



NOVARISE
RENEWABLE
RESOURCES
INTERNATIONAL
LTD

NOE

ABN 48 138 537 596

ANNUAL REPORT

for the year ended 31 December 2011

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Chairman's Report

Dear Shareholders,

On behalf the Directors of Novarise Renewable Resources International Ltd (hereafter referred to as Novarise, the Group or the Company), I thank you for your support and interest during the year and have great pleasure in presenting this Annual Report. The year of 2011 was a milestone for Novarise. I wish to assure you that, as a public Company and a growing green, environmentally friendly Company, Novarise will always put the maximizing of shareholders interests as a first priority.

With the power of strong technology and enquiring minds over the past decade, the Company has continuously developed its existing technology and product supply options. We have expanded the field of recycling PP (Polypropylene) plastic waste from different consumer waste areas. At the same time, the Company has increased its commitment to R&D of new products, and has successfully developed 100% recycled PP woven cloth and recyclable end-user consumer products, such as luggage, recyclable shopping bags, PP clothes, hotel slippers and work clothes. These products are expected to become a valuable new growth source of profit for the Company.

Our new production facility in Nan'an City (China) has gone through many challenges since its construction from 2011. The relatively long wet season and frequent changes in construction contractor's management team has caused a forecast delay of seven months. We are confident that our production capacity of PP yarn will expand to 75,000 tonnes per annum when the facility is put into trial production in the third quarter of 2012.

With the sustained recovery in the global economy and growing market demand, Novarise will continue to be presented with great opportunities for development. China's Twelfth Five-year Plan advocates rational consumption and the development of energy-saving and environmentally friendly consumer products. This is intended to establish an economic, green and low-carbon consumption pattern, which corresponds with China's national priorities. By advocating Novarise's basic doctrine of green technology and green living, we will firmly seize every opportunity to explore the market and realize quantum "leap-forward" developments for the Company.

I am pleased to report that in our 2011 Financial Year the Company has achieved AUD 80.3 million of revenue and AUD17.0 million of net profit after tax. Those strong achievements are due to the continued growth in our performance, reductions of cost and firmer control over operating costs.

In 2011, in accordance with announced ASX regulations and requirements, the Board improved the collection, feedback, arrangement and verification of the Company's operating information. All such information was announced on time after internal procedures to ensure its authenticity, accuracy, completeness and timeliness. During the reporting period, the Board improved corporate governance, strengthened Board operational processes and improved the Company's level of operations, so that each of its committees performed its function more efficiently; thereby strengthening the Company's risk management and overall operational strategies.

A self-check of related party transactions was arranged by the Board during the reporting period. Related party transactions which were identified were executed in accordance with set procedures. The transaction values were fair and the transactions identified did not damage the interests of the Company or its shareholders; especially our minority shareholders.

Under leadership of the Board of Directors, and through the efforts of all staff, the operations of Novarise were geared to meeting our annual operational targets. These targets were achieved

through strong internal management in our operating business and focused market expansion and product development. This was enhanced by the recruitment of more professionals into the Company, improvements in competitiveness by reducing costs and promoting technology & quality, and adjustments to the internal structure to promote the optimum distribution and use of resources.

In 2011, the company was issued a patent of invention certificate as well as a utility model patent and was also awarded as the national manufacturing and R&D base for polypropylene renewable products

I wish to thank our management team for their hard work and thank all the directors for their support during the year. I hope all shareholders will continue to closely follow the Company's development.

We are looking forward to even further development and expansion during the 2012 Financial Year.

A handwritten signature in black ink, appearing to be 'Qingyue Su', with a stylized flourish at the end.

Qingyue Su
Chairman

Corporate Governance Statement

Introduction

The Board of directors is responsible for the corporate governance of NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD (the Company) and its controlled entities (the Group).

The Board of the Company has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council (ASXCGC) in March 2003 and as revised in 2007. ASX Listing Rule 4.10.3 requires the Company to disclose the extent to which it follows or diverges from these best practice recommendations in its Annual Report.

The ASXCGC's eight recommendations are:

- Principle 1: Lay solid foundations for management and oversight Board responsibilities
- Principle 2: Structure the Board to add value
- Principle 3: Promote ethical and responsible decision making code of conduct
- Principle 4: Safeguard integrity in financial planning
- Principle 5: Make timely and balanced disclosure
- Principle 6: Respect the rights of shareholders
- Principle 7: Recognise and manage risk
- Principle 8: Remunerate fairly and responsibly

Given it has its operation in China, the Board's priority is to develop a framework that seeks to implement the best practice recommendations into the corporate culture of the Company and amongst the Board members and management. To that end, the Company will look at establishing a program to develop and inculcate good governance and best practices for the directors and senior management of the Company.

This report discloses the key corporate governance practices that the directors believe are of most interest to the Company's stakeholders. For a complete appreciation of the ASXCGC's recommendations in detail, this document should be read in conjunction with the ASXCGC's web page (<http://www.asx.com.au/governance/corporate-governance.htm>), where more details are available.

Board responsibility

The Board is accountable to the Shareholders for the performance of the Group and has overall responsibility for its performance, corporate governance, strategic direction, setting goals for management and monitoring the achievement of those goals with the view to optimising the Company's performance and maximising shareholder value.

Scheduled meetings of the Board are held and the Board meets on other occasions to deal with matters that require attention between scheduled meetings. The responsibility for the operation and administration of the consolidated group is delegated by the Board to the Managing Director.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board to the Managing Director and ultimately to senior executives.

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the Managing Director and Senior Executives against the objectives and performance indicators established by the Board;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Overseeing the implementation and management of effective safety and environmental performance systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Group meets its legal and statutory obligations.

The Board has not publicly disclosed a statement of matters reserved for the Board, or the Board charter or a statement of areas of delegated authority to senior executives and therefore the Group has not fully complied with recommendation 1.3 of the ASXCGC .Given the size of the Group and Board, the Board does not consider the disclosure of the Board charter necessary at this stage.

Size and composition of the Board

At the date of this statement the Board consists of four non-executive directors and two executive directors as listed below. Directors' are expected to bring independent views and judgement to the Board's deliberations.

Mr Qingyue Su	Chairman and Managing Director
Mr Xiaobin Zhuang	Executive Director/ Chief Financial Officer
Mr Chung Yi So	Non-Executive Director
Mr Liandong Tu	Non-Executive Director
Mr John O'Brien	Non-Executive Director
Mr Fai Peng Chen	Non-Executive Director

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The profiles of directors including details of their qualifications and experience are set out in the Directors' Report of this Annual report.

Independence

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board.

Those directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential

transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

At the date of this statement the Board consists of two executive directors, Mr Qingyue Su, who is also Chairman of the Board and Managing Director and Mr Xiaobin Zhuang, who is Chief Financial Officer. Mr Chung Yi So is related to Mr Qingyue Su.

The Board considers three of the Group's current directors as independent: Mr Liandong Tu, Mr John O'Brien and Mr Fai Peng Chen.

The Group is therefore not in compliance with recommendation 2.1. The Board considers the current size and structure to be appropriate given its current development. The Board will endeavour to achieve compliance of recommendation 2.1 in the future.

Chairman

The ASXCGC guidelines recommend that the chairperson be independent. The Company does not comply with that recommendation. Mr Qingyue Su is both chair and chief executive officer of the Company. Mr Qingyue Su is the founder of the Company and has the requisite industry and business skills and experience. The Company believes that because of the structure of the Company and his experience and qualifications, it is appropriate that Mr Qingyue Su fulfils both roles.

Nomination, retirement and appointment of Directors

The Board has established a Nomination and Remuneration Committee and therefore the Company has complied with recommendation 2.4 of the Corporate Governance Council. The Nominations Committee is tasked with considering the balance of skills and experience of Board members for the size and state of development of the Company. The Board reviews the appointments to the Board at appropriate times to ensure that it has the right numbers and skill sets within its Board members for the current size and structure of the Company and is confident that each non-executive director brings independent judgment to bear on Board decisions.

Where additional skills are considered necessary for specific purposes, access is made to independent professional advice at the expense of the Company.

Where a casual vacancy arises during the year, the Committee has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

Independent Advice

The Board recognises that in certain circumstances individual directors may need to seek independent professional advice, at the expense of the Company. Any advice so received will, where appropriate, be made available to other directors.

Monitoring of Board performance

The monitoring of the Company's performance by the Board and management help the Board to identify the correct allocation of resources and staff to maximise the overall return to shareholders.

During the year the Board did not undertake a performance review process of the Board, its committees, its directors and senior management. In the Company's current stages of development, effort has been applied to ensuring appropriate understanding of the requirements for a Company listed on the Australian Securities Exchange and being in compliance with the Listing Rules, the Corporations Act and Australian Accounting Standards. When appropriate, a formal review of the Board, its directors and its committees will be undertaken using an assessment matrix and rating system. The conclusions of the self assessment of the Board's performance during the previous year and any recommendations for improvement which become apparent from that review will be discussed by the Board.

Risk Management

The entire Board is responsible for overseeing the risk management function. The Company believes that it is crucial for all Board members to be part of the process and as such has not established a risk management committee as a subset of the full Board.

While the Board is responsible for ensuring the risks and opportunities are identified on a timely basis, it is cognizant that risk management issues are dealt with and managed by the executive directors and the senior management team with operational and day-to-day control in China. To achieve this, the Board relies on timely and proactive reporting by management which allows for the monitoring of identified risk areas and performance against the activities to minimise or control these identified risks.

The Board will seek to put in place a number of mechanisms to ensure the management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved operating plans and budgets;
- Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non financial nature; and
- The establishment of committees to report on specific identified risks as deemed necessary.

Internal Risk Management System Compliance

Management is accountable to the Managing Director to ensure that operating efficiency, effectiveness of risk management procedures, internal compliance control systems, controls and policies are all being monitored. The Board requires the Managing Director and Chief Financial Officer to provide a statement confirming these procedures are being maintained.

Management has designed and implemented an internal control system to manage the Company's material operational compliance.

A corporate risk management system has not been designed at this stage of the Company's development. As a consequence, management has not been required to formally report to the Board on the effective management of the Company's material business, corporate or operational risks. The Company is aware of the significant risks inherent in the industry in which the Company operates. These include:

- Changed operating, market or regulatory environments.
- Unique challenges of operating in China.
- Changes in demand volumes.
- Volatility of in exchange rates.
- Volatility of pricing of significant raw materials.
- Escalation of operational costs and inflationary pressure.

Protect Integrity

The Board has established an Audit Committee comprised of the three non-executive directors. This committee operates under a charter to enable it to perform its role and responsibilities. Where considered appropriate, the Company's external auditors and the Company's management are invited to attend meetings. The Members of the Audit Committee are: Mr. Liandong Tu (chair), Mr. John O'Brien, and Mr. Chung Yi So.

The qualifications of the directors comprising the Audit and Risk Committee are disclosed in the Directors' Report included in this Annual Report together with their attendances at meetings of the committee.

The role of the Audit and Risk Committee is to assist the Board fulfill its responsibilities in relation to the identification of the areas of significant business risks and the monitoring of the following:

- Effective management of financial and other business risks;
- Reliable management reporting;
- Compliance with laws and regulations in respect to financial reporting;
- Maintenance of effective and efficient audits;
- Meeting with external auditors on a twice-yearly basis and informally as circumstances require; and
- Recommending to the Board the appointment, removal and remuneration of the external auditors, and review of their terms of engagement and the scope and quality of the audit.

The Audit Committee provides the Board with additional assurances regarding the reliability of financial information for inclusion in the financial statements. To that extent, the Managing Director and the Chief Financial Officer are required to declare to the Board that in their opinion the Financial Statements and notes to the Accounts within the Annual Report are in accordance with the Corporations Act 2001, comply with the Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the financial position of the Company and are based upon a sound system of risk management and internal compliance and control prior to the signing of the Directors' Declaration in the Annual Report. The committee is chaired by an independent chair who is not the chairman of the Board.

Nomination & Remuneration Committee

The ASXCGC recommends the appointment of two separate committees for Nomination and Remuneration.

However, the Board has established a combined Nomination and Remuneration Committee with the two distinct roles and which it considers appropriate for the size of the Company and the fact that the two separate purposes of the committee are interrelated.

The Members of the Nomination & Remuneration Committee are:

Mr Qingyue Su (Chair), Mr. Fai-Peng Chen and Mr. Xiaobin Zhuang.

The Nomination and Remuneration Committee is responsible for:

- periodically determining the appropriate mix of experience and expertise required on the Board, assessing the extent to which the Board comprises those skills and reviewing Board succession plans;
- making recommendations to the Board for the appointment and removal of directors;
- evaluating the Board's performance, including by reference to key performance indicators of the Company; and
- ensuring that directors and management are remunerated fairly, by overseeing the remuneration and human resource policies and practices of the Company.

The Nomination Committee did not meet during the year. Where considered appropriate, the Company's management is invited to attend meetings.

