

Appendix 4E

Preliminary Final Report

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

1. Details of the reporting period

Current Period: 1 January 2013 – 31 December 2013

2. Results for announcement to the market

	\$A'000		
2.1			
Revenue from continuing operations	Up	10% to	\$95,416
Other income	Up	99% to	\$1,265
Total revenue and other income from ordinary activities	Up	11% to	\$96,681
2.2			
Profit from ordinary activities after tax attributable to	Down	42% to	\$9,652
2.3			
Profit for the period attributable to members	Down	42% to	\$9,652

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

2.5 Record date for determining entitlements to dividends Nil

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

	12 Months Ended	
	31 December 2013	31 December 2012
	\$	\$
Revenue	90,833,182	82,450,642
Cost of sales	(74,243,355)	(57,660,359)
Gross profit	16,589,827	24,790,283
Interest revenue	4,582,960	4,203,219
Other income	1,264,589	636,874
Distribution expenses	(836,397)	(276,896)
Marketing expenses	(468,342)	(616,012)
Administration expenses	(3,343,948)	(3,142,353)
Occupancy expenses	(172,222)	(152,049)
Finance costs	(7,140,340)	(4,443,550)
Other expenses	(7,020)	(10,269)
Profit before income tax expense	10,469,107	20,989,247
Income tax expense	(817,056)	(4,268,947)
Profit after income tax expense	9,652,051	16,720,300
Other comprehensive income		
Foreign currency translation differences	19,026,425	(783,415)
Total Other comprehensive income for the 12 months, net of tax	19,026,425	(783,415)
Total comprehensive income for the 12 months	28,678,476	15,936,885
Profit for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	9,652,051	16,720,300
	9,652,051	16,720,300
Total comprehensive income for the 12 months is attributable to:		
Equity holders of Novarise Renewable Resources International Limited	28,678,476	15,936,885
	28,678,476	15,936,885
Basic Earnings per Share	2.33 Cents	4.03 Cents
Diluted Earnings per Share	2.33 Cents	4.03 Cents

4. Consolidated Statement of Financial Position

	As at 31 December 2013	As at 31 December 2012
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,540,957	2,162,932
Term Deposits With Maturity over three months	95,116,323	33,068,441
Trade and other receivables	158,589,165	123,594,661
Inventories	6,746,516	6,498,252
Other assets	14,606,221	1,443,377
TOTAL CURRENT ASSETS	276,599,182	166,767,663
NON-CURRENT ASSETS		
Term Deposits With Maturity over three months	-	10,685,330
Other receivables	2,157,199	-
Property, plant and equipment	94,968,233	60,422,430
Leasehold land use rights, net	8,928,654	7,052,864
Deferred tax assets	1,574,770	529,188
Long-term prepayment for PPE	7,745,542	9,024,997
TOTAL NON-CURRENT ASSETS	115,374,398	87,714,809
TOTAL ASSETS	391,973,580	254,482,472
CURRENT LIABILITIES		
Trade and other payables	24,218,437	20,120,698
Borrowings	188,022,847	114,698,110
Current tax liabilities	1,887,318	2,614,108
Other liabilities	1,892,084	2,849,369
TOTAL CURRENT LIABILITIES	216,020,686	140,282,285
NON-CURRENT LIABILITIES		
Borrowings	56,282,769	24,626,587
Deferred tax liabilities	3,290,315	1,872,266
TOTAL NON-CURRENT LIABILITIES	59,573,084	26,498,853
TOTAL LIABILITIES	275,593,770	166,781,138
NET ASSETS	116,379,810	87,701,334

4. Consolidated Statement of Financial Position (continued)

EQUITY

Contributed equity	32,066,227	32,066,227
Reserves	28,616,314	8,046,936
Retained earnings	55,697,269	47,588,171
TOTAL EQUITY	116,379,810	87,701,334

