NOVARISE RENEWABLE RESOURCES INTERNATIONAL LTD
ABN – 48 138 537 596

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Directors' Report

The 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 2014.

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	6 Aug 2009 2009.8.6	
Mr. Xiaobin Zhuang	Executive Director	9 Dec 2009 2009.12.9	
Mr. Chung Yi So	Non-Executive Director	9 Dec 2009 2009.12.9	
Mr. Liandong Tu	Non-Executive Director	9 Dec 2009 2009.12.9	
Mr. John O'Brien	Non-Executive Director	9 Dec 2009 2009.12.9	18 Mar 2015 2015.3.19
Mr. Fai Peng Chen	Non-Executive Director	6 Aug 2009 2009.8.6	

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	1 Dec 2010	

Directors' Report (continued)

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 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 2,568,743 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 and Company Secretary

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.

Directors' Report (continued)

Information on Directors (continued)

Mr. Xiaobin Zhuang – Executive Director and Company Secretary (continued)

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 31,431,888 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

Directors' Report (continued)

Information on Directors (continued)

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. 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 lawyer with at Minter Ellison Lawyers

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: 8,000

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

Directors' Report (continued)

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 Group utilises recycling technology and is focussed on further broadening the application of its technology from the consumer area to requirements in the industrial and consumption areas.

The Group 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

Effected by the domestic economy, the business performance in 2014 was poor. The production and business operation are under high pressure. After considering the significant cash flow requirements associated with the normal operation, the Board agreed not to distribute a dividend for 2014 in the Board Meeting held on 23 January 2015.

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 2014:

Items	2014 (AUD$'000)	2013 (AUD$'000)	2014 (RMB'000)	2013 (RMB'000)
Revenue including interest income	152,756	95,416	884,567	572,430
NPAT	(23,802)	9,056	(31,701)	54,330

Directors' Report (continued)

Review of Operations (continued)

1. Results as announced to the market

	$A'000			
Revenue from continuing operations	Up	60 %	to	$152,756
Other income	Down	80%	to	$249
Total revenue and other income from ordinary activities	Up	58 %	to	$153,005
Loss from ordinary activities after tax attributable to Members	Down	363%	to	$(23,802)
Total comprehensive income for the period attributable to members	Down	160%	to	$(16,966)

2. Commentary on results

Revenue during the reporting period grew by 60% compared to previous corresponding period. NPAT however decreased from $9,056,131 in FY2013 to a loss $23,802,201in FY2014.

The sales in FY2014 increased significantly due to high volume low margin trading. However the sales of manufactured materials fell. The overall profitability was impacted by the low margins of the trading activities and the margin pressure in the rest of the business.

Due to the fall of the international oil prices at the end of 2014, margins were severely affected and the Group was forced to increase sales in low margin orders and even the orders with losses in order to reduce inventory level, reduce the backlog costs and generate cash flow .

In FY2014, the majority of the infrastructure work of the new plant in Nan'an has been completed. However the factory is yet to be brought to full capacity as at this stage there is insufficient market demand to warrant the completion of the work, and there are a number of technical implementation issues noted to be resolved. The reduction in market demand was due to the fall of the international oil prices which adversely affected the demand for the recycled PP products by downstream manufacturers.

In FY2014 the Group was able to maintain the quality and the market acceptance of the products. The sale prices of PP yarn and webbing products were maintained at a relatively stable level for most of the year by good quality of the products. In order to achieve integrated production model and the profitability, the Group has slowed down in developing finished products such as notebook bags, shopping bags, hotel slippers and working cloths etc.

The supply and procurement costs for PP waste and feedstock were also maintained at a relatively stable level.

Directors' Report (continued)

Review of Operations (continued)

2. Commentary on results (continued)

In 2014, the Group was awarded as "standardization in safety production of level-three enterprise" . An environmentally friendly laptop bag also won a gold award at the Paris International Invention Exhibition. In addition, automatic control of waste plastics output equipment won a silver award at Nuremberg International Invention Exhibition and the International Green Award.

There are 10 planned production lines at the Nan'an factory. Four of these production lines were operating at December 2014. Due to the lack of sales orders, the utilisation of these 4 production lines was relatively low when compared to their production capacities due to the factors mentioned above. Another four lines will be commissioned when the market demand provides sufficient justification.

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$000	Rate (%)	Sales ratio at home and abroad in 2013
China	139,308	92	90
Overseas	12,648	8	10
Total	151,957		

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 50% of our total purchases. The value of sales to our top five major customers represents 53% of our total sales.

6. Significant expenditure

Items	Currency	Amount （AUD$）
Machinery & Equipment	AUD$	1,094,674
Factory Building	AUD$	1,842,820
Total		2,937,494

Directors' Report (continued)

Review of Operations (continued)

7. Business Update

For the year ended 31 December 2014, the Group 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) 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. Some new products have been put into trial production in 2013 and will be continually in production in 2016. This will provide additional profit streams for Novarise.

8. Proposed Selective Capital Reduction

Termination of Proposed 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, GRII) regarding a proposal for the privatisation of Novarise.

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

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

As announced on 9 February 2015, the independent directors of Novarise (Independent Directors) had, following representations from GRII, agreed to allow GRII until 15 March 2015 to provide to Novarise in clear funds 30% of the total proposed consideration for the Capital Reduction (ie. approximately A$7.32 million) (30% Consideration).

No part of the 30% Consideration has been received by Novarise and the Independent Directors did not consider that there is any reasonable prospect of the 30% Consideration being received in the short term and following extensions offered by Novarise to GRII to provide the funding in order to complete the transaction.

Accordingly, Novarise terminated the implementation and funding agreement relating to the Capital Reduction, with immediate effect. This means that the Capital Reduction will not proceed.

The Independent Directors have not made this decision lightly. However, GRII has failed to demonstrate, over an extended period of time, that it has access to the funding necessary in order for the Capital Reduction to be implemented. In these circumstances, the Independent Directors did not consider that there was any viable option at this time other than to terminate the Capital Reduction in March 2015.

Directors' Report (continued)

Review of Operations (continued)

8. Proposed Selective Capital Reduction (continued)

Current Privatization Proposal

On 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**).

The proposal, similar to the aborted arrangement Novarise entered into in 2013 with GRII, 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.

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.

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 (**SCR Consideration**)

SCR Funding & Implementation Agreement

Following its relevant announcement dated 15 September 2015 (**September 2015 Announcement**), Novarise announced that it has entered into an implementation and funding agreement (**Agreement**) with its controlling shareholders, GRII in relation to the proposed privatization of Novarise (**Capital Reduction**) on 9 November 2015.

Pursuant to the Agreement, Novarise agrees to implement the Capital Reduction, through funding from GRII in relation to the SCR Consideration as well as the costs and expenses of Novarise in implementing the Capital Reduction. The implementation of the Capital Reduction is subject to the following conditions being satisfied (or waived by Novarise):

Directors' Report (continued)

Review of Operations (continued)

8. Proposed Selective Capital Reduction (continued)

SCR Funding & Implementation Agreement (continued)

- the necessary approvals by special resolution of Novarise's shareholders to the Capital Reduction including a separate approval by special resolution of Exiting Shareholders in general meeting (**Special Meeting**) are obtained;
- GRII provides funds for the implementation of the Capital Reduction to Novarise in the manner prescribed in the Agreement (refer to the 'Funding' section below for further details);
- Requisite approvals from ASIC and ASX are obtained; and The independent expert concludes in the Independent Expert's Report that the Capital Reduction is fair and reasonable to Exiting Shareholders and, if applicable, Novarise shareholders as a whole.

Update of funding for Selective Capital Reduction (CR)

On 26 February, 2016 GRII advised and updated that the Company that it has received preliminary non-binding letter of loan offer from an international Hongkong bank to enable GRII to fund and complete the Capital Reduction. GRII, through its controlling shareholder Mr Qingyue Su, has advised the Company that as at the date of this report and subject to finalising the terms of the loan that GRII will likely accept the loan offer

On 3 June, 2016 GRII through Mr Qingyue Su, advised and updated the market that GRII is anticipating to receive forma approval of the loan documentation to fund the Capital Reduction in June 2016

Notices of meetings

In accordance with the terms and conditions of the Agreement and when the loan to GRII is formally finalised, it is anticipated that Novarise will prepare notices 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 Capital Reduction.

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 meetings documentation to be sent to shareholders. The report of the independent expert (to be appointed shortly) will be included in the documentation.

It is currently proposed that the notices of meeting and independent expert's report will be despatched to shareholders in around the third week of August to the second week of September 2016, with the shareholder meetings proposed to be held in around mid October 2016 to mid November 2016.

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.

Directors' Report (continued)

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 market demand for recycled polypropylene yarn and other finished polypropylene products has slowed down with the slowdown in the Chinese economy. The past year has seen the market demand reduced due to the international oil prices fall and the weakened demand for recycled polypropylene pellets in China market. The Group anticipates that the sales and the use of its products will stabilise and grow over the medium to long term. However, there remain significant challenges in the short term with respect to achieving sales at the previous gross margins.

The management remains confident that the demand and market acceptance of Novarise's recycled products are expected to grow in China and internationally in time as governments and consumer behaviours encourage the wider use of Green PP products such as green shopping bags.

If the low oil prices were to continue as anticipated, the Group's comparative advantage as producer of recycled PP pallets, yarns and downstream products as well as the demand for the recycled PP products will continue to be adversely affected. The depressed oil price has resulted in the loss of profit margins vis-a-vis the conventional PP manufacturers. As the result of the loss of this comparative advantage and the slowdown in demands, the Group currently intends to keep the current production level, 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 2016:

- The constant fluctuation in Renminbi will invariably affect the profit margins of international sales denominated in USD. The future movement of Renminbi is difficult to predict;

- The global economic recovery remains unstable and volatile. It may be interrupted by sudden and rapid rise in crude oil prices due to other factors, such as geopolitical in Europe and the Middle East;

- The structure changes in the Chinese economy impacts on some labour-intensive businesses. Although the Company is affected at short term, it is anticipated that it will benefit from the changes in the long run; and

Directors' Report (continued)

Likely developments and expected results of operations (continued)

1. Outlook (Continued)

- The company has $211 million of unsecured loans owing to it. This exposes the Company to significant risk should the counterparties not be able to settle. Mr Su has provided personal guarantees on those loans. He will assume all legal liabilities and he will use his own assets to repay all loans if those loans cannot be recovered.