The Company does not have a policy to preclude its executives from entering into transactions to limit their economic risk from investing in Company shares, options or rights and has made executives aware of their obligations in relation to financial commitments against shares issued under the executive securities plan and has requested that they take sufficient professional advice in relation to their individual financial position.

The Nomination and Remuneration Committee may obtain information from and consult with management and external advisers, if it considers appropriate.

There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

Continuous disclosure

The directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act. At each Board meeting, specific consideration is to be given as to whether any matters should be disclosed under the Company's continuous disclosure policy. The Company Secretary will act as ASX liaison officer to ensure timely and appropriate access to information for all investors. The Continuous Disclosure Policy also requires senior executives in possession of disclosable information to comply with that policy.

Share trading

The Board encourages directors and senior executives to own shares in the Company to further link their interests with the interests of all shareholders.

Trading of shares by directors is prohibited under certain circumstances and as described in the ASX Listing Rules and during certain periods of the financial year. A director must not deal in the Company shares at any time when he or she has unpublished information which, if generally available, might affect the share price.

Directors, management and other employees as nominated will normally be permitted to trade in securities of the Company throughout the year except in the following periods:

- the first day of January each year until midday Australian Eastern Standard Time on the business day after the day on which the Company releases its full-year financial results; and
- the first day of July each year until midday Australian Eastern Standard Time on the business day after the date on which the Company releases its half-year financial results.

Code of Conduct

The Company is in the process of adopting a Code of Conduct and is committed to being a socially responsible corporate citizen, using honest and fair business practices, to act in the best interests of clients so as to achieve the best outcomes for shareholders.

Directors and senior management are required to advise the Chair of any related party contract or potential contract. The Chair will inform the Board, and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter.

The Board has procedures in place for reporting any matters that may give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Company. These procedures are reviewed as required by the Board. To this end, the Company has adopted a Conflict of Interest Policy that clarifies the processes for directors and senior executives to determine and disclose when a conflict of interest exists.

Shareholder relations

The Board aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the directors.

Communication with shareholders is achieved through the distribution of the following information:

- The Annual Report distributed to all shareholders;
- The Half Yearly Report through being announced through the Australian Securities Exchange platform;
- The Annual General Meeting and other meetings so called to obtain shareholder approval for Board action as appropriate;
- Other announcements to the Australian Securities Exchange; and
- Investor information through the Company's internet portal and public relations firm engaged by the firm from time to time.

Shareholders are encouraged to attend and participate at the Company's Annual General Meeting and other General Meetings.

The Company strives to ensure that Company announcements via the ASX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

Shareholders' Role

The shareholders of the Company are responsible for voting on the election of directors at the Annual General Meeting in accordance with the constitution.

All directors (other than the Managing Director) are subject to re-election by rotation, no later than every three years.

The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders.

The Company's auditor will be in attendance at the Annual General Meeting and will be available to answer shareholder questions in relation to the audit.

Directors' Report

Your Directors present their Report on the consolidated entity (hereinafter referred to as the Group) consisting of Novarise Renewable Resources International Ltd and its controlled entities for the year ended 31 December 2011.

Directors:

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

Director:		Appointed	Resigned
Mr. Qingyue Su	Chairman and Managing Director	06 Aug 2009	
Mr. Xiaobin Zhuang	Executive Director	09 Dec 2009	
Mr. Chung Yi So	Non-Executive Director	09 Dec 2009	
Mr. Liandong Tu	Non-Executive Director	09 Dec 2009	
Mr. John O'Brien	Non-Executive Director	09 Dec 2009	
Mr. Fai Peng Chen	Non-Executive Director	06 Aug 2009	
Mr. Phillip Fook Weng Au	Non-Executive Director	27 Jan 2010	28 Jan 2011
Mr. Chenzhang Li	Non-Executive Director	27 Jan 2010	31 Jan 2011

Company Secretary:

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

Company Secretary:		Appointed	Resigned
Mr. Xiaobin Zhuang	Joint Company Secretary	18 January 2010	
Ms Winnie Chen	Joint Company Secretary	01 Dec 2010	

Information on Directors

Mr. Qingyue Su – Chairman and Managing Director

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

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

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

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

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

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

Interest in Shares and Options: Ordinary shares of 1,428,743 shares.

Interest in Shares and Options by Great Rises International Group Investment Ptd (BVI):
Ordinary shares of 268,269,444 shares

Mr. Xiaobin Zhuang – Executive Director

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

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

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

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

Interest in Shares and Options: Nil

Mr. Chung Yi So – Non-Executive Director

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

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

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

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

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

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

Mr. John O'Brien – Non-Executive Director

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

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

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

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

Interest in Shares and Options: Nil

Mr. Liandong Tu – Non-Executive Director

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

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

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

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

Interest in Shares and Options: Nil

Mr. Fai Peng Chen – Non-Executive Director

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

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

Interest in Shares and Options: Ordinary shares of 8,000 shares.

Ms Winnie Huei Chi Chen - Company Secretary

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

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

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

Ms Chen is a resident of Australia.

Interest in Shares and Options: Nil

PRINCIPAL ACTIVITIES:

The Group combines scientific research, production and operation as a Chinese-foreign joint venture new high-tech enterprise. The principal activities of the Group are the use of technology to process polypropylene (PP) waste material into fibre-grade PP pellets. The re-cycled PP pellets are used to produce polypropylene filament yarns, PP consumer webbing products and PP cloth. The average utilization rate of recycled PP plastics is approximately 60%, with some products such as black PP yarn able to be produced with 100% waste PP plastics. Meanwhile, 100% of our products can be recycled and reused. Our Group is the only enterprise recycling polypropylene (PP) waste material to produce fibre-grade recycled PP pellets, and is also the largest manufacturer of the resultant polypropylene filament yarn which is supplied to industries in China and internationally.

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

The company has been able to harness its technology and know-how, to develop what it believes to represent a distinct competitive advantage by recycling PP waste to produce quality PP fibre-based products at lower production costs than if 100% virgin PP pellets were to be used.

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

Dividends:

After considering the significant cash flow requirements associated with the construction of Nan'an factory, the Board agreed not to distribute a dividend for the 2010 financial year in the Board Meeting held on 24 February 2012.

- Total Dividend declared = A\$0 (2010: A\$3,992,549)
- Total Dividend paid by Cash = A\$0 (2010: A\$1,148,040)
- Total Dividend Reinvestment Plan: A\$0 (2010: A\$2,844,509)

Review of Operations:

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

Completion of main operational targets in 2011:

Items	2011 (AUD\$'000)	2010 (AUD\$'000)	2011 (RMB'000)	2010 (RMB'000)
Revenue including interest income	82,072	74,627	546,523	462,774
NPAT	17,004	15,217	113,233	94,367

1. Results as announced to the market

	\$A'000			
Revenue from continuing operations	Up	9.98 %	to	\$ 82,072
Other income	Up	33.68%	to	\$ 893
Total revenue and other income from ordinary activities	Up	10.19 %	to	\$ 82,965
Profit from ordinary activities after tax attributable to Members	Up	11.74 %	to	\$ 17,004
Total comprehensive income for the period attributable to members	Up	77.00 %	to	\$ 19,403

2. Commentary on results

Revenue during the reporting period grew by 9.98% compared to previous corresponding period. NPAT rose from \$15,217,563 in FY 2010 to \$17,004,206 in FY 2011.

Revenue grew significantly during the period due to the increase in customer numbers and the sales volume of regenerated fibre granules. Manufacturing and process improvements which increased productivity and efficiency also contributed to the unit cost reduction and improved overall gross profit margins.

Sales in recycled PP yarn and PP webbing products grew due to growing market acceptance of Novarise's products and quality. Overall demand for PP yarn expanded in China and internationally in 2011 driven by the global economic recovery. Sale prices of PP yarn and webbing products were maintained and grew as the result of this strong demand. Consistent with its intent to be a profitable, integrated manufacturer the Company began to develop finished products such as notebook bags, shopping bags, hotel slippers and work clothing.

Procurement of post-consumer PP feedstock grew by volume and expanded geographically as the company's demand for PP waste increased in 2011. The supply and procurement costs for PP waste and feedstock remained stable during the year.

During 2011, Novarise was issued a patent of invention certificate in relation to producing PP fibre by using waste polypropylene as well as a utility model patent in relation to a rinser of cleaning waste polypropylene plastics. The company was also awarded as the national manufacturing and R&D base for polypropylene renewable products.

The Nan'an Facility which was expected to be put into trial production in November 2011 was delayed due to two main reasons: firstly, the Nan'an factory is located in mountainous area where the rainy season is relatively long, which was not factored into the original schedule; and secondly, the construction contractor changed their management teams frequently which has resulted in additional delays. It is currently forecast that the trial production of Nan'an facility will now commence in June 2012.

During 2011, the Company borrowed additional funds totalling A\$46,410,000. These funds were partly used to fund the development of the Nan'an project. In addition, the Company took advantage of a short term opportunity to arbitrage interest rates and lend a total of A\$43,989,346 to a third party. The terms of this loan agreement were favourable to the

Company and the funds will be repaid in full in the third quarter of 2012. The Company carefully assessed the risk of default on this unsecured loan and believed that it was in the best interest of the Company to take advantage of this opportunity.

3. Main operating business:

Novarise's main operating business is the production of fibre-grade recycled polypropylene pellets, polypropylene filament yarn and cloth as well as other related polypropylene products, and the cleaning & reuse of waste plastic as raw material inputs.

4. Business by Region:

Region	Sales Revenue (AUD\$)	Rate (%)	Sales ratio at home and abroad in 2010
China	72,306	90	85
Overseas	7,998	10	15
Total	80,304		

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

5. Major suppliers and customers:

The value of purchases from our top five major suppliers represents 38.60 % of our total purchases. The value of sales to our top five major customers represents 24.26 % of our total sales.

6. Significant expenditure:

Items	Currency	Amount (AUD\$)
Machinery & Equipment	AUD\$	12,081,418
Factory Building	AUD\$	17,709,287
Land use right	AUD\$	2,554,932
Total		32,345,637

7. Business Update:

For the year ended 31 December 2011, the Company can report that:

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

(2) As part of the ongoing process of improving the existing manufacturing technology, in April, 2011 the Group obtained a patent over new technology which is producing polypropylene fibre by using waste polypropylene plastics, the Group also gained a utility model patent in relation to a rinser of cleaning waste polypropylene plastics in October 2011.

(3) With its green business philosophy, & proven fibre-grade recycled PP technology, Novarise has successfully developed 100% recyclable PP woven cloth and various new products, such as a range of bags & cases, garments & shoes, daily necessities and outdoor applications. All of these are 100% recyclable. Some new products are expected to be put into trial production in June 2012. Those products are expected to provide additional profit streams for Novarise.

Significant changes in the nature of activities:

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

Matters subsequent to the end of the financial year:

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs, in subsequent financial years other than as disclosed in Note 32 in the accompanying financial report.

Likely developments and expected results of operations:

1. Outlook

The Group anticipates that its sales and revenue for 2012 will grow by increasing the sales volume, particularly of regenerated fibre granules and new products like computer bags. The company also expects to expand its domestic and international sales to more regions, countries and buyers.

Demand and market acceptance of Novarise's recycled products are expected to grow in China and internationally as governments and consumer behaviours encourage the wider use of Green PP products such as green shopping bags.

Gross margins of Novarise's products are expected to improve with the introduction of new production from the Nan'an facility in the third quarter of 2012. This will include new finished products with higher margins and the lowering of costs through manufacturing and process improvements.

Continuous R&D investments in the manufacturing and industrial process underpin Novarise's ongoing intent to become the industry leader in PP recycling. The company will continue to invest in R&D in its manufacturing and industrial process, quality improvement and new product development.

The Group has established an international office in Xiamen to oversee its international operations and pursue its international objectives. These international objectives include expanding its international sales and procurement of post-consumer feedstock. The company will also work to develop, grow and enhance its corporate brand and profile as an emerging international recycler and manufacturer of PP yarn.

With the growth and expansion of its business, the company will need to raise more capital to fund its growth. During 2012, the Board will consider the various options to raise this additional capital.

The Group wishes to highlight the following factors that might adversely and materially affect its outlook for 2012:

- The continued rise of the RMB will affect the profit margins of international sales denominated in USD as not all of the rise of RMB can be passed to all international buyers; and
- The global economic recovery remains erratic and volatile and may be interrupted by "shock" factors such as sudden and rapid rise of the price of crude oil due to, for example, political unrest in the Middle East.
- If the Nan'an new factory cannot be put into trial production as scheduled, it will have an impact on the performance of the Group.

2. Operating Plans and Objectives in 2012

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

(2) Production capacity: the new Nan'an facility is expected to be put into trial production in June 2012, resulting in even more production lines. It is forecast that the production capacity of PP yarn by Novarise will reach 75,000 tonnes annually.

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

In 2012, the sales model in domestic markets will be to search directly for the end-users who need the products (i.e. without intermediate agents in the domestic market). There will then be two kinds of sales patterns in the international market. One of these is to make full use of our business networking to find potential end-users, in order to better control the distribution of profits and have a better understanding of timely and accurate market information. The other is to set up intermediate agent arrangements in different countries or regions to expand our market and increase market share.