5. Consolidated Statement of Cash Flows

	12 Months ended	
	31 December 2013	31 December 2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	111,540,502	94,412,120
Payments to suppliers and employees	(110,643,015)	(67,378,913)
Interest received	463	730
Interest paid	(2,480,195)	(632,602)
Income tax paid	(1,871,726)	(2,884,500)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(3,453,971)	23,516,835
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant & equipment	(18,879,558)	(19,266,347)
Proceeds from property, plant & equipment	158,909	591,433
Payments for land use rights	(553,231)	(172,690)
(Increase)/(decrease) in term deposits with maturity over three months	(38,315,137)	18,352,401
Payment for capitalised interest	(992,290)	(1,530,679)
Loans to third party	(69,029,403)	(45,518,448)
Repayment of loans by third party	44,785,686	18,696,722
Loans to related party	-	(15,633,284)
Repayment of loans by related party	17,051,388	-
NET CASH USED IN INVESTING ACTIVITIES	(65,773,636)	(44,480,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	190,916,486	150,579,664
Repayment of borrowings	(151,043,411)	(129,316,001)
Proceeds from sale and leaseback transaction, net	34,466,896	-
Loans from related parties	1,017,792	1,640,131
Loans from non-bank third party	1,252,428	8,521,802
Repayment of loans to non-bank third party	(8,334,306)	(15,282,341)
NET CASH PROVIDED BY FINANCING ACTIVITIES	68,275,885	16,143,255

5. Consolidated Statement of Cash Flows (continued)

NET (DECREASE)/INCREASE IN CASH HELD	(951,722)	(4,820,802)
Effects of exchange rate changes on the balance of cash held in foreign currency	329,747	(83,582)
Cash and cash equivalents at beginning of the year	2,162,932	7,067,316
CASH AT END OF YEAR	1,540,957	2,162,932

6. Consolidated Statement of Changes in Equity

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2012	32,066,227	33,673,932	9,158,687	(3,134,397)	71,764,449
Total comprehensive income for the year					
Profit for the year	-	16,720,300	-	-	16,720,300
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(783,415)	(783,415)
Total comprehensive income for the 12 months	-	16,720,300	-	(783,415)	15,936,885
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	47,588,171	11,964,748	(3,917,812)	87,701,334
Total comprehensive income for the year					
Profit for the year	-	9,652,051	-	-	9,652,051
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	19,026,425	19,026,425
Total comprehensive income for the year	-	9,652,051	-	19,026,425	28,678,476
Transaction with owners in their capacity as owners					
Appropriation to surplus reserve	-	(1,542,953)	1,542,953	-	-
	-	(1,542,953)	1,542,953	-	-
At 31st December 2013	32,066,227	55,697,269	13,507,701	15,108,613	116,379,810

7. Details of dividends/distributions

No dividend was paid or proposed for the financial year ended 31 December 2013 (2012: Nil).

8. Details of dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 31 December 2013 (2012: Nil).

9. Net tangible assets per security

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (excluding minority interest)*	\$0.28	\$0.21

* 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 10% compared to previous corresponding period. NPAT decreased from \$16,720,300 in FY2012 to \$9,652,051 in FY2013.

The Company's overall revenue grew by 1% in RMB terms during the year. This was due to the commencement of the new trading business but offset by the impacts on production of moving operations to the new manufacturing facility and the impacts of supply constraints of recycled raw material at the start of 2013. By its nature the new trading business operates at a significantly lower margin than the established manufacturing operation. This resulted in the reduction of the Company's gross margin in 2013.

Production decreased as a result of the disruption caused by moving into the new Nan'an facility and the delays of commencing production and operation in the new factory through 2013.

There was an increase in sales of both recycled PP yarn and PP webbing products that was due to increasing market acceptance of Novarise's products and the quality of the products. It is also a result of the increase in the total market demand for PP yarn in China and internationally that has been connected with the global economic recovery. Where discounts were not applied, the sale prices of PP yarn and webbing products were maintained at a relatively stable level and grew as the result of this strong demand. In order to progress towards the planned integrated production model, the Company has continued to develop finished products such as notebook bags, shopping bags, hotel slippers and working cloths etc.