2. Operating Plans and Objectives in 2016

(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) In 2016, 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.

(3) Capacity: Affected to the domestic economic environment and decline in sales and the associated credit risks in 2016, the Company's overall production and operation will contract and decline. It is not expected to maintain production capacity in 2015, and continue to accelerate the use of new production lines.

(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.

The year of 2016 will be a difficult year for the Company's development. This is due to the domestic economic recovery is slow and the downstream industry production takes a long time to recover.

Environmental Regulation

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.

Products made by the Group 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.

Directors' Report (continued)

Environmental Regulation (continued)

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 Group plays a positive role in achieving the Chinese emission reduction targets.

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.

Meetings of Directors

The numbers of meetings of the Group's Board of Directors held during the year ended 31 December 2014, and the numbers of meetings attended by each director are as follows:

	Board		**Audit committee**		**Remuneration Committee**	
Name	Held	Attended	Held	Attended	Held	Attended
Mr. Qingyue Su	9	5	2	1	-	-
Mr. Xiaobin Zhuang	9	6	2	2	-	-
Mr. Chung Yi So	9	-	2	-	-	-
Mr. Liandong Tu	9	9	2	2	-	-
Mr. John O'Brien	9	8	2	2	-	-
Mr. Fai Peng Chen	9	8	2	0	-	-

Share Options

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

Directors' Report (continued)

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 performance 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.

The Group was in a loss in 2014. The production and operation pressure is high in the coming year. Therefore no dividend or cash bonus was distributed.

Directors' Report (continued)

Remuneration Report – Audited (continued)

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

The following Director fees for the 12 months commencing on 1 January 2014 applied:

Name	Position	Director fee per annum (GST exclusive) AUD $	Director fee paid AUD $
Mr. Qingyue Su	Chairman and Managing Director	9,013	9,013
Mr. Xiaobin Zhuang	Executive Director	9,013	9,013
Mr. Chung Yi So	Non-Executive Director	9,013	9,013
Mr. Liandong Tu	Non-Executive Director	9,013	9,013
Mr. John O'Brien	Non-Executive Director	40,000	40,000
Mr. Fai Peng Chen	Non-Executive Director	40,000	40,000

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

	2012 $	2013 $	2014 $
Revenue	82,450,642	90,833,182	151,956,618
Net Profit after income tax/(Loss)	16,720,300	9,056,131	(23,802,201)
Dividend paid	-	-	-
Share price at year end	0.20	0.20	(0.06)

Directors' Report (continued)

Remuneration Report – Audited (continued)

(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	18 March 2015	Non-Executive Director
Mr. Fai Peng Chen	6 August 2009		Non-Executive Director

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.

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

Directors' Report (continued)

Remuneration Report – Audited (continued)

(d) Details of remuneration (continued)

2014	Short-term employee benefits			Post-employment benefits		Proportion of remuneration that is performance based
	Salaries and fees	Cash bonus	Special remuneration	Super-annuation	Total	
	$	$		$	$	%
Directors						
Mr. Qingyue Su	52,278	-	-	915	53,193	-
Mr. Chung Yi So	9,013	-	-	-	9,013	-
Mr. Xiaobin Zhuang	41,462	-	-	915	42,377	-
Mr. Liandong Tu	9,013	-	-	-	9,013	-
Mr. John Keiran O'Brien	40,000	-	42,000*	-	82,000	-
Mr. FaiPeng Chen	40,000	-	42,000*	-	82,000	-
	191,766	-	84,000	1,831	277,597	

^ 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 shareholder of the Group. Mr. Sing Sha So provides his director services to the Group at no charge.

* It is for independent board committee fee related to selective capital reduction for the two independent directors.

2013	Short-term employee benefits		Post-employment benefits		Proportion of remuneration that is performance based
	Salaries and fees	Cash bonus	Super-annuation	Total	
	$	$	$	$	%
Directors					
Mr. Qingyue Su	48,699	-	431	49,130	-
Mr. Chung Yi So	8,334	-	-	8,334	-
Mr. Xiaobin Zhuang	38,698	-	431	39,129	-
Mr. Liandong Tu	8,334	-	-	8,334	-
Mr. John Keiran O'Brien	40,000	-	-	40,000	-
Mr. FaiPeng Chen	40,000	-	-	40,000	-
	184,065	-	862	184,927	

^ 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 shareholder of the Group. Mr. Sing Sha So provides his director services to the Group at no charge.

Directors' Report (continued)

Remuneration Report – Audited (continued)

(e) 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:

2014	Balance at 31/12/2013	Received as remuneration	Group Restructuring	Net Change/ Other	Balance At 31/12/2014
Mr. Qingyue Su	270,488,187	-	-	(13,769,466)	256,718,741
Mr. Chung Yi So	31,431,888	-	-	-	31,431,888
Mr. Xiaobin Zhuang	-	-	-	-	-
Mr. Liandong Tu	-	-	-	-	-
Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Faipeng Chen	8,000	-	-	-	8,000
Total	301,928,075	-	-	(13,769,466)	288,158,629

2013	Balance at 31/12/2012	Received as remuneration	Net Change/ Other	Dividend Reinvestment	Balance At 31/12/2013
Mr. Qingyue Su	270,488,187	-	-	-	270,488,187
Mr. Chung Yi So	31,561,111	-	-	(129,223)	31,431,888
Mr. Xiaobin Zhuang	-	-	-	-	-
Mr. Liandong Tu	-	-	-	-	-
Mr. John Keiran O'Brien	-	-	-	-	-
Mr. Faipeng Chen	8,000	-	-	-	8,000
Total	302,057,298	-	-	(129,223)	301,928,075

(f) Dividend Distributed to Directors

During the period for the year ended 31 December 2014 no dividends were distributed to or received by directors from the Group with the capacity of major shareholders (2013: nil).

(g) Other transactions and balances

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.

(h) Cash bonuses

No cash bonuses were paid during the financial year ended 31 December 2014 to directors or key management personnel or other employees (2013: nil).

No specific performance criteria were attached to these cash bonuses.

(i) Share – based payment bonuses

No share based payment bonuses were paid during the financial year ended 31 December 2014 to directors or key management personnel or other employees.

Directors' Report (continued)

Remuneration Report – Audited (continued)

(j) Options and rights granted as remuneration

No options and rights were granted during the financial year ended 31 December 2014 to directors or key management personnel or other employees.

(k) 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 2014 to directors or key management personnel.

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

No options or rights were granted during the financial year ended 31 December 2014 to directors or key management personnel.

(m) 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 below.

(n) 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.

Directors' Report (continued)

Remuneration Report – Audited (continued)

(o) 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 RMB290,000(A$53,193) 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 RMB230,000 (A$42,377)p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee plus a performance bonus payable annually.

Termination payments: Termination payment is not applicable.

(p) Non-executive directors only have oral agreements with the Group which are summarised as below:

Non-Executive Director

SO Chung Yi

Ongoing contract commenced on 15 March 2008.
Base Salary: Not specified in the contract. Set to be RMB50,000 (A$9,013) 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

TU Liandong

Ongoing oral agreement commenced on 9 December 2009.
Base Salary: RMB50,000 (A$9,013)p.a. inclusive of superannuation, to be reviewed annually by the Remuneration Committee.

Termination payments: Termination payment is not applicable.

Directors' Report (continued)

Remuneration Report – Audited (continued)

(p) Non-executive directors only have oral agreements with the Group which are summarised as below: (continued)

Non-Executive Director

O'BRIEN John (Resigned 18 March 2015)

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.

(q) Remuneration consultants

No remuneration consultants are engaged in 2014 to provide advice in relation to remuneration.

(r) Voting and comments made at 2013 Annual General Meeting

The Group received more than 99.93% of "yes" votes on its remuneration report for the 2013 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Audited Remuneration Report

Directors' Report (continued)

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 2014

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, the following fees for non–audit services were paid or payable to the auditor, BDO Australia:

	Consolidated	
	2014	**2013**
	$	**$**
Non-audit services		
Independent tax report	17,000	20,000
Total fees for non-audit services	**17,000**	**20,000**

The Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

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.
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.

Directors' Report (continued)

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 24.