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

In summary, 2012 will be a very important year for the Group's development. Putting the new facility into production will bring large economic benefits and returns to the Company and will lead to a step change in the performance and growth of the Company.

Environmental Regulation:

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

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

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

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

Meetings of Directors

The numbers of meetings of the Group's Board of Directors held during the year ended 31 December 2011, and the numbers of meetings attended by each director are as follows:

Name:	Board		Audit committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. Qingyue Su	14	13	3	2	-	-
Mr. Xiaobin Zhuang	14	14	3	3	-	-
Mr. Chung Yi So	14	14	3	3	-	-
Mr. Liandong Tu	14	14	3	3	-	-
Mr. John O'Brien	14	14	3	3	-	-
Mr. Fai Peng Chen	14	13	-	-	-	-

Meeting	Date of Board Meeting Held	Date of Audit Committee Meeting Held	Date of Remuneration Committee Meeting Held*
1	09 February 2011	25 February 2011	-
2	24 February 2011	18 August 2011	-
3	04 March 2011	16 December 2011	-
4	10 March 2011		
5	28 March 2011		
6	24 May 2011		
7	15 June 2011		
8	24 June 2011		
9	13 July 2011		
10	19 August 2011		
11	26 October 2011		
12	18 November 2011		
13	24 November 2011		
14	14 December 2011		

* No separate remuneration committee meeting was held, but directors' remuneration was discussed and agreed upon during the Board meeting held on 24 May 2011.

Share Options

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

Remuneration Report - Audited

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

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

The Board's remuneration policy is:-

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

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

Non-Executive Director Remuneration

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

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

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

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

	2009	2010	2011
	\$	\$	\$
Revenue	63,363,547	74,627,039	82,071,659
Net Profit after income tax/(Loss)	13,314,286	15,217,563	17,004,206
Dividend paid	5,716,477	3,992,549	-
Share price at year end	NA	0.225	0.18

Although the Group made more profit in the current financial year, the group did not distribute any dividend or perform a detailed review of executive remuneration as funds are to be retained for use in the completion of the construction in Nan'an. A discretionary cash bonus was distributed, refer to (e) for details.

The Director fee for the first 12 months commencing on 1 January 2011 is as following –

Name	Position	Director fee per annum (GST exclusive) AUD \$	Director fee paid AUD \$
Mr. Qingyue Su	Chairman and Managing Director	7,508	7,508
Mr. Xiaobin Zhuang	Executive Director	7,508	7,508
Mr. Chung Yi So	Non-Executive Director	7,508	7,508
Mr. Liandong Tu	Non-Executive Director	7,508	7,508
Mr. John O'Brien	Non-Executive Director	40,000	40,000
Mr. Fai Peng Chen	Non-Executive Director	40,000	40,000
Mr. Phillip Fook Weng Au	Non-Executive Director (Resigned on 28 January 2011)	3,300	3,300
Mr. Chenzhang Li	Non-Executive Director (Resigned on 31 January 2011)	-	-

(c) Key management personnel and executives

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

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

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

(d) Details of remuneration

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

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

(d) Details of remuneration (continued)

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

2011	Short-term employee benefits		Post-employment benefits	Total	Proportion of remuneration that is performance based
	Salaries and fees	Cash bonus	Super-annuation		
	\$	\$	\$		
Directors					
Mr. Qingyue Su	30,935	6,773	690	38,398	-
Mr. Chung Yi So	9,010	6,773	-	15,783	-
Mr. Xiaobin Zhuang	21,024	6,773	673	28,470	-
Mr. Liandong Tu	7,508	-	-	7,508	-
Mr. Phillip Fook Weng Au	3,300	-	-	3,300	-
Mr. John Keiran O'Brien	40,000	-	-	40,000	-
Mr. FaiPeng Chen	40,000	-	-	40,000	-
Mr. Chenzhang Li	-	-	-	-	-
Other Key Management Personnel					
Mr. Zhenwen Zhang	27,391	6,773	673	34,837	-
Mr. Wenpo Xie	14,416	6,773	673	21,862	-
Mr. Sing Sha SO [^]	-	-	-	-	-
Company Executives					
Ms Winnie Chen	43,331 ⁺⁺	-	-	43,331	-
	<u>236,915</u>	<u>33,865</u>	<u>2,709</u>	<u>273,489</u>	

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

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

(d) Details of remuneration (continued)

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

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

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

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

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

(e) Cash bonuses

The board of directors approved and ratified the payment of cash bonuses as disclosed in (d) above in accordance with reasonable remuneration practice in China. The cash bonuses were awarded to Mr. Qingyue Su, Mr. Chung Yi So, Mr. Xiaobin Zhuang and members of the senior management team, including Mr. Zhenwen Zhang and Mr. Wenpo Xie, on an accruals basis on 31 December 2011 for the whole of the financial year 2011.

(e) Cash bonuses (continued)

There are no specific guidelines for the distribution of cash bonuses within the Group and the distribution of cash bonuses is based on the performance of the Group as a whole. The Group performed well in 2011 and 2010 therefore cash bonuses were distributed to both executive officers and employees. The bonus reflects the Group's satisfaction with the overall performance of the respective executives and employees and of the Group as a whole.

No specific performance criteria were attached to these cash bonuses.

(f) Share – based payment bonuses

No share based payment bonuses were paid during the financial year ended 31 December 2011 to directors or key management personnel or other employees.

(g) Options and rights granted as remuneration

No options and rights were granted during the financial year ended 31 December 2011 to directors or key management personnel or other employees.

(h) Equity Instruments issued on exercise of remuneration options

No equity instruments were issued on exercise of remuneration options during the financial year ended 31 December 2011 to directors or key management personnel.

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

No options or rights were granted during the financial year ended 31 December 2011 to directors or key management personnel.

(j) Executive Contracts

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

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

(k) Non-Executive Director (NED) Remuneration

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

Mr. Liandong TU has an ongoing oral contract arrangement.

NEDs receive an annual fee paid monthly for their services.

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

(l) Contracts with Executive Directors are summarised as below:***Chairman and Managing Director*****SU Qingyue**

Ongoing contract commenced on 15 March 2008

Base Salary: Not specified in the contract. Set to be RMB210,597 (A\$31,625) p.a. inclusive of superannuation and board fees, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually.

Termination payments: Termination payment is not applicable.

Non-Executive Director**SO Chung Yi**

Ongoing contract commenced on 15 March 2008.

Base Salary: Not specified in the contract. Set to be RMB60,000 (A\$9,010) p.a. inclusive of superannuation and board fees, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually

Termination payments: Termination payment is not applicable.

Executive Director & Joint Secretary**ZHUANG Xiaobin**

Ongoing contract commenced on 15 March 2008.

Base Salary: Not specified in the contract. Set to be RMB144,483 (A\$21,697) p.a. inclusive of superannuation and board fees, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually.

Termination payments: Termination payment is not applicable.

Non-executive directors only have oral agreements with the Group which are summarised as below:***Non-Executive Director*****TU Liandong**

Ongoing oral agreement commenced on 9 December 2009.

Base Salary: RMB50,000 (A\$7,509) p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Non-Executive Director

O'BRIEN John

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

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

Termination payments: Termination payment is not applicable.

Non-Executive Director

CHEN Fai Peng

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

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

Termination payments: Termination payment is not applicable.

Joint Secretary

CHEN Winnie Hwei Chi

Ongoing contract commenced on 15 November 2010.

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

Termination payments: Termination payment is not applicable.

(m) Contracts of other key management personnel

Chief Operating Officer

ZHANG Zhen Wen

Contract Term: 21 June 2008 to 21 June 2013

Base Salary: Not specified in the contract. Set to be RMB182,400 (A\$27,391) p.a. to be reviewed annually by the remuneration committee.

Termination payments: Termination payment is not applicable.

Chief Marketing Officer

XIE Wen Po

Contract Term: 1 March 2008 to 1 March 2013

Base Salary: Not specified in the contract. Set to be RMB96,000 (A\$14,416) p.a. to be reviewed annually by the remuneration committee.

Termination payments: Termination payment is not applicable.

Director of QZSHIFJSH

SO Sing Sha

Contract Term: 1 March 2008 to 1 March 2013

There is nil remuneration according to the employment contract.

Termination payments: Termination payment is not applicable.

End of Audited Remuneration Report

Indemnification of Officers and Auditors.

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

During the year, the Group paid premiums in respect of directors' and officers' indemnity insurance contracts for the year ended 31 December 2011.

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

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

Non – Audit Services

During the financial year, there were no fees for non–audit services paid or payable to the auditor, BDO or their related practices.

Proceedings on behalf of the Company

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out at page 21.

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



Qingyue Su
Managing Director

Quanzhou, P.R. China

30 March 2012



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**DECLARATION OF INDEPENDENCE BY IAIN KEMP
TO THE DIRECTORS OF NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED**

As lead auditor of Novarise Renewable Resources International Limited for the year ended 31 December 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 audit;
and
- any applicable code of professional conduct in relation to the audit.

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

Iain Kemp
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, dated this 30th day of March 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

		Consolidated	
	Notes	2011 \$	2010 \$
Sales revenue	4	80,304,361	74,073,112
Cost of sales		<u>(56,193,283)</u>	<u>(51,349,404)</u>
Gross profit		24,111,078	22,723,708
Interest revenue	4	1,767,298	553,927
Other income	5	893,277	667,883
Distribution expenses		(314,763)	(247,101)
Marketing expenses		(499,887)	(181,743)
Administration expenses		(3,271,056)	(3,458,352)
Occupancy expenses		(144,786)	(104,250)
Finance costs	6	(2,540,298)	(1,045,075)
Other expenses		<u>(57,570)</u>	<u>(1,090,795)</u>
Profit before income tax expense	6	19,943,293	17,818,202
Income tax expense	7	<u>(2,939,087)</u>	<u>(2,600,639)</u>
Profit after income tax expense		<u>17,004,206</u>	<u>15,217,563</u>
Other comprehensive income			
Foreign currency translation differences		<u>2,398,613</u>	<u>(4,255,808)</u>
Other comprehensive income for the year, net of tax		<u>2,398,613</u>	<u>(4,255,808)</u>
Total comprehensive income for the year		<u>19,402,819</u>	<u>10,961,755</u>
Profit for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		<u>17,004,206</u>	<u>15,217,563</u>
		<u>17,004,206</u>	<u>15,217,563</u>
Total comprehensive income for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		<u>19,402,819</u>	<u>10,961,755</u>
		<u>19,402,819</u>	<u>10,961,755</u>

Earnings per share for profit from continuing operations

Basic Earnings per Share	11	4.10 cents	4.14 cents
Diluted Earnings per Share	11	4.10 cents	4.14 cents

Earnings per share for profit for the year

Basic Earnings per Share	11	4.10 cents	4.14 cents
Diluted Earnings per Share	11	4.10 cents	4.14 cents

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	Consolidated	
		31 December 2011 \$	31 December 2010 \$
CURRENT ASSETS			
Cash and cash equivalents	12	7,067,316	6,532,233
Term deposits with maturity over three months	13	62,824,805	50,968,916
Trade and other receivables	14	75,305,556	6,594,665
Inventories	15	5,487,091	5,855,258
Other assets	16	6,439,960	9,660,857
TOTAL CURRENT ASSETS		157,124,728	79,611,929
NON-CURRENT ASSETS			
Property, plant and equipment	17	47,185,487	15,860,331
Land use rights	19	7,103,520	4,456,858
Long-term prepayment for property, plant and equipment	18	8,013,746	4,872,321
Deferred tax assets	23	100,113	36,256
TOTAL NON-CURRENT ASSETS		62,402,866	25,225,766
TOTAL ASSETS		219,527,594	104,837,695
CURRENT LIABILITIES			
Trade and other payables	20	15,352,159	9,455,690
Borrowings	21	112,468,410	37,293,995
Current tax liabilities	7	2,279,606	1,957,176
Other liabilities	22	2,604,861	3,769,204
TOTAL CURRENT LIABILITIES		132,705,036	52,476,065
NON-CURRENT LIABILITIES			
Borrowings	21	14,637,250	-
Deferred tax liabilities	23	420,859	-
TOTAL NON-CURRENT LIABILITIES		15,058,109	-
TOTAL LIABILITIES		147,763,145	52,476,065
NET ASSETS		71,764,449	52,361,630
EQUITY			
Contributed equity	24	32,066,227	32,066,227
Reserves	25	6,024,290	960,054
Retained earnings		33,673,932	19,335,349
TOTAL EQUITY		71,764,449	52,361,630

