



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

# Sunbridge Group Limited Annual Report

For the year ended 31 December 2016



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# Content

	Page
Directors' Report	1
Auditor's Independence Declaration	15
Corporate Governance Statement	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	30
1 Nature of operations	30
2 General information and statement of compliance	30
3 New and revised standards that are effective for these financial statements	31
4 Summary of accounting policies	34
5 Segment reporting	43
6 Revenue	45
7 Expenses	45
8 Finance costs	47
9 Income tax expenses	48
10 Cash and cash equivalents	48
11 Trade and other receivables	49
12 Security deposits to suppliers	50
13 Inventories	50
14 Controlled entities	51
15 Property, plant and equipment	52
16 Intangible assets	54
17 Deferred tax assets	55
18 Trade and other payables	55
19 Current tax liabilities	55
20 Contingent assets and liabilities	55
21 Share capital	56
22 Other components of equity	57
23 Earnings per share and dividends	57



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

24	Capital and leasing commitments	57
25	Reconciliation of cash flows from operating activities	59
26	Auditor remuneration	59
27	Related party transactions	60
28	Financial instrument risk	61
29	Fair value measurement	65
30	Parent entity information	65
31	Post-reporting date events	66
32	Company details	66
	Directors' Declaration	67
	Independent Auditor's Report	68
	ASX Additional Information	72



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## Directors' Report

The Directors of Sunbridge Group Limited ("Sunbridge") present their Report together with the financial statements of the consolidated entity, being Sunbridge ("the Company") and its controlled entities ("the Group") for the year ended 31 December 2016.

### Director details

The following persons were Directors of Sunbridge during or since the end of the financial year.

Mr Jia Yin Xu Managing Director and Chief Executive Officer  
Mr Benny Yubin Qiu, Non-Executive Chairman  
Ms Shirley Ze Yu, Independent Non-Executive Director PhD (appointed 18 Jul 2016)  
Mr Ting Jiang, Independent Non-Executive Director (resigned 27 Jan 2016)  
Prof. Qiang An Liu Independent Non-Executive Director PhD (resigned 10 Nov 2016)  
Mr Wayne V Reid, Independent Non-Executive Chairman (resigned 18 Jul 2016)

#### Mr Jia Yin Xu MBA

Managing Director and CEO  
Director since May 2013

Mr Xu founded the Group's operations in 1996 and he is responsible for formulating the overall operation, strategic planning, business development and corporate management of the Group, including devising the annual plan and financial budget of the Group.

**Other current Directorships:**  
None

**Previous Directorships (last 3 years):**  
None

**Interests in shares:**  
217,800,000 shares

**Interest in options:**  
None

#### Mr Benny Yubin Qiu

Independent Non-Executive Chairman  
Member of Remuneration and Nomination Committee  
Appointed as director on 30 December 2014  
Appointed as non-executive Chairman on 18 July 2016

Mr Qiu has over 30 years of experience in corporate finance, business management and international business across different industries, including manufacturing, real estate services, investment and financial services.

**Other Current Directorships**  
None

**Previous Directorships (last 3 years):**  
None

**Interests in shares:**  
None

**Interest in options:**  
None



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

**Ms Shirley Ze Yu**  
**PhD**

Independent Non-Executive Director  
Chairperson of Remuneration Committee  
Member of Audit and Risk Committee  
Director since July 2016

Shirley Yu holds a PhD degree in Political Economy from Peking University, and is currently a candidate in Masters of Government degree at Harvard University. Shirley is a former China Global Television Network News anchor, former banker with Merrill Lynch. Through her own China-based advisory firm, Shirley Yu & Co., Shirley has performed roles including Managing Director, China, for Healthpoint Capital, LLC, Chairman's Advisor for UK-listed Sirius Minerals Plc., advisor to several cross-boarder M&A and capital market transactions between China and Australia, and advisor to government's strategic business initiatives.

**Other current Directorships:**  
None

**Previous Directorships (last 3 years):**  
None

**Interests in shares:**  
60,000 shares

**Interest in options:**  
None

**Mr Ting Jiang**  
**MB, MAcc, MFin**

Independent Non-Executive Director  
Chairman of Audit and Risk Committee  
Member of Remuneration and Nomination Committee  
Appointed as director on May 2013, resigned on 27 January 2016

Mr Jiang is a qualified Certified Practising Accountant in Australia and has broad experience in corporate finance and corporate advisory and legal practice, and has completed a range of capital market transactions in both Australia and China.