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

Qingyue Su
Managing Director

Quanzhou, P.R. China

17 June 2016

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Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NOVARISE RENEWABLE RESOURCES INTERNATIONAL LIMITED

As lead auditor for the review of Novarise Renewable Resources International Limited for the year ended 31 December 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 audit; and
2. No contraventions of 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 17 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Sales revenue	4	151,956,618	90,833,182
Cost of sales		(140,385,037)	(74,243,356)
Gross profit		11,571,581	16,589,826
Interest revenue	4	799,186	4,582,960
Other income	5	249,003	1,264,589
Distribution expenses		(840,300)	(836,397)
Marketing expenses		(541,796)	(468,342)
Administration expenses		(4,221,642)	(3,343,947)
Occupancy expenses		(179,355)	(172,222)
Finance costs	6	(14,428,314)	(7,140,340)
Impairment	6	(12,066,909)	-
Other expenses		(689,308)	(7,020)
(Loss)/profit before income tax expense	6	(20,347,854)	10,469,107
Income tax credit/(expense)	7	(3,454,347)	(1,412,976)
(Loss)/profit after income tax expense		(23,802,201)	9,056,131
Other comprehensive income			
Items that will be reclassified to profit or loss			
Foreign currency translation differences		6,935,843	18,963,182
Other comprehensive income for the year, net of tax		6,935,843	18,963,182
Total comprehensive income/(loss) for the year		(16,866,358)	28,019,313
(Loss)/profit for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		(23,802,201)	9,056,131
		(23,802,201)	9,056,131
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Novarise Renewable Resources International Ltd		(16,866,358)	28,019,313
		(16,866,358)	28,019,313

Earnings per share for profit from continuing operations

Basic (Loss)/Earnings per Share	11	(5.73) cents	2.18 cents
Diluted (Loss)/Earnings per Share	11	(5.73) cents	2.18 cents

Earnings per share for profit for the year

Basic (Loss)/Earnings per Share	11	(5.73) cents	2.18 cents
Diluted (Loss)/Earnings per Share	11	(5.73) cents	2.18 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	Consolidated 31 December 2014 $	Consolidated 31 December 2013 $
CURRENT ASSETS			
Cash and cash equivalents	12	2,232,696	1,540,957
Term deposits with maturity over three months	13	45,161,804	95,116,323
Trade and other receivables	14	217,997,278	158,589,165
Inventories	15	16,688,789	6,746,516
Other assets	16	2,477,919	14,606,221
TOTAL CURRENT ASSETS		284,558,486	276,599,182
NON-CURRENT ASSETS			
Property, plant and equipment	17	99,929,477	94,968,233
Land use rights	19	9,468,102	8,928,654
Long-term prepayment for property, plant and equipment	18	-	7,745,542
Other receivables	14	2,333,746	2,157,199
Deferred tax assets	23	-	915,607
TOTAL NON-CURRENT ASSETS		111,731,325	114,715,235
TOTAL ASSETS		396,289,811	391,314,417
CURRENT LIABILITIES			
Trade and other payables	20	32,799,992	24,218,437
Borrowings	21	205,367,567	188,022,847
Current tax liabilities		2,657,562	1,887,318
Other liabilities	22	2,969,983	1,892,084
TOTAL CURRENT LIABILITIES		243,795,104	216,020,686
NON-CURRENT LIABILITIES			
Borrowings	21	50,351,844	56,282,769
Deferred tax liabilities	23	3,288,574	3,290,315
TOTAL NON-CURRENT LIABILITIES		53,640,418	59,573,084
TOTAL LIABILITIES		297,435,522	275,593,770
NET ASSETS		98,854,289	115,720,647
EQUITY			
Contributed equity	24	32,066,227	32,066,227
Reserves	25	36,626,139	28,553,071
Retained earnings		30,161,923	55,101,349
TOTAL EQUITY		98,854,289	115,720,647

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Contributed Equity	Retained Earnings	Surplus Reserves	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
At 1 January 2013	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	-	9,056,131	-	-	9,056,131
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	-	18,963,182	18,963,182
Total comprehensive income for the year	-	9,056,131	-	18,963,182	28,019,313
Appropriation to surplus reserve	-	(1,542,953)	1,542,953	-	-
Transaction with owners in their capacity as owners	-	(1,542,953)	1,542,953	-	-
At 31 December 2013	**32,066,227**	**55,101,349**	**13,507,701**	**15,045,370**	**115,720,647**
Total comprehensive income for the year					
Loss for the year	-	(23,802,201)	-	-	(23,802,201)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	-	6,935,843	6,935,843
Total comprehensive loss for the year	-	(23,802,201)	-	6,935,843	(16,866,358)
Appropriation to surplus reserve	-	(1,137,225)	1,137,225	-	-
Transaction with owners in their capacity as owners	-	(1,137,225)	1,137,225	-	-
At 31 December 2014	**32,066,227**	**30,161,923**	**14,644,926**	**21,981,213**	**98,854,289**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		182,409,081	111,540,502
Payments to suppliers and employees		(164,946,628)	(110,593,482)
Interest received		3,270,011	463
Interest paid		(6,525,312)	(2,480,195)
Income tax paid		(2,247,560)	(1,871,726)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	30	**11,959,592**	**(3,404,438)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		(3,440,135)	(19,000,964)
Payments for land use rights		-	(553,231)
Proceeds from sale of property, plant & equipment		293,677	158,909
(Increase)/decrease in term deposits with maturity over three months		52,181,820	(38,315,137)
Payment for capitalised interest		-	(992,290)
Loans to related party		(9,277,846)	-
Repayment of loans by related party		-	17,051,388
Loans to third party		(82,519,434)	(69,029,403)
Repayment of loans by third party		43,401,496	44,785,686
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**639,578**	**(65,895,042)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		217,370,175	190,988,359
Repayment of borrowings		(219,633,390)	(151,043,411)
Payment of finance lease liabilities		(47,103,997)	-
Proceeds from sale and leaseback transaction, net		40,073,549	34,466,896
Loans from related parties		1,456,960	1,017,792
Repayment of loans to related parties		(2,989,407)	-
Loans from non-bank third party		-	1,252,428
Repayment of loans to non-bank third party		(1,261,875)	(8,334,306)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		**(12,087,985)**	**68,347,758**
NET INCREASE/(DECREASE) IN CASH HELD		**511,185**	**(951,722)**
Effects of exchange rate changes on the balance of cash held in foreign currency		180,554	329,747
Cash and cash equivalents at beginning of the year		1,540,957	2,162,932
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	**2,232,696**	**1,540,957**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes to the consolidated financial statements

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 2014 were authorised for issue in accordance with a resolution of the directors on 23 May 2016 and covers the consolidated entity consisting of Novarise Renewable Resources International Ltd (Novarise) and its subsidiaries as required by the Corporation Act 2001.

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.

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.

New and amended Standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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 2014 and 31 December 2013 ("the Group"). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. 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 profit or loss and other 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 reporting date, which are classified as non-current.

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.

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.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

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:

	2014	**2013**
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.

m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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.

n) 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.

o) Research costs

Research costs are expenses as incurred.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

p) 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.

q) 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.

r) 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.

s) 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 wholly within 12 months after 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.

t) 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.

u) 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.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

v) 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.

w) 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.

x) 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.

(i) **Estimated impairment of tangible and other non-current assets**

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

Given the operating result in 2014 and the impact of the fall in world oil price, Novarise has tested its Property, Plant & Equipment for impairment. The key assumptions are: 1)Restoration of normal production and sales volume by 2016; 2) Completion of the Nan'an plant will require RMB 36 million; and 3) All technical issues in respect of the Nan'an plant will be resolved by 2016. Based on their key assumption, the Board believe no provision for impairment is required at 31 December 2014.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

x) Critical accounting estimates & judgements (continued)

***(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 $188,424,387. 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 2014.

y) Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for financial year ended 31 December 2014. They have not been adopted in preparing the financial statements for the year ended 31 December 2014. These standards 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 2018	Adoption of AASB 9 is only mandatory for the 31 December 2018 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)

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

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: •Adding the new hedge accounting requirements into AASB 9 •Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and •Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: •The 80-125% highly effective threshold has been removed •Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable •An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure •When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI •When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI •Net foreign exchange cash flow positions can qualify for hedge accounting.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the 31 December 2018 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)

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

Standards likely to have a financial impact (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 15 (issued December 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*.	Annual reporting periods beginning on or after 1 January 2018	Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard.
IFRS 16 (issued by the IASB January 2016)	Leases	IFRS 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods beginning on or after 1 January 2019.	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

Standards likely to have a disclosure impact only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2012-6 (issued September 2012)	AASB 2012-6 (issued September 2012)	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods beginning on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

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)

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 2014 the Group has $129,443,931 of loans and notes payables (Note 21) due for renewal by 30 June 2015, a further $75,923,626 due for renewal by 31 December 2015 and $4,197,958 (Note 31) of capital commitments due before 31 December 2015. These loan and commitments are noe overdue and payable.

It is anticipated that completion of the Nan'an project will require further funds of approximately $2.13m (RMB 10m) of which $1.06m (RMB 5m) is expected to be spent between January to December 2016. Four production lines were commissioned for production in 2014. The remaining 4 production lines are expected to start production in different stages in 2016 and will 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 2014 the Group has $40,763,382 of net current assets, including $47,394,500 of cash and cash deposits and $198,699,869 of loans receivable and $12,638,373 interest receivable from third parties. The full amount of loans receivable and interest receivable from third parties and related party are expected to be repaid by 31 December 2016. For the year ended 31 December 2014 the group generated a loss after tax of $23,802,201 and cash flows from operating activities of $11,959,592.

The ability of the group to continue as going concern is dependent on the repayment of unsecured receivable of $198,699,869 or the injection of funds by the Chairman Mr Qingyue Su.

As disclosed in note 31, the group has entered into multiple cross-guarantees with a number of related and non-related parties with total exposure of RMB 979,891,200 ($A195,454,422). Should any of these guarantees be called upon, the group's ability to continue as going concern will be significantly impacted.

As stated above, should the company be unsuccessful in recovering the unsecured receivable of $198,699,869 on injection of funds by the chairman mr Qinggyue Su in full by the due date and in the event that the Capital Reduction does not proceed, there is a sigfinicnat risk that the consolidated entity may not be able to continue as a going concern. Should the consolidated entity not continue as a going concern, it may be unable to discharge its assets and liabilities in the normal course of business.

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;
- The group has successfully obtained several new borrowings since 31 December 2014 (note 32);
- Mr Qingyue Su, in his personal capacity, will continue to provide ongoing funding and financial assistance to support the operations of the group of companies as a going concern;
- While the group is currently experiencing negative gross margin and operating losses due to the fall of internaltional oil price, the directors expect the group will return to generating positive cash flows from existing operation and Nan'an factory once it comes to operation.
- The preparation of the financial statements on a going concern basis is appropriate.

Notes to the Consolidated Financial Statements (continued)

Note 2: Summary of Significant Accounting Policies (continued)

z) Going concern (Continued)

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.

