

Appendix 4E

Preliminary Final Report

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

1. Details of the reporting period

Current Period: 1 January 2014 – 31 December 2014
Previous Corresponding Period: 1 January 2013 – 31 December 2013

2. Results for announcement to the market

	\$A'000		
2.1			
Revenue from continuing operations	Up	67%	to \$159,459
Other income	Down	80%	to \$249
Total revenue and other income from ordinary activities	Up	65%	to \$159,708
2.2			
Loss from ordinary activities after tax attributable to Members	Down	163%	to \$5,715
2.3			
Loss for the period attributable to members	Down	163%	to \$5,715

2.4 Dividends / Distributions	Amount per security	Franked amount per security
<i>Current Period:</i>		
Final distribution for the year ended 31 December	0	Nil
Interim distribution for the period ended 30 June	0	Nil
<i>Previous Corresponding Period:</i>		
Final distribution for the year ended 31 December	0	Nil
Interim distribution for the period ended 30 June	0	Nil

2.5 Record date for determining entitlements to dividends Nil

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

	12 Months Ended	
	31 December 2014	31 December 2013
	\$	\$
Revenue	157,815,324	90,833,182
Cost of sales	(146,023,152)	(74,243,356)
Gross profit	11,792,172	16,589,826
Interest revenue	1,643,663	4,582,960
Other income	249,003	1,264,589
Distribution expenses	(840,300)	(836,397)
Marketing expenses	(541,796)	(468,342)
Administration expenses	(4,221,640)	(3,343,947)
Occupancy expenses	(179,355)	(172,222)
Finance costs	(14,428,314)	(7,140,340)
Other expenses	(297,028)	(7,020)
(Loss)/profit before income tax expense	(6,823,595)	10,469,107
Income tax benefit/(expense)	1,109,015	(1,412,976)
(Loss)/profit after income tax expense	(5,714,580)	9,056,131
Other comprehensive income		
Foreign currency translation differences	8,862,078	18,963,182
Total other comprehensive income for the 12 months, net of tax	8,862,078	18,963,182
Total comprehensive income for the 12 months	3,147,498	28,019,313
Profit for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	(5,714,580)	9,056,131
	(5,714,580)	9,056,131
Total comprehensive income for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	3,147,498	28,019,313
	3,147,498	28,019,313
Basic (Loss)/Earnings per Share	(1.38) Cents	2.18 Cents
Diluted (Loss)/Earnings per Share	(1.38) Cents	2.18 Cents

4. Consolidated Statement of Financial Position

	As at 31 December 2014	As at 31 December 2013
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,232,696	1,540,957
Term Deposits With Maturity over three months	45,161,804	95,116,323
Trade and other receivables	230,363,576	158,589,165
Inventories	10,450,245	6,746,516
Other assets	2,727,251	14,606,221
TOTAL CURRENT ASSETS	290,935,572	276,599,182
NON-CURRENT ASSETS		
Other receivables	2,333,746	2,157,199
Property, plant and equipment	99,929,477	94,968,233
Leasehold land use rights, net	9,468,102	8,928,654
Deferred tax assets	5,049,336	915,607
Long-term prepayment for PPE	8,153,378	7,745,542
TOTAL NON-CURRENT ASSETS	124,934,039	114,715,235
TOTAL ASSETS	415,869,611	391,314,417
CURRENT LIABILITIES		
Trade and other payables	32,365,936	24,218,437
Borrowings	205,367,567	188,022,847
Current tax liabilities	2,657,562	1,887,318
Other liabilities	2,969,983	1,892,084
TOTAL CURRENT LIABILITIES	243,361,048	216,020,686
NON-CURRENT LIABILITIES		
Borrowings	50,351,844	56,282,769
Deferred tax liabilities	3,288,574	3,290,315
TOTAL NON-CURRENT LIABILITIES	53,640,418	59,573,084
TOTAL LIABILITIES	297,001,466	275,593,770
NET ASSETS	118,868,145	115,720,647

4. Consolidated Statement of Financial Position (continued)**EQUITY**

Contributed equity	32,066,227	32,066,227
Reserves	38,552,374	28,553,071
Retained earnings	48,249,544	55,101,349
TOTAL EQUITY	118,868,145	115,720,647