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2010	7,314,758	10,924,855	3,678,544	(1,277,202)	20,640,955
Total comprehensive income for the year					
Profit for the year	-	15,217,563	-	-	15,217,563
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(4,255,808)	(4,255,808)
Total comprehensive income for the year	-	15,217,563	-	(4,255,808)	10,961,755
Issue of share capital through IPO, net of transaction costs	21,906,960	-	-	-	21,906,960
Issue of share capital through dividend reinvestment plan, net of transaction costs	2,844,509	-	-	-	2,844,509
Appropriation to surplus reserve	-	(2,814,520)	2,814,520	-	-
Dividends paid	-	(3,992,549)	-	-	(3,992,549)
Transaction with owners in their capacity as owners	24,751,469	(6,807,069)	2,814,520	-	20,758,920
At 31 December 2010	32,066,227	19,335,349	6,493,064	(5,533,010)	52,361,630
Total comprehensive income for the year					
Profit for the year	-	17,004,206	-	-	17,004,206
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	2,398,613	2,398,613
Total comprehensive income for the year	-	17,004,206	-	2,398,613	19,402,819
Appropriation to surplus reserve	-	(2,665,623)	2,665,623	-	-
Transaction with owners in their capacity as owners	-	(2,665,623)	2,665,623	-	-
At 31 December 2011	32,066,227	33,673,932	9,158,687	(3,134,397)	71,764,449

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		87,936,474	86,806,597
Payments to suppliers and employees		(65,392,574)	(76,240,846)
Receipts of subsidy income for successful IPO		-	532,158
Interest received		888,708	365,553
Interest paid		(426,008)	(790,691)
Income tax paid		(2,346,994)	(759,707)
NET CASH PROVIDED BY OPERATING ACTIVITIES	30	20,659,606	9,913,064
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(29,790,705)	(7,786,015)
Payments for land use rights		(2,554,392)	(4,595,910)
Proceeds from sale of property, plant & equipment		-	60,801
Increase in term deposits with maturity over three months		(9,719,217)	(34,807,901)
Payment for capitalised interest		(999,685)	(243,660)
Loans to third party		(61,073,327)	-
NET CASH USED IN INVESTING ACTIVITIES		(104,137,326)	(47,372,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		124,230,426	68,524,227
Repayment of borrowings		(84,322,320)	(54,286,358)
Dividends paid to Group shareholders		-	(1,240,754)
Loans from related parties		3,481,633	1,117,464
Proceeds from issue of shares, net of transaction costs		-	22,407,952
Loans from non-bank third parties		40,378,051	5,018,044
Realised foreign exchange losses for funds transfer		-	(1,183,531)
NET CASH PROVIDED BY FINANCING ACTIVITIES		83,767,790	40,357,044
NET INCREASE IN CASH HELD		290,070	2,897,423
Effects of exchange rate changes on the balance of cash held in foreign currency		245,013	(601,667)
Cash and cash equivalents at beginning of the year		6,532,233	4,236,477
CASH AT END OF YEAR	12	7,067,316	6,532,233

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011

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Notes to the Consolidated Financial Statements**Note 1: Corporate Information**

The financial statements of Novarise Renewable Resources International Ltd for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 30 March 2012 and covers the consolidated entity consisting of Novarise Renewable Resources International Ltd (Novarise) and its subsidiaries as required by the Corporation Act 2001. Separate financial statements for Novarise Renewable Resources International Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for Novarise Renewable Resources International Limited as an individual entity is included in note 27.

The financial statements are presented in Australian dollars.

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

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

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

Note 2: Summary of significant accounting policies**a) Basis of Preparation**

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

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

As required by AASB 101 Presentation of Financial Statements paragraph 38, the financial statements for the year ended 31 December 2011 contain comparative information in respect of the previous period for all amounts reported in the current period's financial statements. Comparative information for narrative and descriptive information is provided and reclassified when it is relevant to an understanding of the current period's financial statements.

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****b) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Novarise Renewable Resources International Limited and its subsidiaries at 31 December 2011 and 31 December 2010 ("the Group"). Subsidiaries are entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

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

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

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

Acquisitions from entities under common control

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

c) Foreign Currency Translation

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

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****c) Foreign Currency Translation (continued)**

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

d) Revenue recognition

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

Sale of goods

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

Interest

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

Government grants

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

e) Income tax

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

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****f) Impairment of assets**

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

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

g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

h) Trade receivables

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

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

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

i) Inventories

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****j) Financial instruments****Financial assets*****Recognition and de-recognition***

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

Classification

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Derivatives

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

Impairment of financial assets

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

Financial liabilities

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****k) Fair value**

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

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

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

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

l) Property, plant and equipment

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

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

Assets are depreciated over their useful lives as follows:

	2011	2010
Buildings	20 years	20 years
Machinery and vehicles	10 years	10 years
Furniture, fittings and equipment	5 years	5 years

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****m) Land use rights and operating leases**

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

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

n) Research costs

Research costs are expenses as incurred.

o) Trade and other payables

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

p) Borrowings

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

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

q) Borrowings costs

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

r) Employee benefit provisions

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

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

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

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****s) Contributed equity**

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

t) Dividends

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

u) Value added tax (VAT)

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

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

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT components of investing and financing activities, which are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the Chinese Taxation Bureau.

v) Earnings per Share***Basic earnings per share***

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

Diluted earnings per share

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

w) Critical accounting estimates & judgements

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****w) Critical accounting estimates & judgements (continued)****(i) Estimated impairment of tangible and other non-current assets**

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

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

(ii) Recoverability of loans granted and provision for doubtful debts

As discussed in Note 14 (c) the Group made unsecured loans to third parties during the financial year of \$62,915,653. The Board has carefully assessed and continues to monitor the risk of default on these loans and believe no provision for impairment is required as at 31 December 2011.

x) Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for financial years ended 31 December 2011. They have not been adopted in preparing the financial statements for the year ended 31 December 2011 and are expected to impact the Group in the period of initial application. In all cases the Group intends to apply these standards from the mandatory application date as indicated in the table below.

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the 31 December 2015 year end. The Group has not yet made an assessment of the impact of these amendments.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of significant accounting policies (continued)

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

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 31 December 2013, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.
AASB 13 (issued September 2011)	Fair Value Measurement	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time on 1 January 2013, additional disclosures will be required about fair values.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: <ul style="list-style-type: none"> • 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 31 December 2013, there will be no impact on amounts recognised for transactions and balances for 31 December 2012 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

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

Notes to the Consolidated Financial Statements (continued)**Note 2: Summary of significant accounting policies (continued)****y) Reclassification**

Payments for capitalised interest amounting to \$243,660 were reflected in the previous financial year as cash flows used in operating activities. During the current financial year, this amount has been classified as cash flows used in investing activities and as such prior year balances have also been reclassified.

z) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business. The China subsidiaries will continue its financial support provided to Novarise Renewable Resources International Limited in the form of intercompany loans so that the Group may exercise the dividend policy announced to the market.

As at 31 December 2011 the Group has \$99,453,035 of loans and notes payables due for renewal by 30 June 2012, a further \$12,298,650 due for renewal by 31 December 2012 and \$5,506,896 of capital and lease commitments due before 31 December 2012.

During 2011, the Company borrowed additional funds totalling \$46,410,000 (included in the borrowings described above). These funds were partly used to fund the development of the Nan'an project. Due to the expected timing and usage of these funds, the Company took advantage of a short term opportunity to arbitrage interest rates and lend a total of \$43,989,345 (of which \$40,747,980 is interest bearing) to an unrelated company (the "Borrower") based in Xiamen. The terms of this loan agreement were favourable to the Company and the funds are due to be repaid in full in by 31 August 2012. The Company carefully assessed the risk of default on this unsecured loan, including reviewing the financial statements of the Borrower, and believed that it was in the best interest of the Company to take advantage of this opportunity. The Borrower is in the process of refinancing its business and will be in a position to repay the loan once this process is completed. In the event that the refinancing is unsuccessful, the Company would seek to recover the debt through a liquidation of the Borrower's assets.

It is anticipated that completion of the Nan'an project will require further funds of approximately \$37m (RMB 240m) of which \$22m (RMB 140m) is expected to be spent between January to December 2012 with the remainder to be paid in 2013. The Nan'an factory is expected to start production in mid-2012 and will also require additional funds to fund working capital as the plant comes on stream. The completion of the project will be funded by the rolling over of short term loans and banking facilities, the recovery of loans made to third parties and the generation of positive operating cash flows.

As at 31 December 2011 the Group has \$24,419,692 of net current assets, including \$69,892,121 of cash and cash deposits and \$62,915,653 of loans receivable from third parties. \$18,926,307 of loans receivable from third parties are expected to be repaid by 30 June 2012 and \$43,989,346 are expected to be repaid by 31 August 2012. For the year ended 31 December 2011 the group generated a profit after tax of \$17,004,206 and cash flows from operating activities of \$20,659,605.

After taking into account all available information, the Directors have concluded that there are reasonable grounds to believe that:

- The Borrower will be able to successfully refinance its business and will therefore be in a position to repay its loan (including interest receivable) to the Group at the due date;
- Short term borrowings due for renewal by 30 June 2012 and by 31 December 2012 will be successfully rolled over as required;

Notes to the Consolidated Financial Statements (continued)**z) Going concern (continued)**

- The Group will continue to generate positive cash flows from its existing operations and the Nan'an factory once it comes into operation;
- As a result of the above the Group will have sufficient funds available to complete the Nan'an construction and bring the plant into production in accordance with the planned timetable; and
- The preparation of the financial statements on a going concern basis is appropriate.

The Directors will continue to monitor the situation and the development of the above conditions to ensure that the consolidated entity continues as a going concern.

Note 3: Segment Reporting

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

a. Description of segments

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

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

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

b. Segment information

Segment information provided to the board of directors for the year ended 31 December 2011 is as follows:

	Polypropylene yarns	Polypropylene straps and ropes	Recycled polypropylene pellets	Total
2011				
	\$	\$	\$	\$
Total segment revenue	11,632,036	52,657,908	15,349,437	79,639,381
Revenue from external customers	11,632,036	52,657,908	15,349,437	79,639,381
Gross profit	2,130,345	18,020,334	3,570,405	23,721,084
2010				
	\$	\$	\$	\$
Total segment revenue	14,736,218	54,295,460	4,355,213	73,386,891
Revenue from external customers	14,736,218	54,295,460	4,355,213	73,386,891
Gross profit	3,406,276	17,504,671	1,152,888	22,063,835

Notes to the Consolidated Financial Statements (continued)**Note 3: Segment Reporting (continued)****c. Other segment information***(i) Segment revenue*

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

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

Segment revenue reconciles to total revenue as follows:

	Consolidated	
	2011	2010
	\$	\$
Total Segment Revenue	79,639,381	73,386,891
Other revenue	664,980	686,221
Total sales revenue (note 4)	<u>80,304,361</u>	<u>74,073,112</u>
Interest revenue (note 4)	<u>1,767,298</u>	<u>553,927</u>

(ii) Gross profit

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

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

Gross profit	23,721,084	22,063,835
Gross profit from unallocated sales	389,994	659,873
Gross profit per Statement of Comprehensive Income	<u>24,111,078</u>	<u>22,723,708</u>
Interest revenue	1,767,298	553,927
Other income	893,277	667,883
Distribution expenses	(314,763)	(247,101)
Marketing expenses	(499,887)	(181,743)
Administration expenses	(3,271,056)	(3,458,352)
Occupancy expenses	(144,786)	(104,250)
Finance costs	(2,540,298)	(1,045,075)
Other expenses	(57,570)	(1,090,795)
Profit before income tax	<u>19,943,293</u>	<u>17,818,202</u>

Notes to the Consolidated Financial Statements (continued)**Note 3: Segment Reporting (continued)**

	Consolidated	
	2011	2010
	\$	\$
d. Entity-wide disclosures		
The trading entities in the Group are domiciled in China. The Group's revenue from external customers by geographical location is detailed below:		
P.R. China	72,306,390	62,814,254
Hong Kong	1,816,802	3,896,426
Philippines	971,839	1,902,715
Russia	619,061	1,478,806
Turkey	1,046,775	1,228,138
Indonesia	689,817	534,156
India	207,056	444,517
Colombia	692,392	412,990
Sri Lanka	109,526	193,500
Brazil	-	178,873
Other Asian countries	250,940	223,872
Other non Asian countries	1,593,763	764,865
	80,304,361	74,073,112

In 2010 & 2011 no revenue from a single external customer exceeded 10% of the Group's total revenue from external customers.

As at 31 December 2011 and 31 December 2010, all non-current assets of the Group were located in P.R. China.

Note 4: Revenue

Sales of goods	80,304,361	74,073,112
Interest revenue	1,767,298	553,927

Note 5: Other Income

Government grant	482,946	532,158
Net foreign exchange gain	366,437	-
Sundry income	43,894	135,725
	893,277	667,883

Government Grants

Government grant of \$482,946 was recognised by the Group in the current year. The grant of \$180,204 (RMB1,200,000) is the government's subsidies for public rental housing and the award of \$150,170 (RMB1,000,000) is for scientific and technological achievements. There are no unfulfilled conditions or other contingencies attaching to this grant.

Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2011	2010
	\$	\$
Note 6: Expenses		
Profit before income tax is derived at after taking the following into account:		
Finance costs		
Interest expenses	2,252,377	796,277
Bank fees	287,921	248,798
	<u>2,540,298</u>	<u>1,045,075</u>
Depreciation expense		
Leasehold improvement	3,077	5,802
Buildings	274,291	294,548
Machinery and vehicles	1,015,288	1,187,302
Furniture, fittings and equipment	6,206	9,056
	<u>1,298,862</u>	<u>1,496,708</u>
Amortisation of operating lease prepayment		
Land use rights	141,710	98,449
Employee benefits expense		
Wages and salaries	2,973,343	2,524,757
Defined contribution superannuation costs	52,421	39,829
Other welfare expense	65,706	73,007
	<u>3,091,470</u>	<u>2,637,593</u>
Net foreign exchange loss (included as "Other expenses")	-	1,072,543
IPO Costs	-	407,064
Research and development expenditures	97,026	249,243

Note 7: Income Tax Expense

Major components of income tax expense are:

Current tax expense		
Current tax expense	2,591,265	2,624,423
	<u>2,591,265</u>	<u>2,624,423</u>
Deferred tax expense		
Origination and reversal of temporary differences	347,822	(23,784)
	<u>347,822</u>	<u>(23,784)</u>
Total income tax expense in income statement	<u>2,939,087</u>	<u>2,600,639</u>

Notes to the Consolidated Financial Statements (continued)**Note 7: Income Tax Expense (continued)****Applicable income tax rate**

The applicable income tax rate for Quanzhou Sanhong Chemical Fibre Co., Limited, one of the Chinese subsidiaries, is 25% (2010: 25%).

The applicable income tax rate for Fujian Sanhong Renewable Resources Technology Co., Limited, another Chinese subsidiaries, is 12.5% (2010: 12.5%).

A deferred tax asset has not been recognized in respect of the unused tax losses of Novarise Renewable Resources International Limited and its Hong Kong subsidiary, Great Rises International New Resources Pty Ltd of \$1,055,542 (2010: \$296,299) arising from current year losses because neither of the entities will be generating business income in the foreseeable future therefore the tax losses are not expected to be realised.

	Consolidated	
	2011	2010
	\$	\$
Reconciliation of the effective tax rate		
Accounting profit before income tax	19,943,293	17,818,202
Prima facie tax payable on profit at the Australian tax rate of 30% (2010: 30%)	5,982,988	5,345,461
Add/(Less) Tax effect of:		
- Non-taxable government grant	-	(6,950)
-Deferred tax asset not recognized for losses in Novarise and Great Rises	212,341	514,492
-Impact of overseas tax differential	(3,328,496)	(3,193,793)
- Non-deductible Entertainment expenses	15,558	2,754
- Non-deductible interest expenses	61,950	-
Other difference	(5,254)	(61,325)
Income tax expense at effective tax rate of 15% (2010: 15%)	2,939,087	2,600,639
Income tax payable	2,279,606	1,957,176

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

Unused tax losses	1,055,542	296,299
Potential benefit at 30% in Australia and 16.5% in Hong Kong (2010: 30%)	297,679	88,890

There is no expiry date on the future deductibility of unused tax losses.

Notes to the Consolidated Financial Statements (continued)

Note 8: Key Management Personnel Disclosures

	Consolidated	
	2011	2010
	\$	\$
(a) Compensation		
Short-term employee benefits	227,449	335,071
Post-employment benefits	2,709	1,162
	<hr/>	<hr/>
Total	230,158	336,233

(b) Guarantees provided by key management personnel

As required by Chinese banking systems and operational processes, the company's legal representative must provide a guarantee to be jointly and severally liable in loan contracts.

Mr. Qingyue Su, as a legal representative, has provided guarantees of up to RMB456,000,000 (equivalent to A\$ 70,543,200) to the Group's subsidiaries effective up to 31 December 2013 for their borrowings.

In addition, Mr. Qingyue Su and his wife Ms. Yulu Pan have provided joint guarantees of up to RMB 606,250,000 (equivalent to A\$93,786,875) to the Group's subsidiaries effective up to 31 December 2013 for their borrowings.

Guarantee by related parties and third parties

Guarantor	Maximum amount of guarantee provided		Notes
	RMB	AUD	
SU, Qingyue and PAN, Yu Lulu jointly	606,250,000	93,786,875	8 (b)
SU, Qingyue	456,000,000	70,543,200	8 (b)
Other related parties	251,000,000	38,829,700	27 (d)
Third parties	204,870,000	31,693,389	

Financial institutions in China normally require multiple guarantors to guarantee funds lent to companies. The total amount of guarantees provided by related parties and third parties to the Group is greater than the total borrowings.

Notes to the Consolidated Financial Statements (continued)**Note 8: Key Management Personnel Disclosures (continued)****(c) Shareholdings**

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

2011	Balance at 31/12/2010	Received as remuneration	Group Restructuring	Net Change/ Other	Balance At 31/12/2011
Mr. Qingyue Su	268,269,444	-	-	1,428,743	269,698,187
Mr. Chung Yi So	31,561,111	-	-	-	31,561,111
Mr. Xiaobin Zhuang	-	-	-	-	-
Mr. Liandong Tu	-	-	-	-	-
Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Faipeng Chen	-	-	-	-	-
Mr. Chenzhang Li	-	-	-	-	-
Mr. Phillip Fook Weng Au	-	-	-	-	-
Mr. Wenpo Xie	-	-	-	-	-
Mr. Zhenwen Zhang	-	-	-	-	-
Mr. Sing Sha So	-	-	-	-	-
Total	299,830,555	-	-	1,428,743	301,259,298

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

Notes to the Consolidated Financial Statements (continued)**Note 8: Key Management Personnel Disclosures (continued)**

Consolidated	
2011	2010
\$	\$

(d) Dividend Distributed to Directors

During the period for the year ended 31 December 2011 no dividends were distributed to or received by directors from the Group with the capacity of major shareholders.

Mr. Qing Yue Su	-	2,541,500
Mr. Chung Yi So	-	299,000
	<u>-</u>	<u>2,840,500</u>

(e) Other transactions and balances

For the financial year ended 31st December 2010 fees paid to Minter Ellison \$24,312. The payments were in respect of the reimbursement of travelling expenses and remuneration for secretarial services provided by Mr. Fai Peng Chen. No such kind of transactions occurred in the current financial year.

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

Note 9: Auditor's Remuneration

Remuneration of the auditor of the Group:

Audit services

Amounts paid/payable to BDO for audit or review of the financial statements for the Group

- BDO Sydney	150,750	109,075
- BDO China	26,250	36,358

Non – Audit related services

<u>-</u>	<u>-</u>
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Total

<u>177,000</u>	<u>145,433</u>
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Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2011	2010
	\$	\$
Note 10: Dividends		
Total unfranked dividend for year ended 31 December 2011 nil per share (2010: 1 cent) per fully paid share paid on 13 December 2011	-	<u>3,992,549</u>

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

Note 11: Earnings per share

	Number of shares		Profit attributable to the owners of the company used to calculate basic earnings per share and diluted earnings per share	
	Consolidated		Consolidated	
	2011	2010	2011	2010
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	<u>415,057,737</u>	<u>367,666,345</u>	<u>17,004,206</u>	<u>15,217,563</u>

Note 12: Cash & Cash Equivalents

Cash in hand	13,359	13,146
Cash at bank	925,944	3,961,132
Short-term deposits with maturity less than three months	<u>6,128,013</u>	<u>2,557,955</u>
Cash and cash equivalents	<u>7,067,316</u>	<u>6,532,233</u>

Cash in hand is non-interest bearing. Cash at bank bears a floating interest rate at 0.5% (2010: 0.36%).

As at 31 December 2011, short-term deposits with maturity less than three months of \$6,121,476 are pledged as collateral for the bank loans borrowed by a related party and a third party. Refer to note27(e) for details.

In the prior year short-term deposits with maturity less than three months of \$2,552,216 were pledged as collateral for the bank accepted notes issued by the Group and bore fixed interest rates of 1.47% and had an average maturity of 3 months.

Notes to the Consolidated Financial Statements (continued)

Note 12: Cash & Cash Equivalents (continued)

	Consolidated	
	2011 \$	2010 \$
Concentration of risk by bank credit rating		
A1	-	1,494,029
A-1	631,249	-
A-1+	20,928	-
A-	20,307	-
A-2	153,406	3,825,883
Baa2	-	1,153,079
BBB+	-	3,575
Ba1	6,123,209	1,670
Unrated	104,858	40,851
Total	7,053,957	6,519,087

Note 13: Short Term Deposits with Maturity over three months

Short-term deposits with maturity over three months	62,824,805	50,968,916
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As at 31 December 2011, there were short-term deposits with maturity over three months of \$33,590,855 (2010: \$12,389,389) that are pledged as collateral for bank loans, bank acceptance notes and letter of credit issued by the Group. These include pledged short-term deposits of \$32,794,451 bearing fixed interest rates of 2.5%~3.3% (2010:2.39%) and have an average maturity of 6 months, and pledged short-term deposits of \$796,404 bearing floating interest rate of 0.5%. The remaining unpledged short-term deposits with maturity over three months of \$29,233,950 (2010: \$38,579,527) bear fixed interest rates of 3.25% (2010:2.61%) and have an average maturity of 6 months to 1 year.

Concentration of risk by bank credit rating

A1	-	780,839
A-1	27,166,681	-
A-	8,431,924	-
A-2	14,834,648	20,458,579
Baa2	-	12,542,004
BBB+	-	5,001,550
Ba1	3,109,552	3,001,009
Unrated	9,282,000	9,184,935
Total	62,824,805	50,968,916

Notes to the Consolidated Financial Statements (continued)

		Consolidated	
		2011	2010
		\$	\$
Note 14:	Trade and other receivables		
Current			
Trade receivables	(a)	10,225,245	6,382,702
Other receivables	(b)	2,164,658	211,963
Loan to third parties	(c)	62,915,653	-
		75,305,556	6,594,665

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

	Year ended 31 Dec 2011			Year ended 31 Dec 2010		
	Amount not impaired	Amount Impaired	Total	Amount not impaired	Amount Impaired	Total
Not past due	9,925,841		9,925,841	6,115,668	-	6,115,668
Past due < 3 months	299,404		299,404	267,034	-	267,034
Past due 3- 9 months	-		-	-	-	-
Total	<u>10,225,245</u>		<u>10,225,245</u>	<u>6,382,702</u>	<u>-</u>	<u>6,382,702</u>

As at 31 December 2011, trade receivables of \$299,404 (2010: \$267,034) were past due but not impaired. Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

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

(b) Other receivables

Included above are interest receivables of \$2,036,441 (2010: \$ 207,919) including interest on loans to third parties refer to in (c) below, which are not past due or impaired. Remaining other receivables of \$128,217 (2010: \$4,044) are not past due or impaired. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

(c) Loan to third parties

Included above is a unsecured loan to a third party of \$43,989,346 which is repayable on 31 August 2012. It includes \$40,747,980 bearing an interest rate of 12%, and the remaining balance of \$3,241,366 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 (2010: nil).

The Board has carefully assessed and continues to monitor the risk of default on these loans and believe no provision for impairment is required as at 31 December 2011.

Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Refer to note 26 for more information relating to the risk management policy of the Group.

Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2011	2010
	\$	\$
Note 15: Inventories		
At cost		
Raw materials	4,505,844	5,179,728
Finished goods		
- at cost	864,053	575,219
- at net realisable value	101,849	98,294
	<u>965,902</u>	<u>673,513</u>
Other inventories	15,345	2,017
	<u>5,487,091</u>	<u>5,855,258</u>
Note 16: Other assets		
<i>Current</i>		
Prepayments to suppliers	6,439,415	9,652,959
Recoverable VAT	545	7,898
	<u>6,439,960</u>	<u>9,660,857</u>
Note 17: Property, Plant and Equipment		
Buildings		
At cost	5,948,756	5,741,108
Accumulated depreciation	(1,973,339)	(1,631,755)
	<u>3,975,417</u>	<u>4,109,353</u>
Leasehold improvements		
At cost	285,391	275,429
Accumulated depreciation	(60,227)	(55,066)
	<u>225,164</u>	<u>220,363</u>
Machinery and vehicles		
At cost	12,320,538	11,535,026
Accumulated depreciation	(6,495,149)	(5,259,022)
	<u>5,825,389</u>	<u>6,276,004</u>
Furniture, fittings and equipment		
At cost	98,121	82,514
Accumulated depreciation	(78,380)	(69,474)
	<u>19,741</u>	<u>13,040</u>
Capital Works in Progress	37,139,776	5,241,571
Total property, plant and equipment		
At cost	55,792,582	22,875,648
Accumulated depreciation	(8,607,095)	(7,015,317)
	<u>47,185,487</u>	<u>15,860,331</u>

Notes to the Consolidated Financial Statements (continued)**Note 17: Property, Plant and Equipment (continued)*****Movement in carrying amounts***

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

	Buildings	Lease hold improvement	Machinery and vehicles	Furniture, fittings and equipment	Capital Works in Progress	Total
	\$	\$	\$	\$	\$	\$
Carrying amount at 1 January 2010	4,822,315	248,414	7,949,895	19,027	-	13,039,651
Additions	-	-	227,767	4,467	5,661,459	5,893,693
Disposals	-	-	(64,508)	-	-	(64,508)
Depreciation expense	(294,548)	(5,802)	(1,187,302)	(9,056)	-	(1,496,708)
Effect of movement in foreign exchange	(418,414)	(22,249)	(649,848)	(1,398)	(419,888)	(1,511,797)
Carrying amount at 31 December 2010	<u>4,109,353</u>	<u>220,363</u>	<u>6,276,004</u>	<u>13,040</u>	<u>5,241,571</u>	<u>15,860,331</u>
Additions	-	-	357,519	12,254	30,780,117	31,149,890
Depreciation expense	(274,291)	(3,077)	(1,015,288)	(6,206)	-	(1,298,862)
Effect of movement in foreign exchange	140,355	7,878	207,154	653	1,118,088	1,474,128
Carrying amount at 31 December 2011	<u>3,975,417</u>	<u>225,164</u>	<u>5,825,389</u>	<u>19,741</u>	<u>37,139,776</u>	<u>47,185,487</u>

Non-current assets pledged as security

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

Capitalisation of Borrowing Costs

During current financial year, significant loans and notes payables were incurred to support both the operations as well as the construction of Nan'an project. No specific loan agreement made a reference to Nan'an project therefore the weighted average borrowing rate 4.78%(2010:5.11%) was used to calculate the capitalised borrowing costs included in Capital Work in Progress. The amount of borrowing cost capitalised during the year is \$999,685(2010:\$243,660)

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

Long Term Prepayment for Property, Plant and Equipment	<u>8,013,746</u>	<u>4,872,321</u>
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Long term prepayment for property, plant and equipment represented the prepayments made to suppliers for purchases of equipment and construction services in relation to Nan'an project development. The prepayment was expected to form property, plant and equipments therefore were classified as non-current assets.

Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2011	2010
	\$	\$

Note 19: Land Use Rights

The Group's interest in land use rights represents prepaid operating lease payments in the People's Republic of China ("PRC") with lease periods for 50 years.

At 1 January	4,456,858	322,388
Additions	2,554,392	4,595,910
Amortisation charge	(141,710)	(98,449)
Effect of movement in foreign exchange	233,980	(362,991)
	<hr/>	<hr/>
At 31 December	7,103,520	4,456,858

Non-current assets pledged as security

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

Note 20: Trade and Other Payables**Current**

Trade payables	7,720,133	8,004,977
Other payables and accruals	2,754,398	404,187
Salary payables	218,963	919,920
Related party payables	4,658,665	126,606
	<hr/>	<hr/>
	15,352,159	9,455,690

Further information relating to loans from related party is set out in note 27.

Note 21: Borrowings**Current****Secured:**

Bank loans	19,393,155	18,959,955
Third party loans	46,410,000	-
Note payables	46,665,255	18,334,040
	<hr/>	<hr/>
	112,468,410	37,293,995

Non-current**Secured:**

Bank loans	14,637,250	-
	<hr/>	<hr/>

Further information relating to bank loans facilities is set out in note 26.

Notes to the Consolidated Financial Statements (continued)

	Consolidated 2011	2010
	\$	\$

Note 21: Borrowings (continued)**Terms and conditions****Bank loans**

Current bank loans' terms are within 12 months. The final instalments are due on 2 December 2012. As at 31 December 2011, \$13,752,147 current bank loans bear floating interest rate (2010: \$7,762,455). \$5,641,008 current bank loans bear interest at fixed rate (2010: \$11,197,500). The weighted average interest rate of the fixed rate bank loans is 6.37% (2010: 5.44%).

All non-current bank loans bear floating interest rate. The final instalment is due on 23 March 2018.

Notes payable

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

Third party loans

All third party loans bear a fixed interest rate at 12%. The final instalment is due on 15 June 2012.

Assets pledged as security

The bank loans and notes payable are all secured by the Group's short term cash deposits, buildings, capital works in progress and land use right. The managing director, related parties and third parties have also provided guarantees. For details of all guarantees refer to note 26 (b).

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note		
Current			
Short-term deposits with maturity less than three months	12	-	2,552,216
Short-term deposits with maturity over three months	13	33,590,855	12,389,389
		33,590,855	14,941,605
Non-current			
Land Use rights	19	7,103,520	285,675
Lease hold improvement	17	225,164	220,363
Buildings	17	3,975,417	4,109,353
Capital Works in Progress	17	7,875,955	-
		19,180,056	4,615,391
		57,770,911	19,556,996

Apart from the assets pledged for borrowings, the Group's 100% shareholding in its subsidiary-Fujian Renewable Resources Technology Co., Ltd is pledged against the Group's third party loans. In addition, capital works in progress of \$6,782,281 is pledged to secured an unused bank facility.

Notes to the Consolidated Financial Statements (continued)

Consolidated	2011	2010
	\$	\$

Note 22: Other Liabilities
Current

Deferred revenue	948,867	1,908,847
Welfare payables	-	8,568
Other tax payables	1,655,994	1,844,128
Other liabilities	-	7,661
	2,604,861	3,769,204

Note 23: Deferred Tax

Accruals	100,113	36,256
Total deferred tax assets	100,113	36,256
Accrued interest income	(420,859)	-
Total deferred tax liabilities	(420,859)	-

Movements in deferred tax assets

	Opening balance at 1 January 2010	Origination of deferred tax assets	Effect of movement in foreign exchange	Closing balance at 31 December 2010
	\$	\$	\$	\$
Amounts recognised in profit or loss				
Accruals	12,472	26,919	(3,135)	36,256
Total	12,472	26,919	(3,135)	36,256

	Opening balance at 1 January 2011	Originatio nof deferred tax assets	Effect of movement in foreign exchange	Closing balance at 31 December 2011
	\$	\$	\$	\$
Amounts recognised in profit or loss				
Accruals	36,256	60,714	3,143	100,113
Total	36,256	60,714	3,143	100,113

Movements in deferred liabilities

	Opening balance at 1 January 2010	Originatio nof deferred tax liabilities	Effect of movement in foreign exchange	Closing balance at 31 December 2011
	\$	\$	\$	\$
Amounts recognised in profit or loss				
Accrued interest income	-	(408,536)	(12,323)	(420,859)
Total	-	(408,536)	(12,323)	(420,859)

Notes to the Consolidated Financial Statements (continued)**Note 24: Contributed Equity**

	Consolidated	
	2011	2010
	\$	\$
415,057,737 (2010: 415,057,737) Fully paid ordinary shares		
415,057,737 (2010: 415,057,737)	32,066,227	32,066,227
Total	<u>32,066,227</u>	<u>32,066,227</u>

(a) Movements in ordinary share capital

Date	Details	Number of shares	Issue price\$	\$
1 January 2010	Opening balance	2		7,314,758
29 April 2010	Group restructuring	298,999,998		-
29 April 2010	Initial public offering on ASX	100,254,908	0.25	25,063,727
13 December 2010	Shares issued in accordance with the dividend reinvestment plan	<u>15,802,829</u>	0.18	<u>2,844,509</u>
	Less: transaction costs arising on shares issued	<u>-</u>		<u>(3,156,767)</u>
31 December 2010		<u>415,057,737</u>		<u>32,066,227</u>
31 December 2011		<u>415,057,737</u>		<u>32,066,227</u>

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

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

As at 31 December 2011 there were no unpaid shares(2010:nil).

Employee option plan

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

(b) Capital risk management

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

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

Notes to the Consolidated Financial Statements (continued)**Note 24: Contributed Equity (continued)****(b) Capital risk management (continued)**

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

		Consolidated	
		2011	2010
		\$	\$
Gearing ratios	Note		
Total borrowings			
- borrowings from bank or third parties	21	127,105,660	37,293,995
- loans from related parties	20	4,658,665	126,606
Less: cash and cash equivalents	12	(7,067,316)	(6,532,233)
Term deposits with maturity over three months	13	(62,824,805)	(50,968,916)
		<u>61,872,204</u>	<u>(20,080,548)</u>
Total equity		71,764,449	52,361,630
Total capital		<u>133,636,653</u>	<u>32,281,082</u>
Gearing ratio		46%	-62%

Gearing Ratio

Due to changes in Chinese credit policy, the Group increased its loans from various financing institutions and third party lenders to ensure it has sufficient funds to support the construction of its new factory in Nan'an. Considering the timing of the usage of the funds on the construction of Nan'an project, the Group decided to lend part of the funds to a third party in order to earn a better rate of interest in the short-term. This year the gearing ratio increased to 46% from -62% in 2010.

There have been no significant changes to the Group's capital management objectives, policies, and processes in the year nor has there been any change in what the Group considers to be its capital.

Notes to the Consolidated Financial Statements (continued)**Note 25: Reserves**

	Consolidated	
	2011	2010
	\$	\$
Surplus reserve	9,158,687	6,493,064
Foreign currency translation reserve	(3,134,397)	(5,533,010)
	6,024,290	960,054

Surplus reserves comprise the statutory surplus reserve of \$6,832,000 (2010: \$5,139,643) and other surplus reserve of \$2,326,687 (2010: \$1,353,421).

Statutory surplus reserve

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

Other surplus reserve

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

Foreign currency translation reserve

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

Note 26: Financial Risk Management**General objectives, policies and processes**

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Consolidated	
2011	2010
\$	\$

Note 26: Financial Risk Management (continued)

At 31 December 2011 and 31 December 2010, the Group held the following financial instruments:

Financial Assets	Note		
Current			
Cash and cash equivalents	12	7,067,316	6,532,233
Term deposits with maturity over 3 months	13	62,824,805	50,968,916
Trade and other receivables	14	75,305,556	6,594,665
Cash and receivables		145,197,677	64,095,814
Financial liabilities			
Current			
Trade and other payables	20	15,352,159	9,455,690
Borrowings	21	112,468,410	37,293,995
Non-current			
Borrowings	21	14,637,250	-
Financial liabilities measured at amortised cost		142,457,819	46,749,685

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

(a) Credit risk

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

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

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

Credit risk further arises in relation to loans to third parties (see Note 14). Such loans are only provided in exceptional circumstances and are subject to specific board approval.

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

Concentration of credit exposure analysis

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

Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2011	2010
	\$	\$
Note 26: Financial Risk Management (continued)		
(a) Credit risk (continued)		
<i>Analysis of credit exposure by geographical areas</i>		
Cash and Cash equivalents		
China	7,047,237	4,620,520
Hong Kong	4,192	1,881,648
Australia	15,887	30,065
	7,067,316	6,532,233
Term deposits with maturity over 3 months		
China	62,824,805	50,968,916
Trade and other receivables		
China mainland	74,657,299	6,279,111
Russia	102,065	82,929
Colombia	45,357	45,444
Philippines	154,990	42,174
Indonesia	46,820	34,491
Turkey	97,781	32,456
India	9,003	30,927
Others	192,241	47,133
	75,305,556	6,594,665
Total Cash, loans and receivables	145,197,677	64,095,814

Except for the fact that the Group made a loan to a third party of \$43,989,346 (refer to note 14) which consists of 30% of total loans and receivable balance at the reporting date, there was no concentration of credit risk with respect to current receivables as the group.

(b) Liquidity risk

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

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

Financing arrangements**Bank facilities**

Total facilities	40,686,100	18,662,500
Used at the end of the reporting period	(18,035,220)	(13,283,278)
Unused at the end of the reporting period	22,650,880	5,379,222

Included within the unused bank facilities above are trade finance facilities totalling \$17,994,410 (2010: \$5,225,500).

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

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

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

(b) Liquidity risk (continued)

Guarantee by related parties and third parties for borrowings

Guarantor	Maximum amount of guarantee provided		Notes
	RMB	AUD	
SU, Qingyue and PAN, Yu Lulu jointly	606,250,000	93,786,875	8 (b)
SU, Qingyue	456,000,000	70,543,200	8 (b)
Other related parties	251,000,000	38,829,700	27 (d)
Third parties	204,870,000	31,693,389	

Financial institutions in China normally require multiple guarantors to guarantee funds lent to companies. The total amount of guarantees provided by related parties and third parties to the Group is greater than the total borrowings.