Notes to the Consolidated Financial Statements (continued)

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 4 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.

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

b. Segment information

Segment information provided to the board of directors for the year ended 31 December 2014 is as follows:

2014	Polypropylene yarns	Polypropylene straps and ropes	Recycled polypropylene pellets	Polypropylene trading	Total
	$	$	$	$	$
Total segment revenue	17,265,371	44,114,251	14,199,015	75,209,451	150,788,088
Revenue from external customers	17,265,371	44,114,251	14,199,015	75,209,451	150,788,088
Gross profit	804,871	10,882,935	(2,110,070)	1,895,728	11,473,464

2013	Polypropylene yarns	Polypropylene straps and ropes	Recycled polypropylene pellets	Polypropylene trading	Total
	$	$	$	$	$
Total segment revenue	11,755,166	46,308,746	19,133,973	12,610,635	89,808,520
Revenue from external customers	11,755,166	46,308,746	19,133,973	12,610,635	89,808,520
Gross profit	1,943,571	12,368,164	1,862,708	141,113	16,315,556

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, the sales of recycled polypropylene pellets, and the sales of polypropylene 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	
	2014	2013
	$	$
Total Segment Revenue	150,788,088	89,808,520
Other revenue	1,168,530	1,024,662
Total sales revenue (note 4)	151,956,618	90,833,182
Interest revenue (note 4)	799,186	4,582,960

(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	11,473,464	16,315,556
Gross profit from unallocated sales	98,117	274,270
Gross profit per Statement of Profit or Loss and Other Comprehensive Income	11,571,581	16,589,826
Interest revenue	799,186	4,582,960
Other income	249,003	1,264,589
Distribution expenses	(840,300)	(836,397)
Marketing expenses	(541,796)	(468,342)
Administration expenses	(4,221,642)	(3,343,947)
Occupancy expenses	(179,355)	(172,222)
Finance costs	(14,428,314)	(7,140,340)
Impairment	(12,066,909)	-
Other expenses	(689,308)	(7,020)
(Loss)/profit before income tax	**(20,347,854)**	**10,469,107**

Notes to the Consolidated Financial Statements (continued)

	Consolidated	
	2014	**2013**
	$	**$**

Note 3: Segment Reporting (continued)

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:

	2014 $	2013 $
P.R. China	139,307,813	82,195,512
Hong Kong	44,050	1,418,293
Philippines	1,479,122	1,089,852
Russia	481,809	345,872
Turkey	101,865	117,522
Indonesia	947,493	666,829
India	751,171	478,171
Colombia	1,195,926	495,906
Sri Lanka	1,110,319	231,431
Estonia	258,812	246,897
USA	606,876	532,264
Finland	539,605	866,202
Thailand	536,362	365,587
Taiwan	1,700,030	487,943
Vietnam	611,491	10,027
Ukraine	396,899	-
Nigeria	293,855	152,901
Morocco	251,025	52,326
Other Asian countries	446,271	343,603
Other non Asian countries	895,824	736,044
	151,956,618	**90,833,182**

In 2014 revenue of $60,935,123 (2013: $9,910,833) was derived from a single external customer. These revenues are attributable to Polypropylene trading segment and Recycled Polypropylene pellets (2013: recycled Polypropylene pellets segment) and amount to more than 10% the Group's revenue from external customers.

As at 31 December 2014 and 31 December 2013, all non-current assets of the Group were located in P.R. China.

Note 4: Revenue

	2014 $	2013 $
Sales of goods	**151,956,618**	**90,833,182**
Interest revenue	**799,186**	**4,582,960**

Note 5: Other Income

	2014 $	2013 $
Government grant	121,792	758,146
Net foreign exchange gain	86,618	378,439
Sundry income	40,593	128,004
	249,003	**1,264,589**

Notes to the Consolidated Financial Statements (continued)

Note 5: Other Income (continued)

Government Grants

Government grant of $121,792 was recognised by the Group in the current year (2013:$ 758,146).

Government grant in 2014 mainly represent the grant of $74,270 (RMB450,000) for technological innovation projects and patent awards, and the government incentive of $18,027 (RMB100,000) for paying tax.

Government grant in 2013 mainly represent the grant of $225,026 (RMB1,350,000) is the government's subsidies for public rental housing, the award of $166,686 (RMB1,000,000) is for being an emerging industries with strategic importance, and the subsidy of $190,022 (RMB1,140,000) is for the disposal of the outdated machinery and equipment.

There are no unfulfilled conditions or other contingencies attaching to those grants.

Note 6: Expenses

Profit/(loss) before income tax is derived at after taking the following into account:

	Consolidated 2014 $	Consolidated 2013 $
Finance costs		
Interest expenses	11,107,573	6,739,977
Cancellation cost of terminating initial finance lease	2,798,253	-
Bank fees	522,488	400,363
	14,428,314	7,140,340
Depreciation expense		
Leasehold improvement	6,486	5,997
Buildings	2,259,024	1,439,900
Machinery and vehicles	899,235	1,893,454
Leased machinery	2,636,908	141,314
Furniture, fittings and equipment	10,670	12,279
	5,812,323	3,492,944
Amortisation of operating lease prepayment		
Land use rights	172,869	166,224
Employee benefits expense		
Wages and salaries	4,661,729	3,859,039
Defined contribution superannuation costs	123,334	66,887
Other welfare expense	28,058	102,476
	4,813,121	**4,028,402**
Research and development expenditures	58,730	78,759
Write-downs of inventories to net realisable value	3,485,694	-
Impairment		
Trade recievables	4,472,919	-
Prepayments to suppliers	225,335	-
Long term prepayment for property, plant and equipment	7,368,655	-
	12,066,909	**-**

Notes to the Consolidated Financial Statements (continued)

Note 7: Income Tax Expense

	Consolidated 2014 $	Consolidated 2013 $
Major components of income tax expense are:		
Current tax expense		
Current tax expense	1,953,112	1,260,775
Adjustments for previous years	850,966	(531,212)
	2,804,078	729,563
Deferred tax expense		
Origination and reversal of temporary differences	(244,938)	683,413
Write-down of deferred tax assets	895,207	-
	650,269	683,413
Total income tax (credit)/expense in Statement of Profit or Loss and Other Comprehensive Income	3,454,347	1,412,976

Applicable income tax rate

The applicable income tax rate in 2014 for Fujian Sanhong Renewable Resources Technology Co., Limited, is 25% (2013:15%).

The applicable income tax rate for other subsidiaries in P.R. China is 25% (2013:25%), and remains the same in the future.

A deferred tax asset has not been recognized in respect of the unused tax losses of Novarise Renewable Resources International Limited, its Hong Kong subsidiary, Great Rises International New Resources Pty Ltd, and its subsidiaries in P.R. China of $2,385,271 (2013: $2,202,639) 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.

Reconciliation of the effective tax rate

	2014 $	2013 $
Accounting (loss)/profit before income tax	(20,347,854)	10,469,107
Prima facie tax payable on (loss)/profit at the Australian tax rate of 30% (2013: 30%)	(6,104,356)	3,140,732
Add/(Less) Tax effect of:		
- Non-taxable income	-	(72,063)
- Deferred tax asset not recognized for losses	247,520	180,661
- Deferred tax assets not brought to account for other temporary differences	6,547,505	512,151
- Utilisation of previously unrecognised tax losses	-	(107,007)
- Impact of overseas tax differential	750,847	(1,809,838)
- Non-deductible entertainment expenses	10,713	8,151
- Non-deductible fine	1,076,548	-
- Other difference	74,604	91,401
- Under/(over) provision in prior years	850,966	(531,212)
Income tax expense at effective tax rate of 17% (2013: 13%)	3,454,347	1,412,976

Notes to the Consolidated Financial Statements (continued)

Note 7: Income Tax Expense (continued)

Unrecognised deferred tax assets

	Consolidated 2014 $	Consolidated 2013 $
Deferred tax assets have not been recognised in the statement of financial position for the following items:		
Unused tax losses	2,385,272	2,202,639
Deductible temporary differences	30,344,813	-
	32,730,085	2,202,639
Potential benefit at 30% in Australia, 16.5% in Hong Kong and 25% in P.R China	8,251,921	621,657

Included in unused tax losses were $556,776 for the subsidiaries in P.R.China (2013: $392,927). The tax losses in P.R China can be carried forward for five consecutive years.

There is no expiry date on the future deductibility of unused tax losses in Australia and Hong Kong entities.

Note 8: Key Management Personnel Disclosures

(a) Compensation

	2014 $	2013 $
Short-term employee benefits	275,766	184,065
Post-employment benefits	1,831	862
Total	277,597	184,927

(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 RMB372,000,000 (equivalent to A$74,201,141) to the Group's subsidiaries effective up to 31 December 2014 for their borrowings.

In addition, Mr. Qingyue Su and his wife Ms. Yulu Pan have provided joint guarantees of up to RMB 522,200,000 (equivalent to A$104,160,849) to the Group's subsidiaries effective up to 31 December 2014 for their borrowings.

Guarantee by related parties and third parties as at 31 December 2014

Guarantor	Maximum amount of guarantee provided		Notes
	RMB	AUD	
SU, Qingyue and PAN, Yu Lulu jointly	522,200,000	104,160,849	26 (b)
SU, Qingyue	372,000,000	74,201,141	26 (b)
Other related parties	146,000,000	29,121,953	26 (b)
Third parties	83,920,000	16,739,139	26 (b)

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) Dividend Distributed to Directors

During the period for the year ended 31 December 2014 no dividends were distributed to or received by directors from the Group with the capacity of major shareholders (2013: nil).

