

# **Novarise Renewable Resources International Limited**

**ACN 138 537 596**

## **Half Year Report**

**Ended 30 June 2014**

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- Appendix 4D
- Consolidated Financial Statements

## Novarise Renewable Resources International Limited – Half Year Report

### CORPORATE DIRECTORY

**Novarise Renewable Resources International Limited ACN 138 537 596**

#### **Directors**

Mr Qingyue Su (Chairman, Managing Director)  
Mr Chung Yi So (Executive Director)  
Mr Xiaobin Zhuang (Executive Director)  
Mr Fai-Peng Chen (Independent Director)  
Mr John Keiran O'Brien (Independent Director)  
Mr Liandong Tu (Independent Director)

#### **Company Secretary**

Ms Winnie Chen  
Mr Xiaobin Zhuang

#### **Registered Office**

Suite 5, Level 1, 325 Pitt Street,  
Sydney, AUSTRALIA, 2000

#### **Australian Business Office**

Suite 5, Level 1, 325 Pitt Street,  
Sydney, AUSTRALIA, 2000

#### **China Business Office**

Address: No.2-16A Quanzhou Economy & Technology Development Zone(QingMeng), P.R. China 362005  
Telephone: 86 595 22353329  
Fax: 86 595 22353392

#### **Bankers**

ANZ Bank  
8/20 Martin Place, Sydney 2000, Australia

China Construction Bank  
Quanzhou Bincheng Branch  
No. 10-14 Haosheng Garden, Pingshan Road, Quanzhou, P.R. China

#### **Share Registrar**

Computershare Investor Services Pty Limited  
Level 5, 115 Grenfell Street  
Adelaide, SA 5000  
Telephone: 1300 787 272

#### **Auditors**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008  
Australia

#### **Internet Address**

<http://www.novarise.com.au/>

**Novarise Renewable Resources International Limited – Half Year Report**  
Appendix 4D

**HALF YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A**

**Name of entity**

**NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED**

**ABN**

**48 138 537 596**

**Reporting period**

**Half Year ended 30 June 2014**

**Previous corresponding period**

**Half Year ended 30 June 2013**

*The information contained in this report should be read in conjunction with the most recent annual financial report.*

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2014

### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from continuing operations	Up	137	%	To \$72,533,593
Profit from ordinary operations after income tax attributable to members	Down	44	%	To \$2,380,841
Net profit for the period attributable to members	Down	44	%	To \$2,380,841
Net tangible asset value per share	As at 30 June 2014			\$0.27
	As at 31 December 2013			\$0.28

### 2. REVIEW OF OPERATIONS

A review of operations is included in the Directors' Report.

### 3. DETAILS OF CONTROLLED ENTITIES

No gain or lose control of entities incurred in the period.

### 4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

The Group has no associates or joint venture entities.

### 5. DIVIDENDS

No dividend was paid or proposed for the period to 30 June 2014 or the comparative period.

### 6. AUDIT DISPUTES OR QUALIFICATIONS

There are no audit disputes or qualifications.

### 7. ACCOUNTING STANDARDS

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

# **Novarise Renewable Resources International Limited and its Subsidiaries**

**ABN 48 138 537 596**

**Consolidated Financial Statements**

**For the Period Ended 30 June 2014**

# **Novarise Renewable Resources International Limited and its Subsidiaries**

**ABN 48 138 537 596**

**Consolidated Financial Statements**

**For the Half Year Ended 30 June 2014**

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# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

30 June 2014

Your directors present their Report on the Company and its subsidiaries (the Group) for the half year ended 30 June 2014

### 1. General information

#### Directors

The directors in office at any time during, or since the end of, the period are:

Mr Qingyue Su

Mr Chung Yi So

Mr Xiaobin Zhuang

Mr Liandong Tu

Mr Fai-Peng Chen

Mr John O'Brien

### 2. Business review

#### Review of operations

##### Business Report in the First Half Year of 2014

In the first half year of 2014, the majority of the infrastructure work of the new plant in Nan'an has been completed. However there continues to be significant delays in bringing the factory to full capacity. Only four of the ten proposed lines are fully operational with a further four still being commissioned. The current focus at Nan'an is to bring these additional four lines into production. Once operating, the Group's normal operations will be fully resumed.

