translation differences	14,307,056	733,870
Other comprehensive income for the half-year, net of tax	14,307,056	733,870
Total comprehensive income for the half-year	18,530,496	8,524,142
Profit for the half-year is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	4,223,440	7,790,272
	4,223,440	7,790,272
Total comprehensive income for the half-year is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	18,530,496	8,524,142
	18,530,496	8,524,142
Earnings per share for profit attributable to owners of Novarise Renewable Resources International Limited		
Basic earnings per share	1.02 cents	1.88 cents
Diluted earnings per share	1.02 cents	1.88 cents

The above Consolidated Statement of Profit or Loss and Other 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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Note	Consolidated Entity	
		30 June 2013 \$	31 December 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		14,803,901	2,162,932
Term Deposits With Maturity over three months		71,235,365	33,068,441
Trade and other receivables	4	99,362,787	123,594,661
Inventories		7,481,456	6,498,252
Other assets		16,059,664	1,443,377
TOTAL CURRENT ASSETS		208,943,173	166,767,663
NON-CURRENT ASSETS			
Long term deposits with maturity over three months		-	10,685,330
Property, plant and equipment	5	77,984,197	60,422,430
Lease prepayments		8,658,986	7,052,864
Long-term prepayment for PPE		5,901,562	9,024,997
Deferred tax assets		945,909	529,188
TOTAL NON-CURRENT ASSETS		93,490,654	87,714,809
TOTAL ASSETS		302,433,827	254,482,472
CURRENT LIABILITIES			
Trade and other payables		24,472,893	20,120,698
Borrowings		132,652,620	114,698,110
Current tax liabilities		1,952,444	2,614,108
Other liabilities		3,223,879	2,849,369
TOTAL CURRENT LIABILITIES		162,301,836	140,282,285
NON-CURRENT LIABILITIES			
Borrowings		30,048,948	24,626,587
Deferred tax liabilities		3,851,213	1,872,266
TOTAL NON-CURRENT LIABILITIES		33,900,161	26,498,853
TOTAL LIABILITIES		196,201,997	166,781,138
NET ASSETS		106,231,830	87,701,334
EQUITY			
Contributed equity		32,066,227	32,066,227
Reserves		23,050,020	8,046,936
Retained earnings		51,115,583	47,588,171
TOTAL EQUITY		106,231,830	87,701,334

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 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2013

CONSOLIDATED ENTITY	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2012	32,066,227	33,673,932	9,158,687	(3,134,397)	71,764,449
Total comprehensive income for the half-year					
Profit for the half-year	-	7,790,272	-		7,790,272
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	733,870	733,870
Total comprehensive income for the half-year	-	7,790,272		733,870	8,524,142
Appropriation to surplus reserves	-	(7,234,011)	7,234,011	-	-
Transactions with owners in their capacity as owners	-	(7,234,011)	7,234,011	-	-
At 30 June 2012	32,066,227	34,230,193	16,392,698	(2,400,527)	80,288,591
At 1 January 2013	32,066,227	47,588,171	11,964,748	(3,917,812)	87,701,334
Total comprehensive income for the half-year					
Profit for the half-year	-	4,223,440	-	-	4,223,440
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	14,307,056	14,307,056
Total comprehensive income for the half-year	-	4,223,440	-	14,307,056	18,530,496
Appropriation to surplus reserves	-	(696,028)	696,028	-	-
Transactions with owners in their capacity as owners	-	(696,028)	696,028	-	-
At 30 June 2013	32,066,227	51,115,583	12,660,776	10,389,244	106,231,830

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

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Consolidated Financial Statements

For the Period Ended 30 June 2013

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Consolidated Entity Half – Year	
	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	41,316,631	42,312,917
Payments to suppliers and employees	(43,308,274)	(37,336,031)
Interest received	386,102	226,223
Interest paid	(1,831,558)	(740,775)
Income tax paid	(793,247)	(2,170,742)
	<u>(4,230,346)</u>	<u>2,291,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/Decrease in term deposits with maturity over 3 months	(18,354,377)	25,650,548
Proceeds from sale of property, plant and equipment	110,401	-
Payments for purchase of property, plant and equipment	(5,251,573)	(13,384,110)
Payments for land use rights	(523,460)	-
Payment for capitalised interest	-	(497,397)
Loans to third parties	-	(30,136,031)
Loan repayments made by third parties	32,147,868	14,840,811
Loans to related parties	5,635,382	-
	<u>13,764,241</u>	<u>(3,526,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	67,324,367	67,996,947
Repayment of borrowings	(66,014,835)	(55,705,323)
Loans from related parties	89,354	1,556,487
Repayment of loans from third parties	(34,372)	(15,368,065)
	<u>1,364,514</u>	<u>(1,519,954)</u>
NET INCREASE/(DECREASE) IN CASH HELD		
	10,898,409	(2,754,541)
Effect of exchange rate changes on the balance of cash held in foreign currency	1,742,560	18,531
Cash and cash equivalents at beginning of the period	2,162,932	7,067,316
	<u>14,803,901</u>	<u>4,331,306</u>

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 2013 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 2012 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 full production in the second half of the year 2013. 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, the Board believes that the Group will remain a going concern. It is forecasted that in the 4th quarter of 2013 and throughout 2014, 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 749,328,125 (\$132,652,620) in short-term borrowings due for renewal or repayment by June 2014.

It is anticipated that completion of the Nan'an project will require further funds of approximately \$12 million (RMB 72 million) as well as additional funds to fund working capital as the plant comes on stream in the second half of the year 2013.

As at 30 June 2013, the Group has current assets of \$208,943,173 which includes \$66,982,190 of loans receivable from third parties (the "Borrowers") which are expected to be repaid by 31 December 2013.