The supply and procurement costs for PP waste and feedstock was disrupted in early 2013 due to the Chinese government's efforts to better control the import of waste material into China. In the second half of 2013, the supply and procurement process returned to stability.

In 2013, the Company's products were awarded as one of "2013/2014 China Top 10 Varieties of Fibre Trendency". The process of renewable polypropylene direct spinning also won a gold award at the Paris International Invention Exhibition.

14. Commentary on results (continued)

There are 10 planned production lines at the Nan'an factory. Four of these production lines are now fully operational with another four lines being installed and planned for commissioning in 2014. The remaining two production lines are scheduled to be installed towards the end of 2014. This is a significant delay compared to the original forecast construction program and has been the result of commissioning and integration issues at the plant.

The Company lent a total of RMB263,400,000 to a company based in Xiamen called Leiqiang Company. As at December 2013 RMB25,000,000 remained outstanding and was expected to be repaid in full during the first quarter in 2014. In addition, Leiqiang owes unpaid interest of RMB 61.6 million which the Company expects also forecasts to receive cover in the first quarter of 2014.

In December, the Company also completed a sale and lease back agreement of the equipment at the Nan'an factory with China National Foreign Trade Financial & Leasing Co., Ltd. The net proceeds of the sale was RMB 211,770,000 and the group has lent out the money to one of its suppliers Fujian Xingzhonghong Trading at zero interest. Subsequent to the year end this amount was repaid by Fujian Xingzhonghong Trading and the finance lease cancelled, with title to the assets being returned to the company. The Company anticipates that it will gain discounted supplies from this supplier by way of recompense for the assistance provided to it.

15. Outlook

The Company anticipates that the sales and the use of its products will be fast growing in the next three years due to the strong market demand for recycled polypropylene yarn and other finished polypropylene products. The Company also intends to expand its domestic and international markets 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 in 2014 with the commissioning the new production lines in the Nan'an facility and the reduction in the discounting needed to maintain sales volumes, plus the change in the sales mix, back towards more manufactured product. The gross margin improvement will be driven by both new finished products with higher margins and lowering operating costs through production and process improvements.

Continuous R&D investment in the manufacturing and industrial process underpins Novarise to become the industry leader in PP recycling. The Company will continue to invest in R&D in its manufacturing and industrial process, quality improvement and new products development.

The Company wishes to highlight the following factors that might adversely and materially affect its outlook for 2014:

- The continued rise in Renminbi will invariably affect the profit margins of international sales denominated in USD since not all of the Renminbi rise can be all borne by international buyers; and
- The global economic recovery remains unstable and volatile. It may be interrupted sudden and rapid rise in crude oil prices due to other factors, such as political instability factors in the Europe and the Middle East.

16. Selective Capital Reduction

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

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

16. Selective Capital Reduction (continued)

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

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

Due to delays in the transaction, the Privatisation could not be completed by original date and, if approved, is now forecast to be completed in the second quarter of 2014.

The Independent Directors considered that the Capital Reduction was in the best interests of Exiting Shareholders and an extension of time has been granted to GRIL. GRIL has advised Novarise that it remains committed to the implementation of the Capital Reduction in the form announced previously to shareholders and is confident that it has adequate funding and financial means to ensure that the Privatisation can be completed.

The independent directors of Novarise remain of the view that the implementation of the Capital Reduction is in the best interests of the Novarise shareholders as a whole.

The independent directors of Novarise will provide further updates to shareholders as the process continues.

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

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

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. (refer attached financial statements) | <input type="checkbox"/> | 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. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

18. Accounts not yet audited or reviewed

N/A

19. Qualification of audit / review

No.