The sales revenue of the Group have doubled in the first half year of 2014, compared for the corresponding period of 2013. The increase in sales is mainly contributed by the growth in the polypropylene trading business. The trading business is however a very low-margin business and so this has not provided a corresponding increase in the Group's profits. The revenue generated by finished products also increased by 14.6%.

Below are pictures taken from the construction site of Nan'an production facility in July 2014.



# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Directors' Report

30 June 2014



# Novarise Renewable Resources International Limited and its Subsidiaries

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## Directors' Report

30 June 2014



In the first half year of 2014, the percentage of feedstock that comes from post-consumer waste has increased from 49% to 70%, compared to the corresponding period of 2013. To date, the Group's Research and Development department developed and installed 70 "cylinder automatic switch filters". Forty of these filters have been used in production. The Group is the sole owner of this technology in China and is the only organisation using this technology. The technology is used to provide a spiral filter that can increase the flow of raw materials in the process of filtering. It will also prevent raw materials blocking the filter, which improves the utilisation of raw materials and ensures the filtering rate of raw materials will increase to more than 98%.

Affected by the economic environment, the Group's overall production and construction has slowed down in the first half year of 2014. The Group will increase their utilisation of banks and other financial institutions in the future to achieve the Group's normal production and operation.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

30 June 2014

### Review of financials

A summary of the consolidated revenues and results by significant industry segment is set out below:

	Segment Revenues		Segment Result – Gross Profit	
	2014	2013	2014	2013
	\$	\$	\$	\$
Polypropylene yarns PP	6,855,263	5,342,432	1,656,529	917,255
Polypropylene straps and ropes	27,868,336	17,708,641	8,398,077	4,866,543
Recycled Polypropylene pellets	4,731,240	7,277,629	312,025	1,209,845
Polypropylene Trading	32,910,482	-	489,307	-
Other revenue	168,272	294,778	(7,853)	55,109
	<u>72,533,593</u>	<u>30,623,480</u>	<u>10,848,085</u>	<u>7,048,752</u>

The results of the first half year of 2014 and 2013 are listed below:

The Group recorded sales revenue of \$72,533,593 (or RMB407 million) for the 6 months period to June 2014, compared to \$30,623,480 (or RMB194 million) for the corresponding period of 2013. This represents an increase of 137% in A\$ or 110% in RMB.

The net profit after tax for the 6 months to June 2014 was \$2,380,841 (or RMB13,374,617) compared to previous corresponding period of 2013 of \$4,223,440 (or RMB26,778,746), a decrease of 44% in A\$ and a decrease of 50% in RMB.

The discrepancies in the percentages between reporting currency in Australian Dollars and the functional currency was due to the decrease in the exchange rate of the Australian Dollars against RMB by 11% during the comparison period.

The increase in the Group's revenue in the first half year of 2014 was mainly due to the revenue derived from polypropylene trading, which is \$32,910,482 (2013: nil).

The decrease in the Group's net profit after tax was mainly due to approximately \$3.6 million increase in the finance costs and \$1.5 million decrease in the interest income in the first half year of 2014. In the early first half year of 2014, the Group incurred \$2.8 million finance cost when terminating the initial finance lease in January 2014. The remaining increase in the finance cost resulted from the increase in the borrowings. The decrease in the interest income was mainly due to the majority of the loan receivable principal being repaid in the second half-year of 2013.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Directors' Report

30 June 2014

### Outlook and Prospect for Second Six Months of 2014

The trading business has been officially launched in 2014. It is expected that the trading revenue in the second half year of 2014 will continue to maintain at the level of sales in the first half year. Affected by its level of profitability, the Group's overall net profit level will remain stable.

Currently, there are four production lines in production and four lines in commissioning at the Nan'an plant. The Group anticipates that all eight production lines will be in trial production by the end of December 2014. The advanced and integrated production lines at the new plant can improve the efficiency of the manufacturing process of producing PP yarn from PP recycled waste materials. Once fully operational, the Group will have the capacity to become the largest manufacturer of PP yarn in China and the only manufacturer using PP waste to produce PP yarn.