(d) Other transactions and balances

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:

	Consolidated	
	2014	**2013**
	$	**$**
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the Group		
- BDO Australia	85,000	85,000
	85,000	85,000
In addition, $30,000 was paid or payable for the audit service provided by a non BDO audit firm (2013: $30,000).	30,000	30,000
Non – Audit related services		
Tax advice	17,000	20,000
Total	**132,000**	**135,000**

Note 10: Dividends

Total unfranked dividend for year ended 31 December 2014 nil per share (2013: Nil)	-	-

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		（Loss/profit attributable to the owners of the company used to calculate basic earnings per share and diluted earnings per share	
	Consolidated		**Consolidated**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	**415,057,737**	**415,057,737**	**(23,802,201)**	**9,056,131**

Notes to the Consolidated Financial Statements (continued)

	Consolidated 2014 $	Consolidated 2013 $

Note 12: Cash & Cash Equivalents

	2014 $	2013 $
Cash in hand	16,417	20,502
Cash at bank	265,703	799,837
Short-term deposits with maturity less than three months	1,950,576	720,618
Cash and cash equivalents	**2,232,696**	**1,540,957**

Cash in hand is non-interest bearing. Cash at bank bears a floating interest rate at 0.01%-0.35% (2013: 0.01%-0.35%).

As at 31 December 2014, the short-term deposits with maturity less than three months are pledged as collateral for letter of credit issued by the Group, which bear fixed interest rates of 0.05%-3.05% and have a maturity of 3 months.

Concentration of risk by bank credit rating

	2014 $	2013 $
A-1	1,060,277	264,448
A-1+	39,735	36,145
A-2	29,245	838,342
Unrated	1,103,439	381,520
Total	**2,232,696**	**1,520,455**

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

Note 13: Term Deposits with Maturity over Three Months

Current

		2014 $	2013 $
Term deposits with maturity over three months	(a)	**45,161,804**	**95,116,323**

(a) As at 31 December 2014, there were current short-term deposits with maturity over three months of $45,161,804 that are pledged as collateral for bank loans, bank acceptance notes and letter of credit issued by the Group, which bear fixed interest rates of 0.05%~3.08% and have a maturity of 6 months.

As at 31 December 2013, there were current short-term deposits with maturity over three months of $50,083,273 that are pledged as collateral for bank loans, bank acceptance notes and letter of credit issued by the Group, which bear fixed interest rates of 3.05%~5% and have a maturity of 6 months. The remaining unpledged short-term deposits with maturity over three months of $45,033,050 bear fixed interest rates of 3.05% and have a maturity of 12 months.

Concentration of risk by bank credit rating

	2014 $	2013 $
A-1	15,446,603	55,714,209
A-2	12,788,343	31,105,194
BBB	12,975,438	-
Unrated	3,951,420	8,296,920
Total	**45,161,804**	**95,116,323**

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

Notes to the Consolidated Financial Statements (continued)

Note 14: Trade and Other Receivables

		Consolidated 2014 $	Consolidated 2013 $
Current	**Note**		
Trade receivables	(a)	11,474,683	10,207,313
Allowance for doubtful debts		(4,949,261)	-
		6,525,422	10,207,313
Other receivables	(b)	12,771,987	14,221,061
Loan to related party	27(c)	10,275,482	-
Loan to third parties	(c)	188,424,387	134,160,791
		217,997,278	**158,589,165**
Non-current	**Note**		
Other receivables	(d)	2,333,746	2,157,199
		2,333,746	**2,157,199**

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

	Year ended 31 Dec 2014			Year ended 31 Dec 2013		
	Amount not impaired	Amount Impaired	Total	Amount not impaired	Amount Impaired	Total
Not past due	6,365,923	4,644,339	11,010,262	10,198,588	-	10,198,588
Past due < 3 months	29,628	177,323	206,951	8,725	-	8,725
Past due 3- 9 months	129,871	127,599	257,470	-	-	-
Total	6,525,422	4,949,261	11,474,683	10,207,313	-	10,207,313

As at 31 December 2014, trade receivables of $159,499 (2013: $8,725) 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 $12,638,373 (2013: $14,209,419) including interest on loans to third parties refer to in (c) below, which are not past due or impaired. Remaining other receivables of $133,614 (2013: $11,642) 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

At 31 December 2014, loan to third parties are interest free and unsecured loans, which are past due but not impaired.

At 31 December 2013, included above is an unsecured loan to a third party of $23,042,900. It includes $4,609,399 bearing an interest rate of 12%, and the remaining balance of $18,433,501 is interest free. The remaining balance of loans to other third parties is interest free.

(d) Non-current other receivables

Non-current receivable balance represents the deposit paid for finance lease. Refer to note 21 for more information.

Notes to the Consolidated Financial Statements (continued)

Note 14: Trade and Other Receivables (continued)

The Group does not hold any collateral in relation to the receivables (2013: 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 2014.

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.

	Consolidated	
	2014	2013
	$	$
Note 15: Inventories		
At cost		
Raw materials	10,579,815	5,766,647
Goods shipped in transit	394,477	-
Finished goods	5,709,642	975,072
Other inventories	4,855	4,797
	16,688,789	6,746,516

Inventory expense
Inventories recognised as expense during the year ended 31 December 2014 and included in cost of sales amounted to $140,385,037 (2013:$74,243,356).

Write-downs of inventories to net realisable value during the current financial year amounted to $3,485,694 (2013: nil).

Note 16: Other Assets

	2014	2013
Current		
Prepayments to suppliers	2,727,251	14,606,221
Impairment	(249,332)	-
	2,477,919	14,606,221

Notes to the Consolidated Financial Statements (continued)

Note 17: Property, Plant and Equipment

	Consolidated 2014 $	Consolidated 2013 $
Buildings		
At cost	61,256,117	40,662,261
Accumulated depreciation	(7,131,353)	(4,281,365)
	54,124,764	36,380,896
Leasehold improvements		
At cost	367,974	340,137
Accumulated depreciation	(102,274)	(87,903)
	265,700	252,234
Machinery and vehicles		
At cost	9,182,166	11,048,461
Accumulated depreciation	(5,898,677)	(6,856,873)
	3,283,489	4,191,588
Leased machinery		
At cost	29,404,877	13,874,730
Accumulated depreciation	(3,086,829)	(156,312)
	26,318,048	13,718,418
Furniture, fittings and equipment		
At cost	234,867	199,283
Accumulated depreciation	(136,021)	(114,738)
	98,846	84,545
Capital Works in Progress	801,418	16,700,656
Leased capital works in progress	15,037,212	23,639,896
Total property, plant and equipment		
At cost	**117,488,133**	**106,465,424**
Accumulated depreciation	**(17,558,656)**	**(11,497,191)**
	99,929,477	**94,968,233**

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 $	Leased machinery $	Furniture, fittings and equipment $	Capital works in progress $	Leased capital works in progress $	Total $
Carrying amount at 1 January 2013	3,651,682	214,780	9,732,899	-	14,624	46,808,445		60,422,430
Additions	-	-	254,623	-	74,938	23,344,224	-	23,673,785
Transfers	30,351,275	-	(5,016,924)	12,543,525	-	(59,249,654)	21,371,778	-
Disposals	-	-	(160,047)	-	(2,160)	-	-	(162,207)
Depreciation expense	(1,439,900)	(5,997)	(1,893,454)	(141,314)	(12,279)	-	-	(3,492,944)
Effect of movement in foreign exchange	3,817,839	43,451	1,274,491	1,316,207	9,422	5,797,641	2,268,118	14,527,169
Carrying amount at 31 December 2013	36,380,896	252,234	4,191,588	13,718,418	84,545	16,700,656	23,639,896	94,968,233
Additions	-	-	86,895	-	17,565	-	3,485,998	3,590,458
Transfers	15,604,261	-		13,009,218	-	(15,604,261)	(13,009,218)	-
Disposals	-	-	(318,386)	-	(129)	-	-	(318,515)
Depreciation expense	(2,259,024)	(6,486)	(899,235)	(2,636,908)	(10,670)	-	-	(5,812,323)
Effect of movement in foreign exchange	4,398,631	19,952	222,627	2,227,320	7,535	(294,977)	920,536	7,501,624
Carrying amount at 31 December 2014	54,124,764	265,700	3,283,489	26,318,048	98,846	801,418	15,037,212	99,929,477

Non-current assets pledged as security

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

Notes to the Consolidated Financial Statements (continued)

Note 17: Property, Plant and Equipment (continued)

Capitalisation of Borrowing Costs

During current financial year, there is no borrowing cost capitalised since the majority of the infrastructure is complete.

During the financial year 2013, 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 3.08% was used to calculate the capitalised borrowing costs included in Capital Work in Progress. The amount of borrowing cost capitalised during the year was $665,322.

	Consolidated	
	2014	**2013**
	$	**$**

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

Long Term Prepayment for Property, Plant and Equipment	8,153,378	7,745,542
Impairment	(8,153,378)	-
	-	7,745,542

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.

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	8,928,654	7,052,864
Additions	-	553,231
Amortisation charge	(172,869)	(166,224)
Effect of movement in foreign exchange	712,317	1,488,783
At 31 December	**9,468,102**	**8,928,654**

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	6,302,968	2,256,400
Other payables and accruals	18,499,528	13,052,006
Salary payables	448,260	364,521
Related party payables	7,549,236	8,545,510
	32,799,992	**24,218,437**

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

Notes to the Consolidated Financial Statements (continued)

Note 21: Borrowings

	Note	Consolidated 2014 $	Consolidated 2013 $
Current			
Unsecured:			
Third party loans	(c)	-	1,290,632
Secured:			
Bank loans	(a)	56,502,774	44,875,180
Third party loans	(c)	39,893,087	36,875,196
Leased liabilities	(d)	15,558,304	14,381,326
Note payables	(b)	93,413,402	90,600,513
		205,367,567	188,022,847
Non-current			
Secured:			
Bank loans	(a)	27,098,972	30,460,324
Leased liabilities	(d)	23,252,872	25,822,445
		50,351,844	56,282,769

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

(a) Bank loans
Current bank loans' terms are within 12 months. The final instalments are due in December 2015. All current bank loans bear fixed interest.

