

NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD

ASX Announcement – Privatisation Proposal

15 September 2015

Novarise Renewable Resources International Ltd (**Novarise**) announces that it has received a preliminary, incomplete and non-binding proposal for the privatisation of Novarise from its controlling shareholders, Great Rises International Investment Ltd, Great Rises New Resources Technology Co., Ltd and Great Rises International Group Investment Ltd (together, **GRII**).

Selective reduction of capital

The proposal is to privatise Novarise through a selective reduction of capital involving the cancellation of all shares in Novarise other than those held as at the relevant record date by GRII and its associates (**Privatisation Proposal**). (GRII is controlled by interests associated with Mr Qingyue Su, the Executive Chairman and Managing Director of Novarise).

GRII and their associates currently hold in aggregate 314,536,785 shares in Novarise, which equates to approximately 75.78% of the total number of Novarise shares.

If the Privatisation Proposal is implemented, Novarise will be delisted from ASX.

Consideration

Under the Privatisation Proposal, the proposed consideration for the cancellation of the shares in Novarise held by all shareholders other than GRII and their associates (**Exiting Shareholders**) is **\$0.16** cash per share.

The amount of this total consideration which is expected to constitute a return of capital and a dividend respectively to Exiting Shareholders is subject to further analysis and will be advised in due course. Any such determination may be subject to confirmation by the Australian Taxation Office in the form of a Class Ruling for the benefit of Exiting Shareholders. It is important that Exiting Shareholders seek their own independent taxation advice, specific to their own circumstances, in order to determine their own tax implications resulting from the Privatisation Proposal.

The Exiting Shareholders currently hold approximately 100,520,952 shares in Novarise (in aggregate), which equates to approximately 24.22% of the total number of Novarise shares. If the Privatisation Proposal is implemented all of the approximately 100,520,952 Novarise shares held by Exiting Shareholders will be cancelled. The aggregate consideration for the Novarise shares held by the Exiting Shareholders amounts to approximately \$16,083,353.

Shareholders should note that the Privatisation Proposal is preliminary, incomplete and non-binding at this time. There is no assurance that GRII will finalise its Privatisation Proposal or that GRII and Novarise will agree on the terms of any formal, binding proposal. Novarise will keep shareholders informed of any developments in this regard.

Reasons for the Privatisation Proposal

The independent directors of Novarise, Mr FaiPeng Chen, Liandong Tu and Xiaobing Zhuang, **(Independent Directors)** consider that it is in the best interests of Exiting Shareholders for the Independent Directors to enter into discussions and negotiations with GRII on behalf of Novarise with a view to having the Privatisation Proposal becoming formal, final and binding and in a form which the Independent Directors can submit to Exiting Shareholders for their consideration.

The Independent Directors consider that the Privatisation Proposal, if it can be finalised and made binding, should be put to the Exiting Shareholders for their consideration for the following reasons:

- Novarise's shares have, historically, been relatively illiquid.
- The reasons for initially listing on ASX, such as accessing equity capital markets, have not been realised in practice and the Independent Directors consider these are unlikely to be realised in the foreseeable future.
- Novarise's business continues to require substantial capital expenditure in the short term and the Independent Directors do not consider it practicable to seek equity funding at this time. Further, the Independent Directors consider that it is not practicable nor in the best interests of Exiting Shareholders that Novarise be highly geared to undertake the required capital expenditure.
- The costs of being ASX-listed are impacting on shareholder value without sufficient corresponding benefits for shareholders.
- The Privatisation Proposal, if it is finalised, will provide an opportunity for Exiting Shareholders to realise the value of their investment. Such opportunity may exist only to a limited extent if Novarise remains ASX-listed.
- Having regard to the controlling interest of GRII and its associates of approximately 76% in Novarise and the relative illiquidity in the trading of Novarise shares, the Independent Directors consider it unlikely that a third party will make a higher offer or put forward an alternative proposal for the shares held by the Exiting Shareholders in the short term. As at the date of this announcement, the board of directors of Novarise has not received any alternative offers or proposals for Novarise. In addition, GRII has informed Novarise that they and their associates have no current intention to dispose of their Novarise shares.