For the remainder of the current year, the Group is focused on:

- Completion and commissioning of the Nan'an project;
- Expanding its sales and marketing network within China and international markets;
- Establishing its procurement networks for PP waste in China and other countries;
- Undertaking marketing activities to promote the Group as the producer of green and environmentally friendly PP yarn; and
- Maintaining and strengthening its overall market position and core competitiveness through technological innovation and expansion in production and growth strategies in both China and internationally.

### 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 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. 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.

The completion of the selective capital reduction pursuant to the implementation and funding agreement was extended to and expired on 31 July 2014. On the 1 August and 19 August, the independent directors of Novarise advised that the Company is in consultation with GRIL which may or may not result in agreement to continue with the proposed selective capital reduction or any alternative proposal from GRIL. As advised, if no agreement can be reached on a proposal following the consultation process, the independent directors may terminate the funding and implementation agreement between Novarise and GRIL and the selective capital reduction.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

Directors' Report

30 June 2014

## 3. Auditors Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on Page 12 to this half year financial statements.

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

Chairman

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

Mr Qingyue Su

Quanzhou, P.R. China

Dated this 29<sup>th</sup> day of August 2014

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF NOVARISE  
RENEWABLE RESOURCES INTERNATIONAL LIMITED

As lead auditor for the review of Novarise Renewable Resources International Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Wayne Basford  
Director

BDO Audit (WA) Pty Ltd  
Perth, 29 August 2014

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2014

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated Entity Half – Year	
	Note	2014 \$	2013 \$
Sales revenue		72,533,593	30,623,480
Cost of sales		(61,685,508)	(23,574,728)
<b>Gross profit</b>		10,848,085	7,048,752
Interest revenue		1,877,945	3,364,066
Other income		83,375	722,491
Distribution expenses		(284,890)	(150,355)
Marketing expenses		(193,067)	(249,796)
Administration expenses		(1,951,507)	(1,512,719)
Occupancy expenses		(88,556)	(83,381)
Finance costs	4	(7,480,760)	(3,863,840)
Other expenses		(99,300)	(10,550)
<b>Profit before income tax expense</b>		2,711,325	5,264,668
Income tax expense		(330,484)	(1,041,228)
<b>Net profit for the half-year</b>		2,380,841	4,223,440
<b>Other comprehensive income</b>			
Foreign currency translation differences		(7,679,845)	14,307,056
<b>Other comprehensive income for the half-year, net of tax</b>		(7,679,845)	14,307,056
<b>Total comprehensive income for the half-year</b>		(5,299,004)	18,530,496
<b>Profit for the half-year is attributable to:</b>			
Equity holders of Novarise Renewable Resources International Limited		2,380,841	4,223,440
		2,380,841	4,223,440
<b>Total comprehensive income for the half-year is attributable to:</b>			
Equity holders of Novarise Renewable Resources International Limited		(5,299,004)	18,530,496
		(5,299,004)	18,530,496
<b>Earnings per share for profit attributable to owners of Novarise Renewable Resources International Limited</b>			
Basic earnings per share		0.57 cents	1.02 cents
Diluted earnings per share		0.57 cents	1.02 cents

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2014

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity 30 June 2014 \$	31 December 2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		304,875	1,540,957
Term deposits with maturity over three months		56,354,244	95,116,323
Trade and other receivables	5	200,283,302	158,589,165
Inventories		18,492,132	6,746,516
Other assets		13,119,022	14,606,221
<b>TOTAL CURRENT ASSETS</b>		<b>288,553,575</b>	<b>276,599,182</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	88,993,647	94,968,233
Land use rights		8,259,438	8,928,654
Long-term prepayment for PPE		7,746,685	7,745,542
Other receivables	5	2,015,469	2,157,199
Deferred tax assets		1,535,722	915,607
<b>TOTAL NON-CURRENT ASSETS</b>		<b>108,550,961</b>	<b>114,715,235</b>
<b>TOTAL ASSETS</b>		<b>397,104,536</b>	<b>391,314,417</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		29,196,258	24,218,437
Borrowings		193,938,956	188,022,847
Current tax liabilities		1,775,347	1,887,318
Other liabilities		2,099,691	1,892,084
<b>TOTAL CURRENT LIABILITIES</b>		<b>227,010,252</b>	<b>216,020,686</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		56,747,289	56,282,769
Deferred tax liabilities		2,925,352	3,290,315
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>59,672,641</b>	<b>59,573,084</b>
<b>TOTAL LIABILITIES</b>		<b>286,682,893</b>	<b>275,593,770</b>
<b>NET ASSETS</b>		<b>110,421,643</b>	<b>115,720,647</b>
<b>EQUITY</b>			
Contributed equity		32,066,227	32,066,227
Reserves		21,996,219	28,553,071
Retained earnings		56,359,197	55,101,349
<b>TOTAL EQUITY</b>		<b>110,421,643</b>	<b>115,720,647</b>