5. Consolidated Statement of Cash Flows

	12 Months ended	
	31 December 2014	31 December 2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	182,929,421	111,540,502
Payments to suppliers and employees	(165,514,069)	(110,593,482)
Interest received	3,270,011	463
Interest paid	(6,525,312)	(2,480,195)
Income tax paid	(2,247,560)	(1,871,726)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	11,912,491	(3,404,438)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(3,393,034)	(19,000,964)
Proceeds from sales of property, plant & equipment	293,677	158,909
Payments for land use rights	-	(553,231)
Decrease/(increase) in term deposits with maturity over three months	52,181,820	(38,315,137)
Payment for capitalised interest	-	(992,290)
Loans to third party	(82,519,434)	(69,029,403)
Repayment of loans by third party	43,401,496	44,785,686
Loans to related party	(9,277,846)	-
Repayment of loans by related party	-	17,051,388
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	686,679	(65,895,042)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	217,370,175	190,988,359
Repayment of borrowings	(219,633,390)	(151,043,411)
Proceeds from sale and leaseback transaction, net	40,073,549	34,466,896
Payment of finance lease liabilities	(47,103,997)	-
Loans from related parties	1,456,960	1,017,792
Repayment of loans to related parties	(2,989,407)	-
Loans from non-bank third party	-	1,252,428
Repayment of loans to non-bank third party	(1,261,875)	(8,334,306)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(12,087,985)	68,347,758

5. Consolidated Statement of Cash Flows (continued)

NET INCREASE/(DECREASE) IN CASH HELD	511,185	(951,722)
Effects of exchange rate changes on the balance of cash held in foreign currency	180,554	329,747
Cash and cash equivalents at beginning of the year	1,540,957	2,162,932
CASH AT END OF YEAR	2,232,696	1,540,957

6. Consolidated Statement of Changes in Equity

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2013	32,066,227	47,588,171	11,964,748	(3,917,812)	87,701,334
Total comprehensive income for the year					
Profit for the year	-	9,056,131	-	-	9,056,131
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	18,963,182	18,963,182
Total comprehensive income for the year	-	9,056,131	-	18,963,182	28,019,313
Appropriation to surplus reserve	-	(1,542,953)	1,542,953	-	-
Transaction with owners in their capacity as owners	-	(1,542,953)	1,542,953	-	-
At 31st December 2013	32,066,227	55,101,349	13,507,701	15,045,370	115,720,647
Total comprehensive income for the year					
Loss for the year	-	(5,714,580)	-	-	(5,714,580)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	8,862,078	8,862,078
Total comprehensive income for the year	-	(5,714,580)	-	8,862,078	3,147,498
Appropriation to surplus reserve	-	(1,137,225)	1,137,225	-	-
Transaction with owners in their capacity as owners	-	(1,137,225)	1,137,225	-	-
At 31st December 2014	32,066,227	48,249,544	14,644,926	23,907,448	118,868,145

7. Details of dividends/distributions

No dividend was paid or proposed for the financial year ended 31 December 2014.

8. Details of dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 31 December 2014.

9. Net tangible assets per security

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (excluding minority interest)*	\$0.29	\$0.28

* Calculated net of goodwill and other intangibles.

10. Control gained or lost over entities during the year

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

11. Details of associates and joint venture entities

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

12. Other significant information

Refer to commentary on result below.

13. Accounting standards used by foreign entities

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

14. Commentary on results

Revenue during the reporting period grew by 67% compared to previous corresponding period. NPAT however decreased from \$9,056,131 in FY2013 to a loss \$5,714,580 in FY2014.

The sales in FY2014 increased significantly due to high volume low margin trading. However the sales of manufactured materials fell. The overall profitability was impacted by the low margins of the trading activities and the margin pressure in the rest of the business.

Due to the fall of the international oil prices at the end of 2014, margins were severely affected and the Group was forced to increase sales in low margin orders and even the orders with losses in order to reduce inventory level, reduce the backlog costs and generate cash flow.

In FY2014, the majority of the infrastructure work of the new plant in Nan'an has been completed. However the factory is yet to be brought to full capacity as at this stage there is insufficient market demand to warrant the completion of the work, and there are a number of technical implementation issues noted to be resolved. The reduction in market demand was due to the fall of the international oil prices which adversely affected the demand for the recycled PP products by downstream manufacturers.

In FY2014 the Group was able to maintain the quality and the market acceptance of the products. The sale prices of PP yarn and webbing products were maintained at a relatively stable level for most of the year by good quality of the products. In order to achieve integrated production model and the profitability, the Group has slowed down in developing finished products such as notebook bags, shopping bags, hotel slippers and working cloths etc.