**Other current Directorships:**  
None

**Previous Directorships (last 3 years):**  
Premiere Eastern Energy Limited (ASX: PEZ)

**Interests in shares:**  
None

**Interest in options:**  
None



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

**Prof. Qiang An Liu**  
**PhD**

Independent Non-Executive Director  
Chairman of Remuneration and Nomination  
Committee

Member of Audit and Risk Committee  
Director since July 2013, resigned on 10  
November 2016

Prof. Liu holds a Doctorate in Accountancy  
and post doctorate research in Peking  
University. Prof. Liu is presently the charging  
professor in the entrepreneur development  
program in Xiamen University. Prof. Liu  
possesses extensive practical experience in  
corporate financial management, enterprise  
management information system, internal  
controls and capital operations.

**Other current Directorships:**  
None

**Previous Directorships (last 3 years):**  
None

**Interests in shares:**  
None

**Interest in options:**  
None

**Mr Wayne V Reid**  
**O.B.E.**

Independent Non-Executive Chairman  
Member of the Audit and Risk Committee  
Director since July 2013, resigned on 18 July  
2016

Mr Reid has served on a government advisory  
board, was President of Tennis Australia and  
the Melbourne Football Club and is a Member  
of Australian Sporting Hall of Fame. He has  
been a Director on over 30 company boards  
of various companies across several continents  
in diverse and wide ranging industries, including  
insurance, pharmaceutical, retail, mining,  
stock-broking, construction, property  
development and hospitality.

**Previous Directorships (last 3 years):**  
Victor Group Holdings Limited (ASX: VIG)

**Interests in shares:**  
None

**Interest in options:**  
None



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

### **Company secretary**

Mr Chow Yee Koh has previously held senior positions with a number of professional accounting firms and has a degree in Accounting and Finance.

### **Principal activities**

During the year, the principal activities of entities within the Group were:

- wholesale of clothing apparel to franchised distributors; and
- retail of clothing apparel to company owned stores.

There have been no significant changes in the nature of these activities during the year.

### **Review of operations and financial results**

The Sunbridge Group reported a net profit of \$462,468 for the 2016 financial year. As a result of the appreciation of Australian dollars (AUD) against the Chinese Renminbi (RMB), the full year result reflected a foreign exchange loss on translation of its foreign operation of \$3.4 million. The Group's cash and cash equivalents reserves remain strong at \$28.9 million.

For the 2016 financial year, the Sunbridge Group, through its wholly owned China-based subsidiaries, realised results as the following:

- Group revenue for the year (excluding interest received) was \$57.2 million, down by 20.0% from 2015 revenue of \$71.5 million. Revenue in the functional currency (RMB) was down by 15.6% year on year. The augmented decrease in consolidated AUD revenue was due to exchange rate impact.
- The Group's direct stores generated total revenue of \$15.27 million for the financial year, a decrease from 2015 revenue of \$18.25 million. The number of direct stores at year end stood at 56, compared with 67 in 2015.
- Group Net Profit before Tax of \$855k represents a decrease of 85.2%, compared with 2015 NPBT of \$5.8 million.
- Group Net Profit after Tax of \$462k represents a decrease of 88.1%, compared with 2015 NPAT of \$3.9 million.
- Impact of foreign exchange translation loss on total comprehensive income was \$3.4 million for the financial year.
- Continuing strong cash reserves finished at \$28.9 million at the end of 2016 financial year.

As one of China's leading brands in menswear, Sunbridge Group continues to maintain its market share despite strong competitive pressures. Although the Group's sales revenue decreased by 20.0% over the prior year, gross margin held steady at above 30%.

The main reasons for the decreased revenue and profits for the 2016 financial year are as follows:

- a softer Chinese economy which impacted the Group's overall sales;
- discounted sales of a large amount of inventory;
- reduction of 2 franchised distributors during the financial year (corresponding to \$1.09 million of the Group's revenue reduction);



**Sunbridge Group Limited and Its Controlled Entities**

**ABN 40 163 886 020**

**Annual Report for the year ended 31 December 2016**

- reduction of the number of direct stores from 67 to 56 during the financial year (corresponding to the Group's revenue reduction of \$973k); and
- bad debts of \$1.21 million incurred due to the closure of the two franchised distributors.

### **About Sunbridge Group Limited**

Sunbridge Group Limited (ASX: SBB) ("the Group") is a leading retailer of menswear in the People's Republic of China (PRC). The Group owns and operates the "PANDIST" and "AGUESEADAN" brands of menswear, which target different age segments of well-groomed upper middle class gentlemen. The Group's menswear products range from formal and business wear to casual and sports apparel, and are currently sold in over 382 retail outlets across the PRC. As an integrated fashion enterprise, the Group is responsible for the design, sourcing and selling of their products.

Founded in 1996, the Group has grown rapidly in recent years. The Group's products are sold across an extensive distribution network, covering 28 provinces, autonomous regions and municipalities in the PRC and Hong Kong.