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

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2014

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2014

CONSOLIDATED ENTITY	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2013</b>	<b>32,066,227</b>	<b>47,588,171</b>	<b>11,964,748</b>	<b>(3,917,812)</b>	<b>87,701,334</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	4,223,440	-	-	4,223,440
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	14,307,056	14,307,056
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>4,223,440</b>	<b>-</b>	<b>14,307,056</b>	<b>18,530,496</b>
Appropriation to surplus reserves	-	(696,028)	696,028	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>(696,028)</b>	<b>696,028</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2013</b>	<b>32,066,227</b>	<b>51,115,583</b>	<b>12,660,776</b>	<b>10,389,244</b>	<b>106,231,830</b>
<b>At 1 January 2014</b>	<b>32,066,227</b>	<b>55,101,349</b>	<b>13,507,701</b>	<b>15,045,370</b>	<b>115,720,647</b>
<b>Total comprehensive income for the half-year</b>					
Profit for the half-year	-	2,380,841	-	-	2,380,841
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	-	-	(7,679,845)	(7,679,845)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>2,380,841</b>	<b>-</b>	<b>(7,679,845)</b>	<b>(5,299,004)</b>
Appropriation to surplus reserves	-	(1,122,993)	1,122,993	-	-
<b>Transactions with owners in their capacity as owners</b>	<b>-</b>	<b>(1,122,993)</b>	<b>1,122,993</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2014</b>	<b>32,066,227</b>	<b>56,359,197</b>	<b>14,630,694</b>	<b>7,365,525</b>	<b>110,421,643</b>

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

# Novarise Renewable Resources International Limited and its Subsidiaries

ABN 48 138 537 596

## Consolidated Financial Statements

For the Period Ended 30 June 2014

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2014

	<b>Consolidated Entity Half – Year</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	86,058,687	41,316,631
Payments to suppliers and employees	(85,052,278)	(43,308,274)
Interest received	2,309,008	386,102
Interest paid	(2,024,303)	(1,831,558)
Income tax paid	(1,174,783)	(793,247)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>116,331</b>	<b>(4,230,346)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in term deposits with maturity over 3 months	33,598,045	(18,354,377)
Proceeds from sale of property, plant and equipment	127	110,401
Payments for purchase of property, plant and equipment	(3,693,472)	(5,251,573)
Payments for land use rights	-	(523,460)
Payment for capitalised interest	(343,506)	-
Loans to third parties	(39,373,245)	-
Loan repayments made by third parties	33,483,967	32,147,868
Loans (to)/repaid by related parties	(46,870,956)	5,635,382
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>	<b>(23,199,040)</b>	<b>13,764,241</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	135,360,978	67,324,367
Repayment of borrowings	(113,726,438)	(66,014,835)
Payment of finance lease liabilities	(39,572,059)	-
Net proceeds from sale and leaseback	39,572,059	-
Loans from related parties	1,521,536	89,354
Repayment of loans to third parties	(1,246,084)	(34,372)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>21,909,992</b>	<b>1,364,514</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>	<b>(1,172,717)</b>	<b>10,898,409</b>
Effect of exchange rate changes on the balance of cash held in foreign currency	(63,365)	1,742,560
Cash and cash equivalents at beginning of the period	1,540,957	2,162,932
<b>CASH AT END OF PERIOD</b>	<b>304,875</b>	<b>14,803,901</b>

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

## **Notes to the Consolidated Financial Statements**

### **1. Basis of Preparation of Half-Year Financial Statements**

These general purpose financial statements for the half-year reporting period ended 30 June 2014 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2013 and any public announcements made by Novarise Renewable Resources International Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

### **2. Going Concern**

The Group is mainly engaged in the processing of PP yarn, PP straps and other related green products by using recycled waste plastics. Since 2008 the Group's R&D department has focused on developing environmentally-friendly products, and, to date, more than 10 product ranges have been successfully produced. The R&D department will keep researching and developing new items to meet the market demands and business expansion targets of the Group.