Funding

Under the Privatisation Proposal, it is proposed that the funding for the payment of consideration to Exiting Shareholders (if the Privatisation Proposal is implemented) and Novarise's other costs in implementing the Privatisation Proposal (eg. advisory fees) will be provided to Novarise in the form of a loan from GRII from existing funds available to GRII on terms which are arm's length or more favourable to Novarise than arm's length terms. The Independent Directors will ensure that any terms agreed to complies with section 256B of the Corporations Act. GRII will provide these loaned funds to Novarise not less than 7 business days prior to the scheduled date of the shareholder meetings to be held to approve the Privatisation Proposal, as specified in the relevant notice of meeting documentation.

It is important to note that the Privatisation Proposal is conditional on this funding being provided by GRII, as Novarise does not have sufficient cash reserves from which to fund the Privatisation Proposal without its ability to pay its creditors being materially prejudiced. Under the Corporations Act, a capital reduction cannot be effected if this would result in a material prejudice to the company's ability to pay its creditors.

Conditions

The Privatisation Proposal is subject to:

- the Privatisation Proposal being finalised by GRII, and becoming formal and binding by way of the execution of a mutually satisfactory implementation and funding agreement by GRII and Novarise;
- the implementation of the funding arrangements referred to above;
- the necessary approvals by special resolution of Novarise's shareholders to the Privatisation Proposal including a separate approval by special resolution of Exiting Shareholders in general meeting;
- any necessary consents or approvals from ASIC and ASX; and
- an independent expert forming the opinion in its report that the Privatisation Proposal is fair and reasonable to Exiting Shareholders (and if applicable, Novarise's shareholders as a whole), and not later withdrawing that opinion.

The negotiation, finalisation and execution of an Implementation and Funding Agreement

The Independent Directors will now commence the process of negotiating with GRII as to the terms of a mutually satisfactory implementation and funding agreement in relation to the Privatisation Proposal, with a view to finalising and executing such an agreement as soon as practicable.

The Independent Directors will keep shareholders informed of material developments in this regard.

The appointment of an independent expert

Once a formal implementation and funding agreement has been executed, the Independent Directors will endeavour to promptly engage a professional and independent accounting firm to act as the independent expert in respect of the Privatisation Proposal. The independent expert will prepare a report for inclusion in the notice of meeting documentation to shareholders in which it will set out its opinion on whether the Privatisation Proposal is fair and reasonable to the Exiting Shareholders (and if applicable, Novarise's shareholders as a whole) and the reasons for its opinion.

Shareholder meetings

Once a formal implementation and funding agreement has been executed and an independent expert appointed, Novarise will prepare notice of meeting documentation for the purpose of calling and arranging to hold shareholder meetings at which shareholders will be asked to consider and, if thought fit, approve the Privatisation Proposal.

Details of the two necessary special resolutions (to be passed at two separate general meetings, the second commencing immediately after the conclusion or adjournment of the first) will be set out in the notice of meeting documentation to be sent to shareholders. The report of the independent expert referred to above will be included in this documentation.

It is currently proposed that, if the Privatisation Proposal is finalised and becomes binding, the notices of meeting and independent expert's report will be despatched to shareholders in or around November to December 2015, with the shareholder meetings proposed to be held in or around December 2015 to January 2016.

Shareholders should note that it is not proposed that these shareholder meetings will be called if a formal implementation and funding agreement is not executed or if the independent expert does not opine that the Privatisation Proposal is fair and reasonable from the perspective of the Exiting Shareholders (and if applicable, Novarise's shareholders as a whole).

Independent Directors' indicative recommendation at this time

Provided that the Privatisation Proposal is finalised and becomes binding, the Independent Directors intend to recommend the Privatisation Proposal at **\$0.16** cash per Novarise share, in the absence of a superior proposal. Any such recommendation will be subject to the negotiation of a mutually satisfactory implementation and funding agreement and the independent expert not providing an adverse opinion on the Privatisation Proposal.

However, there is no certainty that the Privatisation Proposal, or any other transaction, will proceed and Novarise shareholders do not need to take any action at this stage.

Novarise will continue to update shareholders of material developments.

Dated: 15/9/15

Signed: [Signature]

Name: **Winnie Chen**
Company Secretary