

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

	12 Months Ended	
	31 December 2012	31 December 2011
	\$	\$
Revenue	82,450,642	80,304,361
Cost of sales	(57,660,359)	(56,193,283)
Gross profit	24,790,283	24,111,078
Interest revenue	4,203,219	1,767,298
Other income	636,874	893,277
Distribution expenses	(276,896)	(314,763)
Marketing expenses	(616,012)	(499,887)
Administration expenses	(3,142,353)	(3,271,056)
Occupancy expenses	(152,049)	(144,786)
Finance costs	(4,443,550)	(2,540,298)
Other expenses	(10,269)	(57,570)
Profit before income tax expense	20,989,247	19,943,293
Income tax expense	(3,999,234)	(2,939,087)
Profit after income tax expense	16,990,013	17,004,206
Other comprehensive income		
Foreign currency translation differences	(783,147)	2,398,613
Total Other comprehensive income for the 12 months, net of tax	(783,147)	2,398,613
Total comprehensive income for the 12 months	16,206,866	19,402,819
Profit for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	16,990,013	17,004,206
	16,990,013	17,004,206
Total comprehensive income for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	16,206,866	19,402,819
	16,206,866	19,402,819
Basic Earnings per Share	4.09 Cents	4.10 Cents
Diluted Earnings per Share	4.09 Cents	4.10 Cents

4. Consolidated Statement of Financial Position

	As at 31 December 2012	As at 31 December 2011
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,162,932	7,067,316
Term Deposits With Maturity over three months	33,068,441	62,824,805
Trade and other receivables	123,594,661	75,305,556
Inventories	6,498,252	5,487,091
Other assets	1,443,377	6,439,960
TOTAL CURRENT ASSETS	166,767,663	157,124,728
NON-CURRENT ASSETS		
Term Deposits With Maturity over three months	10,685,330	-
Property, plant and equipment	60,422,430	47,185,487
Leasehold land use rights, net	7,052,864	7,103,520
Deferred tax assets	379,626	100,113
Long-term prepayment for PPE	9,024,997	8,013,746
TOTAL NON-CURRENT ASSETS	87,565,247	62,402,866
TOTAL ASSETS	254,332,910	219,527,594
CURRENT LIABILITIES		
Trade and other payables	20,120,698	15,352,159
Borrowings	114,698,110	112,468,410
Current tax liabilities	2,614,108	2,279,606
Other liabilities	2,849,369	2,604,861
TOTAL CURRENT LIABILITIES	140,282,285	132,705,036
NON-CURRENT LIABILITIES		
Borrowings	24,626,587	14,637,250
Deferred tax liabilities	1,452,723	420,859
TOTAL NON-CURRENT LIABILITIES	26,079,310	15,058,109
TOTAL LIABILITIES	166,361,595	147,763,145
NET ASSETS	87,971,315	71,764,449
EQUITY		
Contributed equity	32,066,227	32,066,227
Reserves	8,047,204	6,024,290
Retained earnings	47,857,884	33,673,932
TOTAL EQUITY	87,971,315	71,764,449

5. Consolidated Statement of Cash Flows

	12 Months ended	
	31 December 2012	31 December 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	94,412,120	87,936,474
Payments to suppliers and employees	(67,378,913)	(65,392,574)
Interest received	730	888,708
Interest paid	(632,602)	(426,008)
Income tax paid	(2,884,500)	(2,346,994)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,516,835	20,659,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(19,266,347)	(29,790,705)
Proceeds from property, plant & equipment	591,433	-
Payments for land use rights	(172,690)	(2,554,392)
Decrease/(increase) in term deposits with maturity over three months	18,352,401	(9,719,217)
Payment for capitalised interest	(1,530,679)	(999,685)
Loans to third party	(45,518,448)	(61,073,327)
Repayment of loans by third party	18,696,722	-
Loans to related party	(15,633,284)	-
NET CASH USED IN INVESTING ACTIVITIES	(44,480,892)	(104,137,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	150,579,664	124,230,426
Repayment of borrowings	(129,316,001)	(84,322,320)
Loans from related parties	1,640,131	3,481,633
Loans from non-bank third party	8,521,802	40,378,051
Repayment of loans to non-bank third party	(15,282,341)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,143,255	83,767,790
NET (DECREASE)/INCREASE IN CASH HELD	(4,820,802)	290,070
Effects of exchange rate changes on the balance of cash held in foreign currency	(83,582)	245,013
Cash and cash equivalents at beginning of the year	7,067,316	6,532,233
CASH AT END OF YEAR	2,162,932	7,067,316

6. Consolidated Statement of Changes in Equity

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2011	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 12 months	-	17,004,206	-	2,398,613	2,398,613
Transaction with owners in their capacity as owners					
Appropriation to surplus reserve	-	(2,665,623)	2,665,623	-	-
	-	(2,665,623)	2,665,623	-	-
At 31st December 2011	32,066,227	33,673,932	9,158,687	(3,134,397)	71,764,449
Total comprehensive income for the year					
Profit for the year	-	16,990,013	-	-	16,990,013
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(783,147)	(783,147)
Total comprehensive income for the year	-	16,990,013	-	(783,147)	16,206,866
Transaction with owners in their capacity as owners					
Appropriation to surplus reserve	-	(2,806,061)	2,806,061	-	-
	-	(2,806,061)	2,806,061	-	-
At 31st December 2012	32,066,227	47,857,884	11,964,748	(3,917,544)	87,971,315

7. Details of dividends/distributions

No dividend was paid or proposed for the financial year ended 31 December 2012.