Driven by the preferential policies of the Chinese Government in favour of renewable resources and the 'circular economy', the Group believes that its business will continue to grow. The Nan'an facility is expected to have 8 production lines to be put into full production in the second half of the year 2014. Equipped with a world-class production facility, the Nan'an factory will greatly improve the quality and quantity of the Group's products.

The trading business has been officially launched in the first half year of 2014. It will continue to operate in the future.

For these reasons, the Board believes that the Group will remain a going concern. It is forecasted that in the 4th quarter of 2014 and throughout 2015, the Group will continue to remain at profitable levels.

The half-year's financial report of the Group 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 Group has RMB1,125,835,032 (\$193,938,956) in short-term borrowings due for renewal or repayment by 31 December 2014.

It is anticipated that completion of the Nan'an project will require further funds of approximately \$2.7 million (RMB15 million) as well as additional funds to fund working capital as the plant comes on stream in the second half of the year 2014.

As at 30 June 2014, the Group has current assets of \$288,553,575. This includes \$131,045,373 of unsecured loans receivable from third parties (the "Borrowers") which are expected to be repaid by 31 December 2014.

Despite the current level of short-term borrowings, the Board is confident that the Group will have sufficient available funds to maintain the normal production and operation of the Nan'an plant. The Board is also confident that they can renew all of these borrowings as required and generate positive cash flows from the Group's existing operations. The Board also believes that the Borrower will be able to successfully refinance its business and will therefore be in a position to repay its loan to the Group at the due date.

## Notes to the Consolidated Financial Statements (continued)

### 3. Segment Reporting

Management has determined the operating segments based on reports reviewed by the chief operating decision makers for making strategic decision. The chief operating decision makers comprise the managing director, finance director and other directors. The chief operating decision makers monitor the business based on product factors and have identified 4 reportable segments. The basis of determining segments has not changed from the last annual financial statements.

#### *Type of products*

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.

Polypropylene trading: Sale of polypropylene purchased to customers located in mainland China.

#### *Segment information*

Segment information provided to the board of directors is as follows:

	Polypropylene yarns	Polypropylene straps and ropes	Recycled Polypropylene pellets	Polypropylene trading	Total
	\$	\$	\$	\$	\$
<b>Half-year ended 30 June 2014</b>					
Total segment revenue	6,855,263	27,868,336	4,731,240	32,910,482	72,365,321
Revenue from external customers	6,855,263	27,868,336	4,731,240	32,910,482	72,365,321
Gross profit	1,656,529	8,398,077	312,025	489,307	10,855,938
<b>Half-year ended 30 June 2013</b>					
Total segment revenue	5,342,432	17,708,641	7,277,629	-	30,328,702
Revenue from external customers	5,342,432	17,708,641	7,277,629	-	30,328,702
Gross profit	917,255	4,866,543	1,209,845	-	6,993,643

## Notes to the Consolidated Financial Statements (continued)

### 3. Segment Reporting (continued)

The board of directors monitors segment performance based on gross profit. This measure excludes interest revenue and other operational and non-operational expenses. This 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:

	<b>Consolidated Entity Half – Year</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Gross profit</b>	10,855,938	6,993,643
Gross (loss)/profit from unallocated sales	(7,853)	55,109
Gross profit per Statement of Comprehensive Income	10,848,085	7,048,752
Interest revenue	1,877,945	3,364,066
Other income	83,375	722,491
Distribution expense	(284,890)	(150,355)
Marketing expense	(193,067)	(249,796)
Administration expense	(1,951,507)	(1,512,719)
Occupancy expense	(88,556)	(83,381)
Finance costs	(7,480,760)	(3,863,840)
Other expenses	(99,300)	(10,550)
<b>Profit before income tax</b>	<b>2,711,325</b>	<b>5,264,668</b>

### 4. Finance costs

	<b>Consolidated Entity Half – Year</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Bank charges	495,616	136,577
Interest expenses	4,221,909	3,727,263
Cancellation cost of terminating initial finance lease	2,763,235	-
	7,480,760	3,863,840