Maturity Analysis

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

	Carrying Amount	Contractual Cash flows	< 6 mths	6- 12 mths	1-3 year	> 3 years
	\$	\$	\$	\$	\$	\$
2011						
Non-derivatives						
Non-interest bearing	10,693,494	10,693,493	10,693,494	-	-	-
Interest free borrowings	51,323,920	51,323,920	51,323,920	-	-	-
Fixed rate borrowings	52,051,008	56,949,819	52,260,990	4,688,829	-	-
Floating rate borrowings	28,389,397	33,980,190	6,666,827	8,894,793	3,337,574	15,080,996
	<u>142,457,819</u>	<u>152,947,422</u>	<u>120,945,231</u>	<u>13,583,622</u>	<u>3,337,574</u>	<u>15,080,996</u>
2010						
Non-derivatives						
Non-interest bearing	9,329,084	9,329,084	9,329,084	-	-	-
Interest free borrowings	18,460,646	18,460,646	18,460,646	-	-	-
Fixed rate borrowings	11,197,500	11,617,269	4,634,002	6,983,267	-	-
Floating rate borrowings	7,762,455	7,919,429	7,919,429	-	-	-
	<u>46,749,685</u>	<u>47,326,428</u>	<u>40,343,161</u>	<u>6,983,267</u>	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements (continued)**Note 26: Financial Risk Management (continued)****(c) Market risk**

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

i) Interest rate risk

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

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

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

	Weighted average interest rate	Floating rates \$	Fixed rates < 1 year \$	Non- interest bearing \$	Total \$
2011					
Financial Assets					
Cash and cash equivalents	2.75%	925,944	6,128,013	13,359	7,067,316
Term deposits with maturity over 3 months	3.01%	796,404	62,028,401	-	62,824,805
Trade receivables	-	-	-	10,225,245	10,225,245
Other receivables	-	-	-	2,164,658	2,164,658
Loans to third parties	12.00%	-	40,747,980	22,167,673	62,915,653
Financial Liabilities					
Trade and other payables	-	-	-	(15,352,159)	(15,352,159)
Bank loans	6.46%	(28,389,397)	(5,641,008)	-	(34,030,405)
Third party loans	12.00%	-	(46,410,000)	-	(46,410,000)
Notes payable	-	-	-	(46,665,255)	(46,665,255)
		(26,667,049)	56,853,386	(27,446,479)	2,739,858
2010					
Financial Assets					
Cash and cash equivalents	0.79%	5,025,819	1,493,268	13,146	6,532,233
Term deposits with maturity over 3 months	2.56%	1,009,474	49,959,442	-	50,968,916
Trade and other receivables	-	-	-	6,594,665	6,594,665
Financial Liabilities					
Trade and other payables	-	-	-	(9,455,690)	(9,455,690)
Bank loans	5.14%	(7,762,455)	(11,197,500)	-	(18,959,955)
Notes payable	-	-	-	(18,334,040)	(18,334,040)
		(1,727,162)	40,255,210	(21,181,919)	17,346,129

Notes to the Consolidated Financial Statements (continued)**Note 26: Financial Risk Management (continued)****(c) Market risk (continued)****i) Interest rate risk (continued)****Sensitivity analysis**

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

	2011		2010	
	+0.4% (40 basis points)	-0.4% (40 basis points)	+0.4% (40 basis points)	-0.4% (40 basis points)
	\$	\$	\$	\$
Cash and cash deposits	6,890	(6,890)	24,141	(24,141)
Floating rate borrowings	(101,182)	101,182	(31,050)	31,050
Tax charge at 25% (2010: 25%)	23,573	(23,573)	1,727	(1,727)
After tax increase / (decrease)	(70,719)	70,719	(5,182)	5,182

(ii) Foreign currency risk

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

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

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

	2011 USD\$	2010 USD\$
Cash at bank	163,530	1,979,947
Trade receivables	938,279	463,869
Trade payables	-	(907,980)
Short term borrowings	(6,537,080)	(3,283,455)
Other payable	-	(126,606)
	(5,435,271)	(1,874,225)

Notes to the Consolidated Financial Statements (continued)**Note 26: Financial Risk Management (continued)****(c) Market risk (continued)****(ii) Foreign currency risk (continued)****Sensitivity Analysis**

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

	2011		2010	
	+10% (USD/RMB)	-10% (USD/RMB)	+1% (USD/RMB)	-1% (USD/RMB)
	\$	\$	\$	\$
Cash and cash deposits	15,877	(15,877)	197,995	(197,995)
Trade receivables	91,426	(91,426)	46,387	(46,387)
Trade payables	-	-	(90,798)	90,798
Borrowings	637,778	(637,778)	(328,346)	328,346
Other payables			(12,661)	12,661
Tax charge	(186,270)	186,270	46,856	(46,856)
After tax increase / (decrease)	558,811	(558,811)	(140,567)	140,567

Note 27: Related Party Transactions

	Consolidated	
	2011	2010
	\$	\$

(a) Ultimate parent

The parent entity and the ultimate parent of the Group is Novarise Renewable Resources International Limited (Novarise).

(b) Transactions with related parties

The following transactions occurred with related parties:

Purchases

Purchase of goods from other related parties	-	217,701
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All purchases from other related parties were on normal commercial terms.

Import/export agent services acquired from other related party

Agent services	-	12,008,601
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Payments for importation agency were treated as normal operation payables included in Note 20 as accounts payables.

Other related parties paid on behalf of the Group on purchase of goods

Other related parties	21,806,523	24,668,510
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Notes to the Consolidated Financial Statements (continued)

	2011	2010
	\$	\$
Note 27: Related Party Transactions (continued)		
(c) Outstanding balances		
Loans from other related parties		
Current		
Balance at beginning of the year	126,606	-
Advances by other related parties	7,909,358	491,700
Repayments to other related parties	(3,513,875)	(354,951)
Effect of movement in foreign exchange	137,152	(263,355)
Balance at end of year	<u>4,658,665</u>	<u>126,606</u>

Loans from related parties are unsecured, interest free and repayable on demand.

Other related parties paid on behalf of the Group

Current		
Balance at beginning of the year	1,996,304	-
Related parties paid on behalf of the Group	21,806,523	24,668,510
Repayments to other related parties	(23,613,267)	(22,512,288)
Effect of movement in foreign exchange	17,702	(159,918)
Balance at end of year	<u>207,262</u>	<u>1,996,304</u>

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

(d) Guarantee provided by other related party to the Group

Details of guarantees provided by other related parties are disclosed in Note 26(b).

(e) Guarantee provided by the Group to related parties

The Group provided financial guarantees in relation to bank loans of a related party and a third party in the current financial year. Short-term deposits with maturity less than three months of \$6,121,476 was pledged as collateral to secure these bank loans. These financial guarantee contracts expired without being called prior to the date of signing of this financial report, and no liability has been recognised in relation to these financial guarantees as at 31 December 2011.

Notes to the Consolidated Financial Statements (continued)**Note 28: Parent Entity**

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

	2011	2010
	\$	\$
Current assets	22,634,453	22,250,030
Non-current assets	7,249,902	6,996,835
Total assets	29,884,355	29,246,865
Current liabilities	2,900,979	2,680,991
Non-current liabilities	-	-
Total liabilities	2,900,979	2,680,991
Contributed equity	32,066,227	32,066,227
Retained earnings	(4,461,710)	(3,934,267)
Foreign currency translation reserve	(621,141)	(1,566,086)
Total equity	26,983,376	26,565,874
(Loss)/profit for the year	(527,443)	58,282
Other comprehensive income/(loss) for the year	944,945	(1,566,086)
Total comprehensive income/(loss) for the year	417,502	(1,507,804)

Notes to the Consolidated Financial Statements (continued)**Note 29: Subsidiaries**

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

Name of entity	Country of Incorporation	Class of shares	Equity holding*	
			2011 %	2010 %
Novarise Australia Pty Ltd	Australia	Ordinary	100	100
Great Rises International New Resources Pty Ltd	Hong Kong	Ordinary	100	100
Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd	PR China	**	100	100
			(via Great Rises International New Resources Pty Ltd)	
Quanzhou Sanhong Chemical Fibre Co Ltd	PR China	**	100	100
			(41.72% via Fujian Sanhong Renewable Resources Technology Co Ltd) (58.28% via Great Rises International New Resources Pty Ltd)	
Fujian Sungreen Eco-friendly Technology Co., Ltd	PR China	**	100	-
			(100% via Fujian Sanhong Renewable Resources Technology Co Ltd)	
Fujian Sanhong Eco-friendly Technology Co., Ltd	PR China	**	100	-
			(100% via Fujian Sanhong Renewable Resources Technology Co Ltd)	

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

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

Notes to the Consolidated Financial Statements (continued)

	2011	2010
	\$	\$
Note 30: Cash Flow Information		
Reconciliation of the profit after tax to the net cash flows from operations:		
Operating profit after tax	17,004,206	15,217,563
Depreciation of noncurrent assets	1,298,862	1,496,708
Amortisation of prepayments (land use rights)	141,710	98,449
Net loss on sale of property, plant and equipment	-	3,706
Realised tax losses for financing activities	-	1,183,531
Exercise costs on dividend reinvestment	-	(87,632)
Changes in Assets and Liabilities:		
(Increase)/(decrease) in trade and other receivables	(5,394,005)	790,940
Decrease /(Increase) in inventory	562,961	(2,779,656)
Decrease /(Increase) in other assets	3,170,473	(6,375,888)
(Increase)/ decrease in deferred tax assets	(97,181)	2,585
Increase/(Decrease) in trade and other payables	5,258,617	(3,995,241)
(Decrease)/increase in other liabilities	(1,975,312)	2,519,649
Increase in income tax liabilities	244,272	1,867,850
Increase/(Decrease) in deferred tax liabilities	445,003	(29,504)
Effects of foreign currency	-	4
Net cash flow from operating activities	<u>20,659,606</u>	<u>9,913,064</u>
Non-cash financing and investing activities:		
Dividends satisfied by the issue of shares under the dividends re-investment plan – net of transaction costs	-	<u>2,844,509</u>
Note 31: Commitments and Contingencies		
Capital commitments		
Property, plant and equipment		
Payable within one year	<u>5,466,818</u>	<u>32,637,666</u>
	<u>5,466,818</u>	<u>32,637,666</u>
Lease commitments		
Non-cancellable operating leases - future minimum lease payments		
Payable within one year	40,078	21,498
Later than one year but not later than 5 years	66,796	-
	<u>106,874</u>	<u>21,498</u>

The Group leases premises under non-cancellable operating leases expiring in 2013.

Notes to the Consolidated Financial Statements (continued)**Note 32: Events after the end of the reporting period**

Since 31 December 2011 the Group has lent additional funds totally \$1,392,300 (RMB 9,000,000) to the same third party included in Note 14 (c) to whom the Group has made interest bearing loans. These additional loans are non-interest bearing and were repaid prior to the date of signing the financial report.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, or the results of those operations.

Note 33: Company details***Principal place of business***

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

Registered office

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

Note 34: Changes of results from 4E

On 29 February 2012 the Group announced to the market its preliminary financial results for the financial year ended 31 December 2011 for \$17,052,734. The audited profit after income tax of the Group for relevant period was \$17,004,206, \$48,528 less than the preliminary financial results. The changes represented 0.29% of the final financial results and were caused by adjustments in deferred income tax expenses.

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The remuneration disclosures included in pages 12 to 19 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2011, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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



Qingyue Su
Managing Director

Quanzhou, P.R. China

Date: 30 March 2012



INDEPENDENT AUDITOR'S REPORT

To the members of Novarise Renewable Resources International Limited

Report on the Financial Report

We have audited the accompanying financial report of Novarise Renewable Resources International Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Opinion

In our opinion:

- (a) the financial report of Novarise Renewable Resources International Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(z) of the financial report, which indicates that the consolidated entity has \$99,453,035 of loans and notes payables due for renewal by 30 June 2012, a further \$12,298,650 due for renewal by 31 December 2012 and \$5,506,896 of capital and lease commitments due before 31 December 2012 in addition to an unsecured receivable of \$43,989,345 due from an unrelated company (the "Borrower") due to be repaid in full in by 31 August 2012.

Should the consolidated entity 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 there is a material uncertainty about the consolidated entity'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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Novarise Renewable Resources International Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (NSW-VIC) Pty Ltd

Iain Kemp
Director

Sydney, dated this 30th day of March 2012

Share Trading Policy

Dealing Rules for Directors and Senior Executives

Summary

The Board encourages directors and senior executives (key management personnel (KMP's)) to own shares in the Company to further link their interests with the interests of all shareholders.

Directors and Senior Executives:

- Must not engage in short term trading of the company's shares. KMP's are strongly encouraged not to be sellers of the company's shares;
- Must not trade in the company's shares during a Closed Period;
- Must not trade in the company's shares while that person is in possession of unpublished price-sensitive information (i.e. inside information).

"Price-sensitive information" is information which a reasonable person would expect to have a material effect on the price or value of the company's shares.

Under its share trading policy, KMP's are permitted to buy and sell shares in the company during any period which is not regarded as a 'Prohibited Period'. These KMP's are not permitted to buy and sell shares in the company without first obtaining written or email consent from the Chairman or Company Secretary. That consent will normally be granted provided there is no price sensitive information known to the company that has not been disclosed to the market in accordance with ASX exemptions from mandatory disclosure.

Prohibited Period means:

1. Any 'closed period'; and
2. Additional periods when an entity's KMP's are prohibited from trading, which are imposed by the entity from time to time when the company is considering matters which are subject to the Listing Rules continuous disclosure requirements.

Closed Period means:

Fixed periods specified in this Trading policy when the company's KMP's are prohibited from trading in the company's securities.

Introduction

KMP's may have in their possession sensitive commercial information which could materially affect the value of company shares and securities.

The Corporations Act 2001(Cth) prohibits insider trading in relation to financial products. The provisions are wide ranging and breaches are serious offences.