8. Details of dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 31 December 2012.

9. Net tangible assets per security

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (excluding minority interest)*	\$0.21	\$0.17

* Calculated net of goodwill and other intangibles.

10. Control gained or lost over entities during the year

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

11. Details of associates and joint venture entities

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

12. Other significant information

Refer to commentary on result below.

13. Accounting standards used by foreign entities

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

14. Commentary on results

Revenue during the reporting period grew by 6% compared to previous corresponding period. NPAT declined slightly from \$17,004,206 in FY2011 to \$16,990,013 in FY2012.

Revenue grew significantly during the period due to the increase of new buyers and the sales volume of recycled PP granules. Manufacturing and continuous process improvements resulted in increased productivity and efficiency and contributed to the unit cost reduction and improvement in overall gross profit margins.

Sales in recycled PP yarn and PP webbing products grew due to continued growth of market acceptance of Novarise's products and quality recognition. Overall demand for PP yarn expanded in China and internationally in 2012, driven by stronger global demands and rising consumer awareness for Green products. Sale prices of PP yarn and webbing products maintained and grew as the result of this stronger demand. Consistent with its intent to be a profitable, integrated manufacturer the Company began to market finished products such as notebook bags, shopping bags, hotel slippers and work clothing during 2012.

Procurement of post-consumer PP products to feed the growing manufacturing needs of the Company also grew by volume and expanded geographically in 2012. The supply and procurement costs for PP waste and feedstock remained stable during the time.

In 2012, the Company won a silver award for environmentally friendly computer bags, hotel slippers and renewable polypropylene fiber spinning process in the "6.18 Cross-Strait innovations Exhibition" held in Fuzhou. In 2012, the Company obtained a total of nine utility model patent certificates from China for backpack, satchel, storage box, waist pack, computer bag, work cloths, slippers, shopping bags, mountaineering bags. The Company was also awarded as a national manufacturing and R&D base for polypropylene renewable products.

There are 8 production lines planned for the completed Nan'an production facility, capable of producing 200,000 tonnes of PP products. The first production line was commissioned for production in October 2012. Another four production lines are in the process of the installation. Two of these are scheduled to be in production in April 2013 with the other two production lines scheduled for commissioning in June 2013. A further three production lines are scheduled to be installed in May 2013 and to be brought online in October 2013. The final two lines are scheduled to be operational by early 2014.

14. Commentary on results (continued)

Production line equipment installation and production schedule

Production line	Status of installation	Schedule for production
First line	Installation completed in October 2012	October 2012
Second line	In process of installation and expected to be completed in March 2013	April 2013
Third line	In process of installation and expected to be completed in March 2013	April 2013
Fourth line	In process of installation and expected to be completed in May 2013	June 2013
Fifth line	In process of installation and expected to be completed in May 2013	June 2013
Sixth line	Scheduled for completed installation in October 2013	November 2013
Seventh line	Scheduled for completed installation in October 2013	November 2013
Eighth line	Scheduled for completed installation in October 2013	November 2013

During 2012, the Company borrowed additional funds totalling RMB200,000,000 (AUD30,595,074). 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 lent a total of RMB263,400,000 (AUD40,293,713) to a in Xiamen based company Leiqiang Company. The terms of this loan agreement were deemed favourable by the management of the Company and the funds will be repaid in full in June 2013. The management of 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.

15. Outlook

The Company anticipates that its sales and revenue for 2013 will grow by increasing the sales volume, particularly of recycled PP granules and new products such as 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 2013. This will include new finished products with higher margins and the lowering of costs through economies of scale, manufacturing and process improvements.

Continuous R&D investments in the manufacturing and industrial process underpin Novarise's ongoing intent to become the global 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.

With the growth and expansion of its business, the company will need to raise more capital to fund its growth. The company is looking at raising more capital through options such as private placements.

The company wishes to highlight the following factors that might adversely and materially affect its outlook for 2013:

- The continued rise of the RMB will invariably 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 Europe and Middle East.

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

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

- | | | |
|-------------------------------------|--|---|
| <input type="checkbox"/> | The accounts have been audited. (refer attached financial statements) | The accounts have been subject to review. (refer attached financial statements) |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | The accounts have not yet been audited or reviewed. |

17. Accounts not yet audited or reviewed

N/A

18. Qualification of audit / review

No.