Despite the current level of short-term borrowings, the Board is confident that the Group will have sufficient available funds to bring the Nan'an plant into full production. The Board is also confident that they can renew all of these borrowings as required and generate positive cash flows from the Group's existing operations. The Board also believes that the Borrower will be able to successfully refinance its business and will therefore be in a position to repay its loan (including interest receivables) to the Group at the due date.

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 3 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.

Segment information

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

	Polypropylene yarns	Polypropylene straps and ropes	Recycled Polypropylene pellets	Total
	\$	\$	\$	\$
Half-year ended 30 June 2013				
Total segment revenue	5,342,432	17,708,641	7,277,629	30,328,702
Revenue from external customers	5,342,432	17,708,641	7,277,629	30,328,702
Gross profit	917,255	4,866,543	1,209,845	6,993,643
Half-year ended 30 June 2012				
Total segment revenue	5,866,159	27,315,459	3,072,745	36,254,363
Revenue from external customer	5,866,159	27,315,459	3,072,745	36,254,363
Gross profit	1,408,993	9,232,159	990,487	11,631,639

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:

	Consolidated Half – Year	
	30 June 2013 2012.6.30	30 June 2012 2011.6.30
	\$	\$
Gross profit	6,993,643	11,631,639
Gross profit from unallocated sales	55,109	22,858
Gross profit per Statement of Comprehensive Income	<u>7,048,752</u>	<u>11,654,497</u>
Interest revenue	3,364,066	2,146,468
Other income	722,491	331,127
Distribution expense	(150,355)	(85,494)
Marketing expense	(249,796)	(298,793)
Administration expense	(1,512,719)	(1,151,068)
Occupancy expense	(83,381)	(76,451)
Finance costs	(3,863,840)	(2,601,220)
Other expenses	(10,550)	(28,635)
Profit before income tax	<u>5,264,668</u>	<u>9,890,431</u>

4. Trade and other receivables

		Consolidated Entity	
		30 June 2013	31 December 2012
		\$	\$
Current			
Trade receivables		8,814,576	11,568,712
Other receivables	(a)	11,782,057	7,314,469
Loan to related party		11,783,964	15,648,829
Loan to third parties	(b)	66,982,190	89,062,651
		<u>99,362,787</u>	<u>123,594,661</u>

(a) Other receivables

Included above are interest receivables of \$11,771,713 (2012: \$7,283,811) including interest on loans to third parties refer to in (b) below.

(b) Loan to third parties

Included above is an unsecured loan to a third party of \$39,177,711 (2012: \$50,548,687) which is repayable by 31 December 2013. It includes \$34,237,360 (2012: \$40,293,713) bearing an interest rate of 12%, and the remaining balance of \$4,940,351 (2012: \$10,254,974) is interest free.

The remaining balance of loans to other third parties is interest free, and is neither past due nor impaired.

The Group does not hold any collateral in relation to the receivables (2012: nil).

Notes to the Consolidated Financial Statements (continued)

5. Property, Plant and Equipment

	Consolidated Entity	
	30 June	31 December
	2013	2012
	\$	\$
Property, plant and equipment	77,984,197	60,422,430

Included in property, plant and equipment is \$29,303,890 of capital works in progress (2012: \$46,808,445). In the first half of 2013, building and machinery of \$30,683,399 (2012: \$5,601,838) was transferred from capital works in progress to property, plant and equipment. The depreciation of \$546,909 was provided for those assets in the first half of 2013.

6. Revisions in Estimates

During the half-year ended 30 June 2013, 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.

8. Equity Securities Issued

During the half-year ended 30 June 2013, there were no shares issued.

9. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 31 December 2012.

11. Acquisitions from entities under Common Control

There were no acquisitions incurred in the half-year ended 30 June 2013.

12. Events subsequent to the end of the reporting period

Privatisation Proposal

Subsequent to the reporting date, as announced to the market on 29 July 2013, Novarise announced that it had received a preliminary, incomplete and non-binding offer for the privatisation of Novarise from its controlling shareholders, Great Rises Investment Ltd, Great Rises New Resources Technology Co., Ltd and Great Rises International Group Investment Ltd (together, GRII). The proposal is to privatise Novarise through a selective reduction of capital involving the cancellation of all shares in Novarise other than those held at the relevant record date by GRII and its associates (Privatisation Proposal). If the Privatisation Proposal is implemented, Novarise will be delisted from ASX. It is noted however that the independent directors and GRII are still in discussion to finalise and execute a definitive Implementation and Funding Agreement to implement the Privatisation (the Agreement). Assuming that the Agreement is finalised between Novarise and GRII and there is no certainty that the transaction will be completed. The Privatisation Proposal will be subject to conditions precedent as announced and will require the separate approval by special resolution of Novarise's shareholders as a whole as well as approval by special resolution in general meetings.

No other 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 12 to 19 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 2013 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 2013

INDEPENDENT AUDITOR'S 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 consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary 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 internal 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 half-year 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 2013 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 review 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 2013 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 modifying our conclusion, we draw attention to Note 2 of the half-year financial report, which indicates that the consolidated entity has \$132,652,620 of loans and notes payables due for renewal by 30 June 2014, and a requirement for funds of approximately \$12 million to complete the Nan'an project as well as additional funds to fund working capital as the plant comes on stream in second half of the year 2013. In addition, there is an unsecured receivable of \$66,982,190 due from third parties (the "Borrowers") due to be repaid in full in by 31 December 2013. Should the company be unsuccessful in renewing existing borrowings or obtaining new loans as required and the receivable due from the Borrower is not recovered in full by the due date, these conditions, along with the other matters as set force in Note 2 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford'. Above the signature, the letters 'BDO' are written in a similar cursive style.

Wayne Basford
Director

Perth, Western Australia
Dated this 30th Day of August 2013