The Group designs all of its apparel with its in-house design team, and clothing through its in-house design team but it outsources its entire all of its production to Original Equipment Manufacturer (OEM) contractors which are located in Guangdong and Zhejiang provinces, both well-known apparel production hubs in the PRC. The Group believes that by outsourcing of production to third parties, it best enables the Group to focus its valuable resources on developing key competitive advantages in design, procurement, warehousing and distribution. Quality is a top priority, and the Group works closely with its OEM contractors to ensure that all of its apparel and accessories meet the highest quality standards demanded by its target market.

### **Likely development, business strategies and prospects**

The Group continues to focus on expanding the distribution networks in China through the opening of direct stores and franchise arrangements. Opening of direct stores will be given a strategic preference by the Group, through which high-standard and consistent customer service can be better assured.

The Group will focus more on the design elements to maintain its market competitiveness. Market research will be conducted to gauge the latest fashion trends in the market place. Research and Development will be conducted to bring diversification to the current product line-up.

The Group looks to extend business opportunities in Australia through potential mergers & acquisitions, and/or through business partnerships. The Group continues to extend its product reach to international markets, including Australia, through vigorous global trade partnership development.

### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group during the financial year.





Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## Dividends

No dividends were paid during the year ended on 31 December 2016.

The Board of Directors is yet to determine the dividend plan in relation to the year ended 31 December 2016.

## Events arising since the end of the reporting period

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

## Directors' meetings

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Directors' Name	Board Meetings		Nomination and Remuneration Committee	
	A	B	A	B
Jia Yin Xu	4	4	-	-
Wayne V Reid	1	1	-	-
Shirley Ze Yu	2	2	-	-
Ting Jiang	-	-	-	-
Qiang An Liu	2	2	1	1
Benny Qiu	4	4	1	1

- **Column A** is the number of meetings the Director was entitled to attend
- **Column B** is the number of meetings the Director attended.

Due to the small size of the board (3 members), no separate audit and risk committee meetings were held. Issues relating to audit and risk were discussed at the board meetings.

## Share options

There are no options issued by the Group.

## Remuneration Report (audited)

The Directors of Sunbridge Group Limited and its controlled entities ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Interest in shares and options
- Service agreements
- Share-based remuneration; and
- Transaction with Key Management Personnel (KMP) and related parties



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

**A. Principles used to determine the nature and amount of remuneration**

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Group has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board formerly established a Nomination and Remuneration Committee which operated in accordance with its Charter as approved by the Board and was responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee may engage independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities as required. The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration in the form of an annual salary

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

- Annual Bonus

The Group pays out cash bonuses annually at the director's discretion to all staff, including executive Key Management Personnel, employed at Bangdisidun (Fujian) Fashion Development G Co. Ltd and Hengjiasi Fashion Development Co Ltd, the Group's operations headquarter in China. The payment is not contractual and is contingent on the Group's performance and paid at directors' discretion.

**Use of Remuneration Consultants**

No remuneration consultant has been engaged by the Company.

**Voting and comments made at the Group's last Annual General Meeting**

The Group received 36.9% of 'yes' votes on its Remuneration Report for the financial year ended 31 December 2015. The Group received no specific feedback or concern on its Remuneration Report at and after the Annual General Meeting.

The total votes were less than 30,000,000 (shares) which stand for approximately 6.3% of total shares on issue.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## B Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of Sunbridge are shown in the table below:

### Director and other Key Management Personnel Remuneration

Employee	Year	Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments	Total (\$)	Annual Bonus Percentage of Remuneration (\$)	
		Cash Salary & Fees (\$)	Annual Bonus (\$)	Non-Monetary Benefits (\$)	Superannuation (\$)	Long Service Leave (\$)	Termination Payments (\$)	Options (\$)			
Executive Directors											
Jia Yin Xu - Managing Director and CEO (Appointed 22 May 2013)	2016	116,705	10,313	-	3,550	-	-	-	130,386	8%	
	2015	88,213	8,121	-	3,744	-	-	-	100,078	8%	
Non-Executive Directors											
Benny Yubin Qiu – Independent Non-executive Chairman (Appointed 30 December 2014)	2016	30,024	-	-	-	-	-	-	30,024	0%	
	2015	21,900	-	-	-	-	-	-	21,900	0%	
Shirley Ze Yu – Non-executive Director (Appointed 18 July 2016)	2016	8,124	-	-	-	-	-	-	8,124	0%	
	2015	-	-	-	-	-	-	-	-	0%	
Ting Jiang – Independent Non-executive Director (Appointed 22 May 2013, resigned 27 Jan 2016)	2016	4,000	-	-	-	-	-	-	4,000	0%	
	2015	48,000	-	-	-	-	-	-	48,000	0%	
Wayne V Reid – Chairman and Independent Non-executive Director (Appointed 2 July 2013, resigned 18 July 2016)	2016	33,062	-	-	2,088	-	-	-	35,150	0%	
	2015	54,996	-	-	5,225	-	-	-	60,221	0%	
Qiang An Liu – Independent Non-executive Director (Appointed 2 July 2013, resigned 10 November 2016)	2016	-	-	-	-	-	-	-	-	0%	
	2015	-	-	-	-	-	-	-	-	0%	