This document:

- (a) provides an outline of the insider trading and other relevant provisions of the Corporations Act;
- (b) sets out the rules relating to dealings by KMP's in shares and other securities issued by the company ("company securities");

These Rules are designed to assist in preventing breaches of the insider trading provisions of the Corporations Act. Ultimately it is the responsibility of a KMP to ensure that none of his or her dealings could constitute insider trading.

Insider Trading Prohibition

The nature of the Prohibition

Section 1043A (of Part 7.10, Division 3) of the Corporations Act makes it an offence for a person in possession of information that is not generally available but which, if generally available, might materially impact the price or value of company securities, to:

- trade in (i.e. apply for, acquire or dispose of, or enter into an agreement to do any of these things); or
- procure another person to trade in, company securities (collectively referred to as deal in company securities).

It is also an offence to tip the information to another person with the knowledge that the person could deal in company securities. Accordingly the effect of this section cannot be avoided by simply getting another person to deal on your behalf.

How You Become Aware of the Information is Irrelevant

It is irrelevant how or in what capacity the person came into possession of the information. This means that s1043A will apply to any KMP who acquires inside information in relation to company securities, no matter in which capacity and is prohibited from dealing in company securities.

Information Which Might Affect Price Value

The prohibition refers to unpublished information which, if generally available, might materially impact the price or value of company securities.

What Does Information Include?

Information includes matters of supposition or speculation and matters relating to the intentions or likely intentions of a person.

What Information Might Materially Affect Price or Value?

This means information that a reasonable person would expect to have a material effect on the price or value of company securities. A reasonable person would be taken to expect information to have a material effect on price or value if the information would be likely to influence persons who commonly invest in securities whether or not to do so.

Examples of this type of information which might affect the price or value of company securities include:

- proposed changes in the capital structure, capital returns and buy backs of financial products;
- information relating to financial results;
- a material acquisition, divestment or realisation of assets;
- proposed dividends and share issues;
- changes to the Board;
- possible events which could have a material impact on profits (negatively or positively) e.g, loss of a major customer;
- proposed changes in the nature of the business of the company;
- notification of a substantial shareholding; and
- any information required to be announced to the market pursuant to Listing Rule 3.1. (the Continuous Disclosure rule).

- What does Unpublished Mean?

- Unpublished for this purpose means that the information is not generally available. Information is generally available if it consists of readily observable matter, or it has been disseminated in a manner likely to bring it to the attention of investors and a reasonable period has elapsed.

Closed Periods

Directors and senior executives may not trade in the company's securities during the financial closed periods which are:

- The period between 31 December and 12pm on the day after the release of the Company's Appendix 4E preliminary final report; and
- The period between 30 June and 12pm on the day after the release of the Company's half year report.

Other Relevant Corporations Act Provisions

Officers and employees are subject to the duties set out in sections 182, 183 and 184 of the Corporations Act. Officers are subject to additional duties outlined in sections 180 and 181 of the Corporations Act.

No Improper Use of Inside Information (s183 and s184)

An officer or employee, or former officer or employee must not make improper use of information acquired by virtue of his or her position as such an officer or employee to gain, directly or indirectly, an advantage for himself or herself or for any other person, or to cause detriment to the company.

No Gain by Improper Use of Position (s182 and s184)

An officer or employee must not make improper use of his or her position as such an officer or employee, to gain, directly or indirectly, an advantage for himself or herself or for any other person, or to cause detriment to the company.

Care and Diligence (s180)

An officer must exercise their powers and discharge their duties with the degree of care and diligence a reasonable person would exercise in the same circumstances.

Good Faith (s181 and s184)

An officer must exercise their powers and discharge their duties in good faith in the best interests of the company. An officer commits an offence if they are reckless or are intentionally dishonest and fail to exercise their powers and discharge their duties in good faith in the best interests of the company and for a proper purpose.

Prohibition in Dealing While in Possession of Relevant Information

Dealing in shares is subject to the prohibition that a KMP must not deal in shares:

- at any time when he or she is in possession of unpublished, information which, if generally available, might materially affect the price or value of those shares; and
- on the day the public announcement is made in relation to that matter.

Prohibition on Active Dealing

Dealing during a Trading Period is subject to the prohibition that a KMP must not actively deal in shares with a view to deriving profit related income from that activity. "Actively Deal" for this purpose means to deal in shares in a manner which involves frequent and regular trading activity.

Confirmation of Dealing that has Occurred

The company may require an employee to provide confirmation of dealing in company securities by an employee or his/her associate(s).

Notice of Change to Trading Period or Closed Trading Period

The Closed Trading Period may be extended or shortened or another Closed Trading Period may be introduced at any time by direction of the Board. Notice of such changes will be specified to employees by email and to directors by email and/or facsimile. Changes to the Closed Trading Period or Trading Period are effective immediately upon the giving of such notice. Where an employee does not have email access it is the manager's responsibility to inform the employee.

Director Requirement to Report to the market. Listing Rule 3.19A

In accordance with the Agreement between directors and the company, directors are required to provide details of all changes to their interest in company shares registered in the name of the director or held on behalf of the director, directly or indirectly. The details must be provided as soon as reasonably possible after the date of the change and in any event no later than three business days after the change or another time frame which allows for compliance with the listing rule obligations.

Waiving Rules

If there are exceptional circumstances, the Chairman, or if absent, the Chief Executive Officer in their discretion may waive parts of the Dealing Rules, to allow for a KMP to deal.

If there is exceptional circumstance, the Chairman in consultation with the Chief Executive Officer and the Chairman of the Audit and Risk Committee, in their discretion may waive parts of the Dealing Rules, to allow directors to deal.

Exceptional circumstances may include the following:

- A representative in severe financial hardship where the representative has a pressing financial commitment which cannot be satisfied otherwise than by selling the relevant securities of the Company.
- A representative is the subject of a court order, or there are enforceable undertakings to transfer or sell the securities of the Company or there is some other overriding legal or regulatory requirement for them to do so.

The Board recognises that by nature of exceptional circumstances, it is envisaged that there may be other circumstances which have not been identified in this policy that may be deemed exceptional by the Board.

This discretion will be applied, taking into account the hardship of the employee or director and weighing this against any perceived detriment to the company's reputation.

Other trading that is specifically excluded from the operation of this trading policy includes the following:

- Transfers of securities of the Company already held, into or out of a superannuation fund or other saving scheme in which the representative is a beneficiary.
- An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party.
- Where a representative is a trustee, trading in securities of the Company by that trust provided the representative is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by other trustees or by the investment managers independently of the representative.
- Undertakings to accept, or the acceptance of a takeover offer;
- Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue.

- The exercise (but not the sale of securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and the representative could not reasonably have been expected to exercise it at a time when free to do so.

Employees who apply for a waiver under exceptional circumstances must obtain written or email consent from the Managing Director prior to trading in the Company's securities.

Related Parties and Relevant Interests

The restrictions on dealings by a KMP are equally applicable to any dealings:

- (a) by their spouses or de facto spouses;
- (b) by or on behalf of any dependant under 18 years of age; and
- (c) any other dealings in which, for the purposes of the Corporations Act, he or she is or is to be treated as "interested". For example, if a KMP is a trustee of a trust and is also a beneficiary of the trust, the KMP must not purchase company shares on behalf of the trust.

It is the duty of the KMP to seek to avoid any such dealing at a time when he or she is himself or herself prohibited from dealing.

Employment and Monitoring of Compliance

To promote understanding of the insider trading prohibition, related Corporations Act provisions and company policy, a copy of this document will be distributed to all KMP's (present and future) and will also be available on the company's intranet site. The induction procedures for new KMP's must require that a copy of this document be provided to each new KMP.

All new KMP's will be required to provide a completed Form of Acknowledgment to Human Resources. All new directors will be required to provide this form to Company Secretariat.

Conclusion

Compliance with the rules set out in this document is mandatory. Infringement of the insider trading provisions can attract a substantial monetary penalty, imprisonment or both.

Any KMP who does not comply with the Dealing Rules set out in this document will be considered to have engaged in serious misconduct which may result in the termination of their engagement by the company.

Ultimate discretion rests with the Chairman of the Board in respect of granting a waiver to the requirements of this Share Trading Policy to allow Representatives to trade in the shares of the Company, provided to do so would not be illegal.

SHAREHOLDER INFORMATION**NOVARISE RENEWABLE RESOURCES INT LIMITED**

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 28 March 2012:**Substantial shareholders**

The following were substantial shareholders as at 28 March 2012:

Name	Number of fully paid Ordinary shares held	% held
GREAT RISES INTERNATIONAL INVESTMENT LTD	254,149,998	61.23
MCNEIL NOMINEES PTY LIMITED	47,699,321	11.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,227,874	9.69

Voting Rights**Fully paid ordinary shares:**

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Distribution of Shareholders

Category	Holders of Ordinary Shares	% of Issued Capital
1 – 1,000	9	0.00
1,001 – 5,000	70	0.06
5,001 – 10,000	199	0.40
10,001 – 100,000	355	2.68
100,001 – 9,999,999,999	57	96.86
Total number of security holders	690	100.00

Unmarketable parcels

Ordinary Shares	Minimum Parcel Size	Number of Holders	Units
	\$500.00 at \$0.17 per unit	30	50128

On market buy-back

There is no current on-market buy back.

Company Secretaries:

The names of the Company secretaries are Mr. Xiaobin Zhuang and Ms. Winnie Chen

Registered Address:

The address of the principal registered office in Australia is:
Suite 5, Level 1, 325 Pitt Street, Sydney, NSW 2000
Telephone: 02- 92831338

Registers of Securities:

Registers of Securities are held at the offices of Computershare Investor Services Pty Ltd.
Address: Level 5, 115 Grenfell Street, Adelaide, SA 5000.

Securities Exchange listing:

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

Twenty largest shareholders:

The names of the 20 largest holders of fully paid ordinary shares constituting a class of quoted equity securities on the Australian Securities Exchange Limited including the number and percentage held by those at 28 March 2012 are as follows:

Name	Number of fully Paid ordinary Shares held	% held
GREAT RISES INTERNATIONAL INVESTMENT LTD	254,149,998	61.23
MCNEIL NOMINEES PTY LIMITED	47,699,321	11.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	40,227,874	9.69
UOB KAY HIAN (HONG KONG) LIMITED	18,029,960	4.34
GREAT RISES INTERNATIONAL GROUP INVESTMENT LTD	8,970,000	2.16
JP MORGAN NOMINEES AUSTRALIA LIMITED	7,317,000	1.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,770,000	1.15
UOB KAY HIAN PRIVATE LIMITED	2,488,072	0.60
CIMB SECURITIES (S) PTE LTD	1,968,180	0.47
MR HONG HU	1,572,000	0.38
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,017,000	0.25
MR CHUN YEAN CHIN	1,000,000	0.24
CHINA STRATEGY INVESTMENT MANAGEMENT CO LTD	987,361	0.24
MR XIANGMING LI	977,550	0.24
MENCOE PTY LIMITED	807,136	0.19
GUO PIN YU	800,000	0.19
TIANFU INTERNATIONAL GROUP PTY LTD	600,000	0.14
MR MAKRAM HANNA + MRS RITA HANNA	553,000	0.13
ALLANAR PTY LTD	546,091	0.13
MRS XI ZHEN LI	523,175	0.13
Total	395,003,718	95.15

Corporate Directory

Directors:	Mr Qingyue Su	Chairman and Managing Director
	Mr Xiaobin Zhuang	Executive Director
	Mr Chung Yi So	Non-Executive Director
	Mr Liandong Tu	Non-Executive Director
	Mr John O'Brien	Non-Executive Director
	Mr Fai Peng Chen	Non-Executive Director

Company Secretary: Ms Winnie Chen

Notice of Annual General Meeting: The Annual General Meeting of Novarise Renewable Resources International Ltd will be held at:
Minter Ellison (Sydney) Building
Aurora Place, 88 Phillip Street,
Sydney 2000
Time: 02:00pm
Date: 15 May 2012

Australia Office: Suite 5 Level 1
325 Pitt Street
Sydney NSW 2000
Telephone: +61 2 9283 1338
Facsimile: +61 2 9383 3308

PR China Office No 2-16 Qingmeng Park
Quanzhou Economy & Technology
Development Zone
Quanzhou Fujian Province
The People's Republic of China
Telephone: +86 595 2249 6233
Facsimile: +86 595 2235 3392

Registered Office in Australia: Suite 5 Level 1
325 Pitt Street
Sydney NSW 2000
Telephone: 61 2 9283 1338
Facsimile: 61 2 9283 3308

Share Registry:	Computershare Investor Services Pty Limited Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: 1300 158 217 (within Australia) Telephone: +61 3 9415 4306 (outside Australia) www.investorcentre.com/contact
Auditor:	Mr Lain Kemp BDO Audit (NSW – VIC) Pty Ltd Level 19 2 Market Street Sydney NSW 2000
Stock Exchange Listing:	Australian Securities Exchange Ltd NOE – Ordinary Shares
Website Address:	www.novarise.com.au

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