

# NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD

## Australian Securities Exchange Announcement

**The Manager**  
**Companies Announcements Officer**  
**Australian Securities Exchange Limited**  
**PO Box H224**  
**Australia Square**  
**Sydney NSW 1215**

**19 March, 2018**

### **ASX Announcement – Debt Restructure, Business Turnaround, Audit and Update**

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Novarise Renewable Resources International Ltd ACN 138 537 596 (**NOE or Company**) wish to make the following announcement.

#### **Application for extension of time under ASX Guidance Note 33**

- The Company has, through its legal adviser, submitted an application with the ASX on 16 March, 2018 to request the agreement of ASX to a three months extension of the 3 year deadline for the automatic removal of NOE from the official list from 26 March 2018 to 26 June 2018.
- The purpose of the Company's application is to avoid NOE being removed from the official list from 26 March 2018 and provide to it adequate time to complete its debt restructure and the audit of its financial reports for 2015, 2016 and 2017.
- The Company, working with its auditor, has commenced the audit process for the financial reports for 2015, 2016 and 2017 and is confident that it is in the position to have the audited financial reports ready before 26 June 2018.

The Company announced on 30 November, 2017, two wholly owned Chinese subsidiaries of the Company, Fujian Sanhong Renewable Resource Technology Co., Ltd (China) (**FJSH**) and Quanzhou Sanhong Chemical Fiber Co., Ltd (China) (**QZSH**) have reached "in-principle" agreement with Great Wall Glory Securities Co., Ltd (**GWGS**), a wholly owned subsidiary of China Great Wall Asset Management Co., Ltd. to restructure the corporate debts and borrowings of both FJSH and QZSH ("Debt Restructure").

#### **Debt Restructure**

- FJSH and QZSH have had finance facilities with 13 Chinese banks, the majority of which matured in 2016. The total indebtedness of FJSH and QZSH under these facilities is in an amount of approximately RMB1.3 billion (approximately A\$260 million) (**NOE Debt**).
- As at 15 March 2018, approximately 80% of the NOE Debt has been successfully assigned from the relevant lending banks to different asset management companies

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Australian Office: Suite 5, Level 1, 325 Pitt Street, Sydney, NSW 2000

Chinese Office: No 2-16A Qingmeng Park, Quanzhou Economy & Technology Development Zone, Quanzhou, Fujian Province, The People's Republic of China

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## NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD

including GWGS's related entities. GWGS is in the final phase of negotiating the assignment of the final 20% of the NOE Debt and it is expected that approximately 95% of the NOE Debt will be assigned by the end of March with the balance expected to be completed in early April (**Phase 1**).

- Following Phase 1, FJSH and QZSH expect to enter into another debt restructuring agreement with the Company's chairman and managing director Mr Qingyue Su, and Shanxi Xinheng Property Development Co., Ltd (**SXPD**) (a proprietary company incorporated and registered in China with 95% interest held by Mr Su) (**Phase 2**).
- Consequently, under this debt restructuring arrangements, approximately RMB 1.382 billion (approximately A\$ 276 million) of the unsecured loan receivable of FJSH, as well as liability for the NOE Debt, is expected to both be assigned to and assumed by Mr Su and SXPD. Consequently, the Company is expected to be released from its liabilities under the bank loans and be freed from its burden of recovering the relevant third party receivables.
- Following completion of the Debt Restructure, the existing NOE Debt and relevant third party receivables of the Company will be set off against each other and the Company released from its obligations in respect of them. Therefore, those outstanding debts will be transferred out of the balance sheet of FJSH and QZSH. The Company anticipates that this process (i.e Phase 1 and Phase 2) will be completed by 30 June 2018 so that the balance sheet of FJSH and QZSH will show significant reduction of its debts.
- The Company's overall financial condition is expected to improve significantly with its ability to raise more capital from banks and financial institutions, for its working capital and investment capital to undertake its business plan.

The Company also advised on 30 November 2018 that is undertaking a corporate turnaround plan ("Turnaround Plan") to strategically build a pathway for the Company for the long term growth and return it to profitability. The Turnaround Plan includes expanding its core business internationally.

### **Update of Turnaround Plan**

- The Company has continued its business and trading activities in China since 2015 albeit at a reduced capacity and with the continuing financial support (in the form of cash advances and loans) from Mr Su and GRIL to ensure that the Company continues trading in the ordinary course.
- The Company's reduced production from its main production at Nan'an and its diminished trading activities was mainly due to the tightening of credit conditions, increased labour costs and unfavourable trading conditions and the new waste import policy in China.

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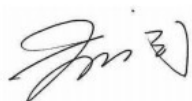
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- The Company was aware of and was concerned about the adverse impact on the Company's commercial operation by the Chinese government's policy on banning the imports of certain foreign waste in order to combat its domestic pollution. The policy officially took effect at the end of 2017 but the influence over the Company's production had started earlier. The Company has actively explored alternative ways to utilise foreign waste at offshore sites which could provide a much lower cost option.
- The Company has established a representative office in Singapore in January 2018 to look into establishing a waste re-processing plant in Indonesia (**Indonesia Plant**) in the second half of 2018 and also to expand its business in Southeast Asia.
- The Indonesia Plant, estimated to require investment of approximately RMB 30 million (approximately A\$6 million) will be used to process the PP waste sourced from Spain, the United States and France (through port in Singapore) to PP pallets, before importing to China for its production in the Company's Nan'an facility. Under the Chinese government's new waste import policy, PP pallets importation is permitted. Once imported, the Company will produce PP yarns and finished products. It is expected that the first stage Indonesia Plant will be completed by the end of 2018 with a total area of 10,000 square metres, with another 20,000 square metres stage two building area to be constructed by the end of 2019. The annual production capacity of the Indonesia plant is expected to be 50,000 tons PP Pallets.

Dated: 19 March 2018

Signed: \_\_\_\_\_



Su Qingyue

CEO

For and on behalf of Novarise

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