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

Employee	Year	Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments	Total	Annual Bonus Percentage of Remuneration
		Cash Salary & Fees	Annual Bonus	Non-Monetary Benefits	Superannuation	Long Service Leave	Termination Payments	Options		
Other Key Management Personnel										
Chow Yee Koh – Company Secretary (Appointed 22 May 2013)	2016	33,000	-	-	3,135	-	-	-	36,135	0%
	2015	33,000	-	-	3,135	-	-	-	36,135	0%
Mark Ma – CFO (Appointed 1 October 2016)	2016	7,715	-	-	-	-	-	-	7,715	0%
	2015	-	-	-	-	-	-	-	-	0%
Fang Zhang – CFO (Appointed 5 August 2014, resigned 30 Sep 2016)	2016	27,500	-	-	2,613	-	-	-	30,113	0%
	2015	33,000	-	-	3,135	-	-	-	36,135	0%
Feifu Lin – PRC Financial Manager	2016	34,140	2,918	-	3,550	-	-	-	40,608	7%
	2015	28,852	2,693	-	3,744	-	-	-	35,289	8%
Wenjian Xu – PRC Head of Sales Division	2016	59,569	5,065	-	3,550	-	-	-	68,184	7%
	2015	50,637	4,701	-	3,744	-	-	-	59,082	8%
Shaohuang Xu – PRC Deputy General Manager (Appointed 1 March 2015)	2016	52,871	4,498	-	3,550	-	-	-	60,919	7%
	2015	45,401	4,274	-	3,744	-	-	-	53,419	8%
Lin Mao Ye – Administrative Manager (Resigned in 2015)	2016	-	-	-	-	-	-	-	-	0%
	2015	25,121	2,458	-	3,494	-	-	-	31,073	8%
2016 Total		406,710	22,794	-	22,036	-	-	-	451,358	5%
2015 Total		429,120	22,247	-	29,965	-	-	-	481,332	5%



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## C Interest in shares and options

The table below shows the shareholdings of each director in number and percentage as at 31 December 2016.

Name	2015	Purchase / (Disposal)	2016	2015	2016
	Shareholding in Number		Shareholding in Number	Shareholding in Percentage	Shareholding in Percentage
Jia Yin Xu*	259,200,000	41,400,000	217,800,000	54.95%	46.17%
Benny Yubin Qiu	-	-	-	-	-
Shirley Ze Yu	-	60,000	60,000	-	0.01%

\*On 7 January 2016, Mr Jiayin Xu disposed of 18,800,000 shares and on 22 December 2016, disposed of a further 22,600,000 shares. As at the signing date of the remuneration report total number of shares held by Mr Jiayin Xu is 217,800,000 which represents 46.71% of the total number of shares of the Group.

On 13 December 2016, Ms Shirley Ze Yu acquired 60,000 shares. As at 31 December 2016 of the remuneration report total number of shares held by Ms Shirley Ze Yu was 60,000 which represented 0.01% of the total number of shares of the Group.

No other KMP has any share and option interest as at 31 December 2016.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2014

## D Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base Salary (\$)	Term of Agreement	Notice Period
Jia Yin Xu - Managing Director and CEO	121,568	3 years and auto-renewal	1 month
Benny Yubin Qiu - Independent Non-Executive Chairman	43,800	1 year and auto-renewal	1 month
Shirley Ze Yu - Independent Non-Executive Director	21,900	1 year and auto-renewal	1 month
Chow Yee Koh - Company Secretary	33,000	1 year and auto-renewal	1 month
Mark Ma - Chief Financial Officer	28,182	1 year and auto-renewal	1 month
Feifu Lin - PRC Financial Manager	35,012	1 year and auto-renewal	1 month
Shaohuang Xu - PRC Deputy General Manager	53,976	1 year and auto-renewal	1 month
Wenjian Xu - PRC Head of Sales Division	60,784	1 year and auto-renewal	1 month



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

**E Share-based remuneration**

**Options granted over unissued shares**

There are no options issued by the Group.

**F Transaction with Key Management Personnel (KMP) and related parties**

**Transactions with Key Management Personnel**

	2016	2015
	\$	\$
Reimbursement of expenses previously paid by Mr Xu Jiayin on the Group's behalf	320,000	1,328,765
Advances received by the Group to support the parent entity's operation in Australia from Mr Xu Jiayin	190,000	470,000

**Balance with Key Management Personnel**

Amounts receivable from and payable to Key Management Personnel of the Group at reporting date comprise of the following:

	Receivable from the party \$	Payable to the party \$
<b>31 December 2016</b>		
Mr Jia Yin Xu	-	190,000
Mr Ting Jiang	-	-
	Receivable from the party \$	Payable to the party \$
<b>31 December 2015</b>		
Mr Jia Yin Xu	-	320,000
Mr Ting Jiang	2,000	-

Related party transactions comprise of related party loans and no specific terms and conditions have been attached to the transactions above.