All non-current bank loans bear floating interest rate. The final instalment is due in April 2018.

(b) 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.

(c) Third party loans
Unsecured third party loan is interest free.

Secured third party loans bear a fixed interest rate at 12% (2013: 12%). The final instalment is due in December 2015.

(d) Leased liabilities
The Group entered into a sale and leaseback arrangement with China Foreign Trade Finance Leasing Ltd to sell Nan'an Plant's machinery and leased them back for its own use from 26 May 2014. The term of the lease is a period of 3 years. It bears a fixed interest rate at 6.6%.

Assets pledged as security
Secured borrowings are all secured by the Group's short term cash deposits, buildings, machinery, 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).

Notes to the Consolidated Financial Statements (continued)

Note 21: Borrowings (continued)

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

	Note	Consolidated 2014 $	Consolidated 2013 $
Current			
Cash and cash equivalents	12	1,950,576	720,618
Short-term deposits with maturity over three months	13	45,161,804	50,083,273
		47,112,380	50,803,891
Non-current			
Land use rights	19	9,468,102	8,928,654
Lease hold improvement	17	265,700	252,234
Buildings	17	54,124,764	36,380,896
Machinery	17	26,318,048	13,718,418
Capital Works in Progress	17	15,838,630	40,340,552
		106,015,244	99,620,754
		153,127,624	**150,424,645**

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.

Note 22: Other Liabilities

	2014 $	2013 $
Current		
Deferred revenue	5,049,940	2,664,559
Welfare payables	26,233	22,778
Other tax payables	(2,106,190)	(795,253)
	2,969,983	1,892,084

Note 23: Deferred Tax

	2014 $	2013 $
Accruals	-	1,358,737
Capitalised borrowing costs	-	(443,130)
Total deferred tax assets	-	915,607
Accrued interest income	(3,288,574)	(3,290,315)
Total deferred tax liabilities	(3,288,574)	(3,290,315)

Movements in deferred tax assets

	Opening balance at 1 January 2013 $	Origination of deferred tax assets $	Effect of movement in foreign exchange $	Closing balance at 31 December 2013 $
Amounts recognised in profit or loss				
Accruals	805,260	355,091	198,386	1,358,737
Capitalised borrowing costs	(276,072)	(103,948)	(63,110)	(443,130)
Total	529,188	251,143	135,276	915,607

Notes to the Consolidated Financial Statements (continued)

Note 23: Deferred Tax (continued)

Movements in deferred tax assets (continued)

	Opening balance at 1 January 2014	Write-down of deferred tax assets	Effect of movement in foreign exchange	Closing balance at 31 December 2014
	$	$	$	$
Amounts recognised in profit or loss				
Accruals	1,358,737	(1,328,463)	(30,274)	-
Capitalised borrowing costs	(443,130)	433,256	9,874	-
Total	915,607	(895,207)	(20,400)	-

Movements in deferred tax liabilities

	Opening balance at 1 January 2013	Originationof deferred tax liabilities	Effect of movement in foreign exchange	Closing balance at 31 December 2013
	$	$	$	$
Amounts recognised in profit or loss				
Accrued interest income	(1,872,266)	(934,556)	(483,493)	(3,290,315)
Total	(1,872,266)	(934,556)	(483,493)	(3,290,315)

	Opening balance at 1 January 2014	Origination of deferred tax liabilities	Effect of movement in foreign exchange	Closing balance at 31 December 2014
	$	$	$	$
Amounts recognised in profit or loss				
Accrued interest income	(3,290,315)	244,938	(243,197)	(3,288,574)
Total	(3,290,315)	244,938	(243,197)	(3,288,574)

Note 24: Contributed Equity

	Consolidated	
	2014	2013
	$	$
415,057,737 (2013: 415,057,737) Fully paid ordinary shares	32,066,227	32,066,227
Total	32,066,227	32,066,227

(a) *Movements in ordinary share capital*

Date	Details	Number of shares	$
1 January 2013	Opening balance	415,057,737	32,066,227
31 December 2013	Opening balance	415,057,737	32,066,227
31 December 2014		415,057,737	32,066,227

Notes to the Consolidated Financial Statements (continued)

Note 24: Contributed Equity (continued)

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 2014 there were no unpaid shares(2013: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.

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	
		2014	2013
		$	$
Gearing ratios	**Note**		
Total borrowings			
- borrowings from bank and third parties	21	255,719,411	244,305,616
- loans from related parties	20	7,549,236	8,545,510
Less: cash and cash equivalents	12	(2,232,696)	(1,540,957)
term deposits with maturity over three months	13	(45,161,804)	(95,116,323)
Net debt		215,874,147	156,193,846
Total equity		98,854,289	115,720,647
Total capital		314,728,436	271,914,493
Gearing ratio		**69%**	**57%**

Notes to the Consolidated Financial Statements (continued)

Note 24: Contributed Equity (continued)

(b) Capital risk management (continued)

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. This year the gearing ratio increased to 69% from 57% due to the loss incurred in 2014 and the liquidity weakened in 2014.

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.

Note 25: Reserves

	Consolidated	
	2014	**2013**
	$	**$**
Surplus reserve	14,644,926	13,507,701
Foreign currency translation reserve	21,981,213	15,045,370
	36,626,139	28,553,071

Surplus reserves comprise the statutory surplus reserve of $10,234,092 (2013: $9,523,326) and other surplus reserve of $4,410,834 (2013: $3,984,375).

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.

Notes to the Consolidated Financial Statements (continued)

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 polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

At 31 December 2014 and 31 December 2013, the Group held the following financial instruments:

		Consolidated Carrying Amount		Consolidated Fair Value	
		FY 2014	FY2013	FY 2014	FY2013
	Note	$	$	$	$
Financial Assets					
Current					
Cash and cash equivalents	12	2,232,696	1,540,957	2,232,696	1,540,957
Term deposits with maturity over 3 months	13	45,161,804	95,116,323	45,161,804	95,116,323
Trade and other receivables	14	217,997,278	158,589,165	217,997,278	158,589,165
		265,391,778	255,246,445	265,391,778	255,246,445
Non-current					
Other receivables	14	2,333,746	2,157,199	2,001,521	1,807,987
Cash and receivables		267,725,524	257,403,644	267,393,299	257,054,432
Financial liabilities					
Current					
Trade and other payables	20	32,799,992	24,218,437	32,799,992	24,218,437
Borrowings	21	205,367,567	188,022,847	205,367,567	188,022,847
		238,167,559	212,241,284	238,167,559	212,241,284
Non-current					
Borrowings	21	50,351,844	56,282,769	40,837,863	50,653,416
Financial liabilities measured at amortised cost		288,519,403	268,524,053	279,005,422	262,894,700

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

The fair value of these financial instruments is assumed to approximate their carrying value except for non-current other receivables and borrowings.

The fair values are based on cash flows discounted using a current lending rate of 6.60% for non-current other receivables.

(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 reporting date by geographical areas.

Analysis of credit exposure by geographical areas

	2014 $	2013 $
Cash and Cash equivalents		
China	2,161,007	1,471,152
Hong Kong	42,146	62,181
Australia	29,543	7,624
	2,232,696	**1,540,957**
Term deposits with maturity over 3 months		
China	**45,161,804**	**95,116,323**
Trade and other receivables		
China mainland	220,324,957	159,577,068
Hong Kong	-	151,973
Russia	3,617	52,558
Colombia	69	53,133
Philippines	2,366	271,516
Indonesia	-	133,202
India	15	83,325
Others	-	423,589
	220,331,024	**160,746,364**
Total Cash, loans and receivables	**267,725,524**	**257,403,644**

Except for the fact that the Group made the loans to three third parties of $140,976,583 in total which consists of 22%, 21% and 10% of total loans individually and receivable balance at the reporting date, there was no concentration of credit risk with respect to current receivables as the group.

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

(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

	2014 $	2013 $
Total facilities	61,834,284	43,328,355
Used at the end of the reporting period	(44,562,448)	(30,159,256)
Unused at the end of the reporting period	17,271,836	13,169,099

Included within the unused bank facilities above are trade finance facilities totalling $17,271,836 (2013: $13,169,099).

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.

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	522,200,000	104,160,849	8 (b)
SU, Qingyue	372,000,000	74,201,141	8 (b)
Other related parties	146,000,000	29,121,953	27 (b)
Third parties	83,920,000	16,739,139	8 (b)

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 26: Financial Risk Management (continued)

(b) Liquidity risk (continued)

Guarantee by the Group to related parties and third parties for borrowings

The Group soely or together with other entities provided the following financial guarantee to related parties and third parties for their borrowings.

	Guarantee Amount		Drawndown Amount	
	RMB	AUD	RMB	AUD
Related parties	746,891,200	148,978,976	660,346,000	131,716,201
Third parties	233,000,000	46,475,446	60,450,000	12,057,685
	979,891,200	195,454,422	720,796,000	143,773,886

The Group is unable to fair value the financial guarantees included in the table above.

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
	$	$	$	$	$	$
2014						
Non-derivatives						
Non-interest bearing	32,799,992	32,799,992	15,875,377	16,924,615	-	-
Interest free borrowings	93,413,402	93,413,402	93,413,402	-	-	-
Fixed rate borrowings	129,992,609	140,932,590	36,186,143	77,755,115	26,991,332	-
Floating rate borrowings	32,313,400	36,799,341	4,718,250	4,537,921	20,197,893	7,345,277
	288,519,403	303,945,325	150,193,172	99,217,651	47,189,225	7,345,277
2013						
Non-derivatives						
Non-interest bearing	24,218,437	24,218,437	24,218,437	-	-	-
Interest free borrowings	91,891,145	91,891,145	91,891,145	-	-	-
Fixed rate borrowings	124,801,218	139,875,221	63,686,465	24,603,967	51,584,789	-
Floating rate borrowings	27,613,253	33,022,800	904,334	904,334	15,972,528	15,241,604
	268,524,053	289,007,603	180,700,381	25,508,301	67,557,317	15,241,604

(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.