## Notes to the Consolidated Financial Statements (continued)

### 5. Trade and other receivables

		Consolidated Entity	
		30 June 2014	31 December 2013
		\$	\$
<b>Current</b>			
Trade receivables		10,821,980	10,207,313
Other receivables	(a)	13,059,538	14,221,061
Loan to related party	(b)	45,356,411	-
Loan to third parties	(c)	131,045,373	134,160,791
		<u>200,283,302</u>	<u>158,589,165</u>
<b>Non-current</b>			
Other receivables	(d)	2,015,469	2,157,199
		<u>2,015,469</u>	<u>2,157,199</u>

#### (a) Other receivables

Included above are interest receivables of \$12,858,708 (2013: \$14,209,419).

		Consolidated Entity	
		30 June 2014	31 December 2013
		\$	\$
<b>Interest receivables</b>			
Interest receivables-related parties		813,824	-
Interest receivables-third parties		11,124,279	11,372,663
Interest receivables-banks		920,605	2,836,756
		<u>12,858,708</u>	<u>14,209,419</u>

#### (b) Loan to related parties

		Consolidated Entity	
		30 June 2014	31 December 2013
		\$	\$
	Entity Name		
	Interest Rate		
Interest bearing loan	Quanzhou Sanhong Trading Co., Ltd.	6.6%	38,692,563
Non-interest bearing loan	Quanzhou Zhengrong Trading Co., Ltd.	-	6,663,848
Total loan to related parties		<u>45,356,411</u>	<u>-</u>

The balances are expected to be received by 31 December 2014.

#### (c) Loan to third parties

As at 31 December 2013, an unsecured loan to a third party was \$23,042,900. It includes \$4,609,399 bearing an interest rate of 12%, and the remaining balance of \$18,433,501 was interest free. In the first half year of 2014, the interest bearing balance was fully repaid. As at 30 June 2014, the loan to this third party is \$26,651,322, which is fully interest free.

In addition, an unsecured loan to another third party of \$42,319,868 bears an interest rate of 6.765% (2013: nil).

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 (2013: nil).

#### (d) Other receivables

Non-current receivable balance represents the deposit paid for finance lease.

## Notes to the Consolidated Financial Statements (continued)

### 6. Property, Plant and Equipment

	Consolidated Entity	
	30 June 2014 \$	31 December 2013 \$
Property, plant and equipment	<b>88,993,647</b>	<b>94,968,233</b>

Included in property, plant and equipment is \$39,917,355 of capital works in progress (2013: \$40,340,552).

### 7. Dividends

No dividend was paid or proposed for the period to 30 June 2014 (half-year ended 30 June 2013: Nil)

### 8. Revisions in Estimates

During the half-year ended 30 June 2014, there were no major changes in estimates made.

### 9. Seasonality and Irregular Trends

The sales of goods are dependent on the ability of the Group to obtain sales orders from both existing and potential customers. Sales are not seasonally affected but are more market driven.

### 10. Equity Securities Issued

During the half-year ended 30 June 2014, there were no shares issued.

### 11. Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 31 December 2013.

### 12. Acquisitions from entities under Common Control

There were no acquisitions incurred in the half-year ended 30 June 2014.

### 13. Events subsequent to the end of the reporting period


No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

**DECLARATION BY DIRECTORS**

The directors of the company declare that:

- (a) The financial statements and notes set out on page 13 to 21 are in accordance with the *Corporations Act 2001* and:
  - (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date.
- (b) 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.

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



Qingyue Su  
Director

Quanzhou P.R. China  
29 August 2014

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Novarise Renewable Resources International Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Novarise Renewable Resources International Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Novarise Renewable Resources International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, 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 review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Novarise Renewable Resources International Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

## Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the half-year financial report, which states that the consolidated entity has \$193,938,956 of loans and notes payables due for renewal by 31 December 2014, and the completion of Nan'an project will require further funds of approximately \$2.7 million. In addition, the consolidated entity has unsecured receivables of \$131,045,373 due from third parties (the "Borrowers"), due to be repaid in full by 31 December 2014. Should the consolidated entity be unsuccessful in renewing existing borrowings or obtaining new loans as required and the receivables due from Borrowers are not recovered in full by the due date, these conditions, along with the other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt 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.

BDO Audit (WA) Pty Ltd



Wayne Basford

Director

Perth, 29 August 2014