**End of audited Remuneration Report.**



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

### **Environmental legislation**

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia or in China.

### **Indemnities given to, and insurance premiums paid for, auditors and officers**

During the year, Sunbridge paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of 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 themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

### **Non-audit services**

During the year, Grant Thornton, the Company's auditors provided company tax return services of \$3,100 in addition to their statutory audit duties (2015: \$2,600).

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards





**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 26 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 15 of this financial report and forms part of this Directors' Report

**Proceedings on behalf of the Company**

No 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 to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Signed in accordance with a resolution of the Directors.

Benny Yubin Qiu  
Chairman

31 March 2017

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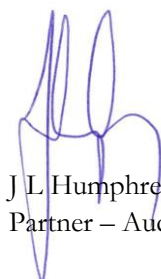
**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF SUNBRIDGE GROUP LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Sunbridge Group Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2017

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Liability limited by a scheme approved under Professional Standards Legislation.



## Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3<sup>rd</sup> edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at <http://www.sunbridge.com.au>, under the section marked "Corporate Governance":

- (a) Board Charter
- (b) Board Performance Evaluation Policy;
- (c) Code of Conduct;
- (d) Audit and Risk Management Committee Charter;
- (e) Remuneration and Nomination Committee Charter;
- (f) Security Trading Policy;
- (g) Continuous Disclosure Policy;
- (h) Shareholder Communication and Investor Relations Policy; and
- (i) Diversity Policy.

### **Principle 1: Lay solid foundations for management and oversight**

#### ***Recommendation 1.1***

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

The responsibilities of the Board include but are not limited to:

- (a) setting and reviewing strategic direction and planning;
- (b) reviewing financial and operational performance;
- (c) identifying principal risks and reviewing risk management strategies; and
- (d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer. The Chief Executive Officer is accountable to the Board.

***Recommendation 1.2***

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

***Recommendation 1.3***

The Company has a written agreement with each of the Directors and senior executives setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

***Recommendation 1.4***

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and Directors;
- (b) monitoring policies and procedures of the Board;
- (c) advising the Board through the Chairman of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 1.5***

The Company has a Diversity Policy, the purpose of which is:

- (a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
- (b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

As at 31 March 2017 there are 1 woman in senior executive positions in the Company, and 154 women employees across the Company, representing 72% of the whole organisation. There is 1 woman on the Board at this time. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company's size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available

***Recommendation 1.6***

The Chief Executive Officer is responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair is responsible for evaluating the performance of the Company's Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

During the current reporting period, the Company has conducted an evaluation of each of its senior executives.

The Company will conduct an evaluation of its Chief Executive Officer.

***Recommendation 1.7***

The Chair is responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

- (a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
- (b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
- (c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

**Principle 2: Structure the board to add value**

***Recommendation 2.1***

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

***Recommendation 2.2***

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

***Recommendation 2.3***

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

- (a) Jia Yin Xu (Managing Director and Chief Executive Officer);
- (b) Benny Yubin Qiu (Independent Non-Executive Chairman); and
- (c) Shirley Ze Yu (Independent Non-Executive Director);

***Recommendation 2.4***

The Board has a majority of independent directors.

***Recommendation 2.5***

Mr Benny Yubin Qiu is an independent Chairman.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 2.6***

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

**Principle 3: Act ethically and responsibly**

***Recommendation 3.1***

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

**Principle 4: Safeguard integrity in corporate reporting**

***Recommendation 4.1***

Due to the size of the Board, the Company does not have a separate audit and risk committee. The roles and responsibilities of an audit and risk committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit and Risk Management Committee Charter which is available on the Company's website.

When the Board meets as an audit and risk committee it carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by an audit and risk committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 4.2***

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

***Recommendation 4.3***

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

**Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1***

The Company is committed to:

- (a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- (b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- (c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Chief Executive Officer manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.





**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

**Principle 6: Respect the rights of security holders**

***Recommendation 6.1***

The Company provides information about itself and its governance to investors via its website at [www.sunbridge.com.au](http://www.sunbridge.com.au). The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

- (a) relevant announcements made to the market via ASX;
- (b) media releases;
- (c) investment updates;
- (d) Company presentations and media briefings;
- (e) copies of press releases and announcements for the preceding three years; and
- (f) copies of annual and half yearly reports including financial statements for the preceding three years.

***Recommendation 6.2***

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

- (a) reports to Shareholders;
- (b) ASX announcements;
- (c) annual general meetings; and
- (d) the Company website.