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

(c) Market risk (continued)

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 $	Non-interest bearing $	Total $
2014					
Financial Assets					
Cash and cash equivalents	1.34%	265,703	1,950,576	16,417	2,232,696
Term deposits with maturity over 3 months	2.87%	-	45,161,804	-	45,161,804
Trade receivables		-	-	6,525,422	6,525,422
Other receivables		-	-	15,105,733	15,105,733
Loans to related parties		-	-	10,275,482	10,275,482
Loans to third parties		-	-	188,424,387	188,424,387
Financial Liabilities					
Trade and other payables		-	-	(32,799,992)	(32,799,992)
Bank loans	6.75%	(32,313,400)	(51,288,346)	-	(83,601,746)
Leased liabilities	6.60%	-	(38,811,176)	-	(38,811,176)
Third party loans	12.00%	-	(39,893,087)	-	(39,893,087)
Notes payable		-		(93,413,402)	(93,413,402)
		(32,047,697)	**(82,880,229)**	**94,134,047**	**(20,793,879)**
2013					
Financial Assets					
Cash and cash equivalents	0.17%	799,837	720,618	20,502	1,540,957
Term deposits with maturity over 3 months	3.14%	-	95,116,323	-	95,116,323
Trade receivables		-	-	10,207,313	10,207,313
Other receivables		-	-	16,378,260	16,378,260
Loans to third parties	12.00%	-	4,609,399	129,551,392	134,160,791
Financial Liabilities					
Trade and other payables		-	-	(24,218,437)	(24,218,437)
Bank loans	6.49%	(27,613,253)	(47,722,251)	-	(75,335,504)
Leased liabilities	6.15%	-	(40,203,771)	-	(40,203,771)
Third party loans	12.00%	-	(36,875,196)	(1,290,632)	(38,165,828)
Notes payable		-	-	(90,600,513)	(90,600,513)
		(26,813,416)	**(24,354,878)**	**40,047,885**	**(11,120,409)**

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).

	2014		**2013**	
	+0.4% (40 basis points) $	**-0.4% (40 basis points)** $	**+0.4% (40 basis points)** $	**-0.4% (40 basis points)** $
Cash and cash deposits	1,063	(1,063)	3,199	(3,199)
Floating rate borrowings	(129,254)	129,254	(110,453)	110,453
Tax charge at 25% (2013: 25%)	32,048	(32,048)	26,814	(26,814)
After tax increase / (decrease)	(96,143)	96,143	(80,440)	80,440

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

(c) Market risk (continued)

(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 and Hong Kong 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:

	2014	**2013**
	USD	**USD**
Cash at bank	881,225	740,467
Term deposits with maturity over 3 months	306,470	559,281
Trade receivables	2,495,785	1,040,186
Trade payables	(2,847,350)	(166,993)
Other payables	(7,539,458)	-
Short term borrowings	(3,929,587)	(3,532,700)
	(10,632,915)	(1,359,759)

	2014	**2013**
	HKD	**HKD**
Cash at bank	123,958	
Term deposits with maturity over 3 months	-	25,218,007
Other payables	16,101,842	-
Term deposits with maturity over 3 months	16,225,800	25,218,007

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).

	2014		**2013**	
	+10% (USD/RMB)	**-10% (USD/RMB)**	**+10% (USD/RMB)**	**-10% (USD/RMB)**
	$	**$**	**$**	**$**
Cash and cash deposits	107,556	(107,556)	83,782	(83,782)
Term deposits with maturity over 3 months	37,406	(37,406)	63,543	(63,543)
Trade receivables	304,904	(304,904)	116,930	(116,930)
Trade payables	(348,621)	348,621	(18,772)	18,772
Other payables	(920,213)	920,213	-	-
Borrowings	(480,133)	480,133	(397,119)	397,119
Tax charge	324,775	(324,775)	37,909	(37,909)
After tax increase / (decrease)	(974,326)	974,326	(113,727)	113,727

Notes to the Consolidated Financial Statements (continued)

Note 26: Financial Risk Management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

	2014		2013	
	+10% (HKD/RMB)	-10% (HKD/RMB)	+10% (USD/RMB)	-10% (USD/RMB)
	$	$	$	$
Cash and cash deposits	1,951	(1,951)	-	-
Term deposits with maturity over 3 months	-	-	365,565	(365,565)
Other payables	254,264	(254,264)	-	-
Tax charge	(64,054)	64,054	(91,391)	91,391
After tax increase / (decrease)	192,161	(192,161)	274,174	(274,174)

Note 27: Related Party Transactions

	Consolidated	
	2014	2013
	$	$

(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:

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

	2014	2013
Other related parties	13,250,282	14,625,842

Purchase of raw materials from other related parties

	2014	2013
Other related parties	-	4,297,480

All purchases from related parties were on normal commercial terms.

(c) Outstanding balances
Loans from other related parties
Current

	2014	2013
Balance at beginning of the year	8,545,510	6,248,490
Advances by other related parties	5,197,223	1,278,137
Repayments to other related parties	(6,660,361)	
Effect of movement in foreign exchange	466,864	1,018,883
Balance at end of year	7,549,236	8,545,510

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

Loans to other related parties
Current

	2014	2013
Balance at beginning of the year	-	15,648,829
Advances to other related parties	68,433,250	16,714,990
Repayments by other related parties	(59,146,732)	(33,766,379)
Effect of movement in foreign exchange	988,964	1,402,560
Balance at end of year	10,275,482	-

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

Notes to the Consolidated Financial Statements (continued)

Note 27: Related Party Transactions (continued)

(c) Outstanding balances (continued)

Other related parties paid on behalf of the Group

Current	2014 $	2013 $
Balance at beginning of the year	-	-
Related parties paid on behalf of the Group	13,250,282	14,625,842
Repayments to other related parties	(13,250,282)	(14,625,842)
Effect of movement in foreign exchange	-	-
Balance at end of year	-	-

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 trade payables.

Other related parties paid on behalf of the Group

Current	2014 $	2013 $
Balance at beginning of the year	587,655	-
Purchase of raw materials from other related parties	-	4,297,480
Payments made to other related parties	(574,561)	(3,766,207)
Effect of movement in foreign exchange	(13,094)	56,382
Balance at end of year*	-	587,655

* The balance is included in Note 20 as trade 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 has entered into cross-guarantee arrangement to guarantee the bank debts of a number of related parties as stated below:

Related parties	**Maximum Guarantee Amount**		**Amount Drawn Down**	
	RMB	**$A**	**RMB**	$A
Xiamen Yitongyuan Import/Export Co., Ltd	60,000,000	11,967,926	60,000,000	11,967,926
Quanzhou Sanhong Trading Co., Ltd	440,000,000	87,764,790	353,512,500	70,513,524
Quanzhou Zhengrong Trading Co., Ltd	246,891,200	49,246,260	246,833,500	49,234,751
Total related parties	**746,891,200**	148,978,976	**660,346,000**	131,716,201

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.

	2014	2013
	$	$
Current assets	21,433,690	22,140,792
Non-current assets	9,347,801	8,640,645
Total assets	**30,781,491**	**30,781,437**
Current liabilities	3,713,229	3,463,306
Non-current liabilities	-	-
Total liabilities	**3,713,229**	**3,463,306**
Contributed equity	32,066,227	32,066,227
Accumulated losses	(11,098,060)	(8,851,685)
Foreign currency translation reserve	6,100,095	4,103,589
Total equity	**27,068,262**	**27,318,131**
Loss for the year	(2,246,375)	(4,533,737)
Other comprehensive income for the year	1,996,506	5,025,404
Total comprehensive (loss)/income for the year	**(249,869)**	**491,667**

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* 2014 %	Equity Holding* 2013 %	Principle Activity
Novarise Australia Pty Ltd	Australia	Ordinary	100	100	Management company
Great Rises International New Resources Pty Ltd	Hong Kong	Ordinary	100	100	Management company
Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd	PR China	**	100 (via Great Rises International New Resources Pty Ltd)	100	Domestic sales of Polypropylene('PP') yarn and webbing products and recycled PP pellets; Polypropylene trading
Quanzhou Sanhong Chemical Fibre Co Ltd	PR China	**	100 (41.72% via Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd and 58.28% via Great Rises International New Resources Pty Ltd)	100	Export sales of PP yarn and webbing products
Fujian Sungreen Eco-friendly Technology Co., Ltd	PR China	**	100 (via Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd)	100	Domestic sales of Polypropylene('PP') yarn and webbing products and recycled PP pellets; Polypropylene trading
Fujian Sanhong Eco-friendly Technology Co., Ltd	PR China	**	100 (via Fujian Sanhong Renewable Resources Technology Co Ltd Pty Ltd)	100	Domestic sales of Polypropylene('PP') yarn and webbing products and recycled PP pellets; Polypropylene trading

* 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)

Note 30: Cash Flow Information

	2014 $	2013 $
Reconciliation of the (loss)/profit after tax to the net cash flows from operations:		
Operating (loss)/profit after tax	(23,802,201)	9,056,131
Depreciation of non-current assets	5,812,323	3,492,944
Amortisation of prepayments (land use rights)	172,869	166,224
Net loss on sale of property, plant and equipment	24,838	1,138
Net unrealised exchange differences	(10,019)	(306,769)
Cancellation cost of terminating initial finance lease	2,798,253	-
Amortisation of deferred gain on sales	-	(70,684)
Impairment for long-term prepayment for property, plant and equipment	7,368,656	-
Changes in Assets and Liabilities:		
Decrease/(increase) in trade and other receivables	5,086,181	(1,185,143)
(Increase)/decrease in inventory	(8,486,381)	981,447
Decrease/(increase) in other assets	11,504,800	(11,632,091)
Decrease/(increase) in deferred tax assets	895,207	(251,142)
Increase /(decrease) in trade and other payables	9,400,558	(2,027,377)
Increase/(decrease) in other liabilities	882,927	(1,421,508)
Increase/(decrease) in income tax liabilities	556,519	(1,142,163)
(Decrease)/Increase in deferred tax liabilities	(244,938)	934,555
Net cash flow from /(used in) operating activities	11,959,592	(3,404,438)

No non-cash investing and financing activities incurred in 2014 (2013: Nil).