The supply and procurement costs for PP waste and feedstock were also maintained at a relatively stable level.

In 2014, the Group was awarded as "standardization in safety production of level-three enterprise". An environmentally friendly laptop bag also won a gold award at the Paris International Invention Exhibition. In addition, automatic control of waste plastics output equipment won a silver award at Nuremberg International Invention Exhibition and the International Green Award.

There are 10 planned production lines at the Nan'an factory. Four of these production lines were operating at December 2014. Due to the lack of sales orders, the utilisation of these 4 production lines was relatively low when compared to their production capacities due to the factors mentioned above. Another four lines will be commissioned when the market demand provides sufficient justification.

15. Outlook

The market demand for recycled polypropylene yarn and other finished polypropylene products has slowed down with the slowdown in the Chinese economy. The past year has seen the market demand reduced due to the international oil prices fall and the weakened demand for recycled polypropylene pellets in China market. The Group anticipates that the sales and the use of its products will stabilise and grow over the medium to long term. However, there remain significant challenges in the short term with respect to achieving sales at the previous gross margins. .

The management remains confident that the demand and market acceptance of Novarise's recycled products are expected to grow in China and internationally in time as governments and consumer behaviours encourage the wider use of Green PP products such as green shopping bags.

If the low oil prices were to continue as anticipated, the Group's comparative advantage as producer of recycled PP pallets, yarns and downstream products as well as the demand for the recycled PP products will continue to be adversely affected. The depressed oil price has resulted in the loss of profit margins vis-a-vis the conventional PP manufacturers. As the result of the loss of this comparative advantage and the slowdown in demands, the Group currently intends to keep the current production level. Continuous R&D investment in the manufacturing and industrial process underpins Novarise 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 products development.

The Company wishes to highlight the following factors that might adversely and materially affect its outlook for 2015:

- The constant fluctuation in Renminbi will invariably affect the profit margins of international sales denominated in USD. The future movement of Renminbi is difficult to predict;
- The global economic recovery remains unstable and volatile. It may be interrupted sudden and rapid rise in crude oil prices due to other factors, such as geopolitical in Europe and the Middle East;
- The structure changes in the Chinese economy impacts on some labour-intensive businesses. Although the Company is affected at short term, it is anticipated that it will benefit from the changes in the long run; and
- The company has \$211 million of unsecured loans owing to it. This exposes the Company to significant risk should the counterparties not be able to settle. Mr Su has provided personal guarantees on those loans. He will assume all legal liabilities and he will use his own assets to repay all loans if those loans cannot be recovered.

16. Selective Capital Reduction

On 29 July 2013, Novarise announced that it had entered into an implementation and funding agreement with its majority shareholder, Great Rises International Investment Ltd, Great Rises New Resources Technology Co., Ltd and Great Rises International Group Investment Ltd (together, GRII) regarding a proposal for the privatisation of Novarise.

The pending proposal was to privatise Novarise through a selective reduction of capital involving the cancellation of all shares in Novarise other than those held by GRII.

The consideration for the cancellation of the shares in Novarise held by all shareholders other than GRII and other connected parties was offered at \$0.23 per share.

The Privatisation Proposal requires the separate approval by special resolution of Novarise's shareholders as a whole as well as approval by special resolution of Exiting Shareholders in general meeting which meetings were originally intended to be held in November 2013.

Due to delays in the transaction, the Privatisation could not be completed by original date. The completion of the selective capital reduction pursuant to the implementation and funding agreement has now been extended to and will expire on the 30 June 2015. Novarise has agreed to allow GRII until 15 March 2015 to provide the 30% consideration of the privatisation funds to Novarise, and until 31 March 2015 to provide the remaining 70% consideration of the privatisation funds to Novarise.

Novarise may terminate the funding and implementation agreement between Novarise and GRIL and the selective capital reduction and will consider what recourse Novarise may have against GRIL in respect of GRIL's breaches of the Implementation and Funding Agreement if the 30% consideration is not received by 15 March 2015.

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

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

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

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



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

The accounts have not yet been audited or reviewed.

18. Accounts not yet audited or reviewed

N/A

19. Qualification of audit / review

No. The Company is in discussion with its auditors regarding the recoverability of a number of significant unsecured loans and its potential impact on the operations of the Company, and the evidence which the Company is able to provide as to the collectability of these unsecured loans.