This Shareholder Communication and Investor Relations policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

***Recommendation 6.3***

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 6.4***

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

**Principle 7: Recognise and manage risk**

***Recommendation 7.1***

Due to the size of the Board, the Company does not have a separate audit and risk committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as an audit and risk committee it carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. Items that are usually required to be discussed by an audit and risk committee are marked as separate agenda items at Board meetings when required.

The Board has adopted an Audit and Risk Committee Charter which describes the role, composition, functions and responsibilities of the audit and risk committee and is disclosed on the Company's website. Under the Audit and Risk Committee Charter, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance / regulations; and
- (d) system / IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

A copy of the Company's Audit and Risk Committee Charter is disclosed on the Company's website.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 7.2***

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

- (a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
- (b) quarterly rolling forecasts prepared;

***Recommendation 7.3***

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Audit and Risk Management Charter.

***Recommendation 7.4***

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks.

The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and will disclose how it intends to manage those risks in its corporate governance statements as and when required.

**Principle 8: Remunerate fairly and responsibly**

***Recommendation 8.1***

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a remuneration committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the remuneration committee and is disclosed on the Company's website.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

***Recommendation 8.2***

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

***Recommendation 8.3***

The Company does not currently have an equity-based remuneration scheme. However, in the event the Company establishes an equity-based remuneration scheme, the Company's Security Trading Policy does include a statement on the Company's policy on prohibiting participants in any Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

**Security Trading Policy**

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's trading policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue	6	57,202,805	71,480,033
Cost of Goods Sold		(39,588,827)	(46,756,114)
Gross Profit		17,613,978	24,723,919
Other Income	6	97,144	119,761
Direct store expenses	7	(6,724,057)	(11,036,482)
Marketing expenses	7	(3,276,268)	(2,454,132)
Selling expenses	7	(2,508,131)	(2,493,149)
Administration expenses	7	(4,343,409)	(3,050,797)
Finance costs	8	(4,593)	(36,631)
Profit / (Loss) before Income Tax		854,664	5,772,490
Income Tax Expense	9	(392,196)	(1,880,537)
<b>Profit / (Loss) for The Year Attributable to Members of the Parent Entity</b>		<b>462,468</b>	<b>3,891,953</b>

## Other Comprehensive Income for The Year Net of Tax

*Items that may be reclassified subsequently to profit or loss*

Exchange differences on translating foreign operations	(3,376,390)	3,641,627
<b>Total Comprehensive Income / (Loss) for The Year Attributable to Members of the Parent Entity</b>	<b>(2,913,922)</b>	<b>7,533,580</b>

## Earnings Per Share (on profit attributable to ordinary equity holders)

		Cents	Cents
Basic Earnings Per Share	23	0.10	0.83
Diluted Earnings Per Share	23	0.10	0.83

This statement should be read in conjunction with the notes to the financial statements.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

# Consolidated Statement of Financial Position

**As at 31 December 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	28,937,501	30,530,267
Trade and other receivables	11	14,360,258	14,029,850
Security deposits to suppliers	12	2,081,004	2,239,413
Inventories	13	8,399,005	8,405,408
Current tax assets	19	427,066	-
<b>TOTAL CURRENT ASSETS</b>		54,204,834	55,204,938
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	9,002,010	8,341,028
Intangible assets	16	491,350	1,967,672
Deferred tax assets	17	1,330,128	1,740,177
<b>TOTAL NON-CURRENT ASSETS</b>		10,823,488	12,048,877
<b>TOTAL ASSETS</b>		65,028,322	67,253,815
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	4,988,067	4,137,255
Current tax liabilities	19	-	162,383
<b>TOTAL CURRENT LIABILITIES</b>		4,988,067	4,299,638
<b>TOTAL LIABILITIES</b>		4,988,067	4,299,638
<b>NET ASSETS</b>		60,040,255	62,954,177
<b>EQUITY</b>			
Issued capital	21	12,495,825	12,495,825
Foreign exchange translation reserve	22	7,415,320	10,791,710
Statutory Reserve	22	6,771,262	6,771,262
Retained Earnings		33,357,848	32,895,380
<b>TOTAL EQUITY</b>		60,040,255	62,954,177

This statement should be read in conjunction with the notes to the financial statements.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory Reserves	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2015</b>	12,495,825	29,003,427	7,150,083	6,771,262	55,420,597
Profit for the year	-	3,891,953	-	-	3,891,953
Other comprehensive income	-	-	3,641,627	-	3,641,627
<b>Total comprehensive income</b>	-	<b>3,891,953</b>	<b>3,641,627</b>	-	<b>7,533,580</b>
<b>Balance at 31 December 2015</b>	<b>12,495,825</b>	<b>32,895,380</b>	<b>10,791,710</b>	<b>6,771,262</b>	<b>62,954,177</b>
Profit for the year	-	462,468	-	-	462,468
Other comprehensive income	-	-	(3,376,390)	-	(3,376,390)
<b>Total comprehensive income</b>	-	<b>462,468</b>	<b>(3,376,390)</b>	-	<b>(2,913,922)</b>
<b>Balance at 31 December 2016</b>	<b>12,495,825</b>	<b>33,357,848</b>	<b>7,415,320</b>	<b>6,771,262</b>	<b>60,040,255</b>