Note 31: Commitments and Contingencies

	2014 $	2013 $
Capital commitments		
Property, plant and equipment		
Payable within one year	4,197,958	7,035,423
Lease commitment		
Non-cancellable finance leases – future minimum lease payments		
Payable within one year	17,957,171	16,846,735
Later than one year but not later than 5 years	24,938,162	31,005,720
Total minimum lease payments	42,895,333	47,852,455
Total future finance charges	(4,084,157)	(7,648,684)
Lease liabilities	38,811,176	40,203,771
The present value of finance lease liabilities is as follows:		
Within one year	16,247,430	14,153,971
Later than one year but not later than five years	22,563,746	26,049,800
	38,811,176	40,203,771
Lease liabilities are represented in the financial statements as follows:		
Current (note 21)	15,558,304	14,381,326
Non-current (note 21)	23,252,872	25,822,445
	38,811,176	40,203,771

Refer to note 21 for more information.

Notes to the Consolidated Financial Statements (continued)

Note 31: Commitments and Contingencies (continued)

The group has entered into cross-guarantee arrangement to guarantee the bank debts of a number of entities as stated below:

	Maximum Guarantee Amount		Amount Drawn Down	
Non-related parties	**RMB**	**$A**	**RMB**	**$A**
Quanzhou Liangyou Food Import/Export Co., Ltd	93,000,000	18,550,285	45,450,000	9,065,704
Longzheng Import/Export Trading Co., Ltd	120,000,000	23,935,852	-	
Fujian Xinzhonghong Import/Export Trading Co., Ltd	20,000,000	3,989,309	15,000,000	2,991,981
Total non-related parties	**233,000,000**	46,475,446	**60,450,000**	12,057,685
Related parties				
Xiamen Yitongyuan Import/Export Co., Ltd	60,000,000	11,967,926	60,000,000	11,967,926
Quanzhou Sanhong Trading Co., Ltd	440,000,000	87,764,790	353,512,500	70,513,524
Quanzhou Zhengrong Trading Co., Ltd	246,891,200	49,246,260	246,833,500	49,234,751
Total related parties	**746,891,200**	148,978,976	**660,346,000**	131,716,201
Total	**979,891,200**	195,454,422	**720,796,000**	143,773,886

Note 32: Events after The End of The Reporting Period

New borrowings
Since 31 December 2014 the Group has entered several short-term borrowings from the bank amounting to RMB 480,962,508 (A$ 95,935,393) and US Dollar 487,872 (A$ 397,918).

Termination of Proposed 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, GRII) regarding a proposal for the privatisation of Novarise.

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

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

As announced on 9 February 2015, the independent directors of Novarise (Independent Directors) had, following representations from GRII, agreed to allow GRII until 15 March 2015 to provide to Novarise in clear funds 30% of the total proposed consideration for the Capital Reduction (ie. approximately A$7.32 million) (30% Consideration).

No part of the 30% Consideration has been received by Novarise and the Independent Directors did not consider that there is any reasonable prospect of the 30% Consideration being received in the short term and following extensions offered by Novarise to GRII to provide the funding in order to complete the transaction.

Accordingly, Novarise terminated the implementation and funding agreement relating to the Capital Reduction, with immediate effect. This means that the Capital Reduction will not proceed.

The Independent Directors have not made this decision lightly. However, GRII has failed to demonstrate, over an extended period of time, that it has access to the funding necessary in order for the Capital

Notes to the Consolidated Financial Statements (continued)

Note 32: Events after The End of The Reporting Period (continued)

Termination of Proposed Selective Capital Reduction (Continued)

Reduction to be implemented. In these circumstances, the Independent Directors did not consider that there was any viable option at this time other than to terminate the Capital Reduction in March 2015.

Current Privatization Proposal

On 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**).

The proposal, similar to the aborted arrangement Novarise entered into in 2013 with GRII, 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.

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. 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 (**SCR Consideration**)

SCR Funding & Implementation Agreement

Following its relevant announcement dated 15 September 2015 (**September 2015 Announcement**), Novarise announced that it has entered into an implementation and funding agreement (**Agreement**) with its controlling shareholders, GRII in relation to the proposed privatization of Novarise (**Capital Reduction**) on 9 November 2015.

Pursuant to the Agreement, Novarise agrees to implement the Capital Reduction, through funding from GRII in relation to the SCR Consideration as well as the costs and expenses of Novarise in implementing the Capital Reduction. The implementation of the Capital Reduction is subject to the following conditions being satisfied (or waived by Novarise):

- the necessary approvals by special resolution of Novarise's shareholders to the Capital Reduction including a separate approval by special resolution of Exiting Shareholders in general meeting (**Special Meeting**) are obtained;
- GRII provides funds for the implementation of the Capital Reduction to Novarise in the manner prescribed in the Agreement (refer to the 'Funding' section below for further details);

Notes to the Consolidated Financial Statements (continued)

Note 32: Events after The End of The Reporting Period (continued)

SCR Funding & Implementation Agreement (Continued)

- Requisite approvals from ASIC and ASX are obtained; and The independent expert concludes in the Independent Expert's Report that the Capital Reduction is fair and reasonable to Exiting Shareholders and, if applicable, Novarise shareholders as a whole.

Update of funding for Selective Capital Reduction (CR)

On 26 February, 2016 GRII advised and updated that the Company that it has received preliminary non-binding letter of loan offer from an international Hongkong bank to enable GRII to fund and complete the Capital Reduction. GRII, through its controlling shareholder Mr Qingyue Su, has advised the Company that as at the date of this report and subject to finalising the terms of the loan that GRII will likely accept the loan offer.

On 3 June, 2016 GRII through Mr Qingyue Su, advised and updated the market that GRII is anticipating to receive forma approval of the loan documentation to fund the Capital Reduction in June 2016.

Notices of meetings

In accordance with the terms and conditions of the Agreement and when the loan to GRII is formally finalised, it is anticipated that Novarise will prepare notices 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 Capital Reduction.

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 meetings documentation to be sent to shareholders. The report of the independent expert (to be appointed shortly) will be included in the documentation.

It is currently proposed that the notices of meeting and independent expert's report will be despatched to shareholders in around the third week of Augustl to the second week of September 2016, with the shareholder meetings proposed to be held in around mid October 2016 to mid November 2016.

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

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated 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 other mandatory professional reporting requirements; and

   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2014 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. At the date of this declaration, there are reasonable grounds to believe that the members of the group will be able to meet any obligation or liabilities to which they are , or may become, subject by of the deed of cross gurantee disclosue in Note 31.

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: 17th June 2016

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Novarise Renewable Resources International Ltd

Report on the Financial Report

We were engaged to audit the financial report of Novarise Renewable Resources International Ltd, which comprises the consolidated statement of financial position as at 31 December 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 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, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Disclaimer of Opinion

We have been unable to obtain sufficient audit evidence on the books and records and basis of accounting of the consolidated entity. Specifically, we have been unable to satisfy ourselves on the following areas:

i. Recoverability of Loan Receivables – included in current assets, as at 31 December 2014, the consolidated entity had a loan receivable balance of $211,471,856. This balance includes loans to third parties and related parties (Note 14).

These loans are now overdue and management were unable to provide support for the recoverability of the receivables and we were unable to obtain sufficient appropriate audit evidence by alternative means to determine the recoverability of these loan receivables balance stated in the consolidated statement of financial position.

ii. Valuation of financial guarantees - the consolidated entity provided financial guarantees to third parties and related parties. The guarantees provided included instances where the consolidated entity solely provided the guarantees and instances where the guarantees were provided collectively with other parties. The total amounts guaranteed to third parties and related parties were RMB 233, 000,000 (A$46,475,446) and RMB746, 891, 200 (A$148,978,976) respectively (Note 26(b). The Directors were unable to provide a fair value for these guarantees in accordance with AASB 139 at 31 December 2014.

iii. Going concern – the consolidated entity has reported a loss of $23,802,201 (including an impairment charge of $12,066,909 for the year ended 31 December 2014 and has $205,367,567 worth of borrowing as current liability (Note 21). The financial report has been prepared on a going concern basis, however the directors have not provided an update of their assessment of the consolidated entity's ability to pay their debts as and when they fall due, and have stated in note 2(z) that the ability of the consolidated entity to continue as a going concern is dependent on the repayment of the unsecured receivable of $211,471,856 or the injection of funds by the Chairman Mr Qingque Su.

We have been unable to obtain alternative evidence which would provide sufficient appropriate evidence as to whether the consolidated entity may be able to continue as a going concern and hence remove significant doubt of its ability to continue as a going concern for a period of 12 months of from the date of this auditor's report.

iv. Valuation and impairment of assets – as at the date of the report the construction of the Nan'an plant has ceased and with the negative impact of the domestic economic environment this has created an impairment indicator with Property, plant and equipment and associated assets of $99,929,477 (note 17), Inventories of $16,688,789 (note 15) and Land use rights and Prepayments of $9,468,102 (note 19). The Directors have not provided evidence to support the carrying value of these assets. As a result, we are unable to obtain sufficient appropriate audit evidence to determine the recoverability of the Property, plant and equipment and associated assets, inventories and the Land use rights and Prepayments stated in the consolidated statement of financial position.

As a result of all the matters stated above, we were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and disclosures thereto.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2014. 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 Ltd for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 17 June 2016