This statement should be read in conjunction with the notes to the financial statements.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## Consolidated Statement of Cash Flows

**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		56,102,490	74,455,707
Payments to suppliers and employees		(53,098,993)	(66,236,586)
Interest received		97,144	119,761
Finance costs paid		(4,593)	(36,631)
Income tax paid		(655,029)	(2,779,642)
<b>Net cash provided by operating activities</b>	<b>25</b>	<b>2,441,019</b>	<b>5,522,609</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,237,628)	(2,353,221)
<b>Net cash provided by/(used in) investing activities</b>		<b>(2,237,628)</b>	<b>(2,353,221)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds/(Repayment) of borrowings		-	(3,060,950)
Cash (advances) to related parties		(130,000)	(1,027,196)
<b>Net cash used in financing activities</b>		<b>(130,000)</b>	<b>(4,088,146)</b>
Net change in cash and cash equivalents		73,391	(918,758)
Cash and cash equivalents, beginning of year	10	30,530,267	29,320,103
Effects of exchange rates on cash and cash equivalents holdings in foreign currencies		(1,666,157)	2,128,922
<b>Cash and cash equivalents, end of year</b>	<b>10</b>	<b>28,937,501</b>	<b>30,530,267</b>

This statement should be read in conjunction with the notes to the financial statements.





# Notes to the Consolidated Financial Statements

## 1 Nature of operations

Sunbridge and subsidiaries' ('the Group') principal activities include the followings:

- Wholesale of clothing apparel to franchised distributors; and
- Retail of clothing apparel to company owned stores.

There have been no significant changes in the nature of these activities during the year.

## 2 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Sunbridge is a for-profit entity for the purpose of preparing the financial statements. Sunbridge is the Group's Ultimate Parent Company. Sunbridge is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 12, 680 George Street, Sydney NSW 2000.

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 31 March 2017.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

### 3 New and revised standards that are effective for these financial statements

#### 3.1 New and revised standards that are effective for these financial statements

The Group applied a number of amendments to accounting standards applicable for the first time for the financial year beginning 1 January 2016.

The amendments below did not impact the consolidated financial statements and disclosures of the Group:

- *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions of Interests in Joint Operations (AASB 1 & AASB 11); and*
- *AASB 2015-2 Amendments to Australian Accounting Standards – disclosure Initiative: Amendments to AASB 101.*

In addition, several other standard amendments and interpretations were applicable for the first time in 2016, but were not relevant to the Company and do not impact the Group's annual consolidated financial statements.

#### 3.2 Accounting Standards issued but not yet effective and not been adopted early by the Group

Australian Accounting Standards and Interpretations that have been recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, as set out below.

##### ***AASB 9 Financial Instruments (December 2014) (Application date: 1 January 2018)***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

### 3 New and revised standards that are effective for these financial statements (cont.)

- d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2016.

#### ***AASB 15 Revenue from Contracts with Customers (Application date: 1 January 2018)***

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

### 3 New and revised standards that are effective for these financial statements (cont.)

In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 *Contributions* and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

Note that ASIC included the disclosure of the impact of AASB 15 as a key focus area for the 31 December 2015 reporting season, so it is important for Directors to ensure that 30 June 2016 financial reports disclose the specific impact of AASB 15.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2016.

#### ***AASB 16 Leases (Application date: 1 January 2019)***

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### **4.2 Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

### **4.3 Foreign currency translation**

#### **Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars ("AUD"), which is the functional and presentation currency of the Parent Company.

#### **Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency monetary items are translated at the year-end exchanging rate. Non-monetary items are measured at historical cost continue to be carried at the exchange rate at the date of transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in statement of profit or loss and other comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### **Foreign operations**

The financial results and positions of foreign operations whose functional currency is difference from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign exchange translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

#### **4.4 Segment reporting**

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- post-employment benefit expenses
- expenses relating to share-based payments
- research costs relating to new business activities; and
- revenue, costs and fair value gains from investment property

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial periods under review, this primarily applies to the Group's headquarters.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

#### **4.5 Revenue and Other Income**

Revenue arises from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services (GST) or value added tax (VAT).

#### **4.6 Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

#### **4.8 Intangible assets**

Franchising rights and software have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of franchising rights and software over their estimated useful lives, which is based on estimated useful life for franchising rights (3 years) and 2 years for software.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

#### **4.9 Property, plant and equipment**

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

##### **Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	5%-10%
Office equipment	20-33%
Director store equipment	33-50%
Motor vehicle	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.





**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

#### **4.10 Impairment testing, other intangible assets and property, plant and equipment**

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

#### **4.11 Financial instruments**

##### **Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

#### 4.12 Financial instruments (cont.)

##### De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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 subsequently measured at amortised cost using the effective interest rate method.

iii. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### 4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

#### 4.13 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

#### 4.13 Income taxes (cont.)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

#### 4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 4.15 Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- **reserves** – comprises the statutory reserve' and 'statutory welfare fund' ;
- **foreign currency translation reserve** – comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into \$AUD.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

#### **4.16 Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

#### **4.17 Provisions, contingent liabilities and contingent assets**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

#### **4.18 Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the Tax Office. In these circumstances the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown as inclusive of GST and VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

#### 4.19 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

##### **Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

##### **Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates

##### **Doubtful debts**

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of \$1,209,881 has been recorded accordingly within Administration expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

##### **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

##### **Inventories**

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future fashion trend or other market-driven changes that may reduce future selling prices.



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

## **5 Segment reporting**

### **Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment; and
- the type or class of customer for the products or services.

### **Types of products and services by segment**

Segments as determined by the Directors and Management are as follows:

- Wholesale of clothing apparel to franchised distributors; and
- Retail sales of clothing apparel by company owned stores

The group operates predominately in one geographical segment, being the People's Republic of China.

### **Basis of accounting for purposes of reporting by operating segments:**

#### **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

### **Inter-segment transactions**

Inter-segment loans payables and receivables are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, there are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

### **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. All segment assets are located in China.

### **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrance of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings. All segment liabilities are located in China.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 5 Segment reporting (cont.)

Segment information for the year is as follows:

	Wholesale	Retail	Total
	\$	\$	\$
<b>2016</b>			
Segment revenues	41,928,324	15,274,480	57,202,804
Segment cost of sales	(31,929,816)	(7,659,012)	(39,588,828)
Segment interest revenue	97,141	-	97,141
Segment interest expense	(4,143)	-	(4,143)
Segment depreciation and amortisation	(319,015)	(1,932,748)	(2,251,763)
Segment impairment expense	-	(57,554)	(57,554)
Segment inventory provision	(473,405)	-	(473,405)
Segment other expenses	(8,847,148)	(4,733,756)	(14,069,594)
<b>Segment operating results</b>	<b>282,598</b>	<b>668,559</b>	<b>951,157</b>
Unallocated expenses			(488,689)
<b>Group result</b>			<b>462,468</b>
Segment assets	-	2,085,536	2,085,536
Total unallocated assets	-	-	62,942,786
<b>Total consolidated assets</b>			<b>65,028,322</b>
	Wholesale	Retail	Total
	\$	\$	\$
<b>2015</b>			
Segment revenues	53,229,900	18,250,133	71,480,033
Segment cost of sales	(38,361,054)	(8,395,060)	(46,756,114)
Segment interest revenue	119,767	-	119,767
Segment interest expense	(14,280)	-	(14,280)
Segment depreciation and amortisation	(838,809)	(1,831,997)	(2,670,806)
Segment impairment expense	-	(1,141,782)	(1,141,782)
Segment inventory provision	(303,492)	-	(303,492)
Segment other expenses	(11,377,649)	(2,938,418)	(14,316,067)
<b>Segment operating results</b>	<b>1,559,567</b>	<b>2,957,156</b>	<b>4,516,723</b>
Unallocated expenses			(624,770)
<b>Group result</b>			<b>3,891,953</b>
Segment assets	-	3,060,080	3,060,080
Total unallocated assets	-	-	64,193,735
<b>Total consolidated assets</b>			<b>67,253,815</b>

Segment assets specifically relate to direct store equipment and franchising rights. All other assets of the Group remain unallocated.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 6 Revenue

	2016	2015
	\$	\$
Sales revenue		
- Sales of goods	57,202,805	71,480,033
<b>Total sales revenue</b>	<b>57,202,805</b>	<b>71,480,033</b>
Other income		
- Bank interest received	97,144	119,761
<b>Total other income</b>	<b>97,144</b>	<b>119,761</b>

## 7 Expenses

### 7.1 Direct store expenses

	2016	2015
	\$	\$
Employee expenses	1,034,810	1,163,581
Marketing and advertising	66,342	81,189
Shopping mall commissions	2,907,105	3,521,968
Shopping mall management expense	168,989	191,631
Rental expenses	48,040	38,368
Depreciation (direct store)	764,543	528,184
Impairment for franchising rights	57,554	1,141,782
Amortisation – franchising rights	1,333,091	1,276,768
Store renovation support	-	2,692,406
Other direct store expenses	343,583	400,604
<b>Total direct store expenses</b>	<b>6,724,057</b>	<b>11,036,482</b>

### 7.2 Marketing expenses

	2016	2015
	\$	\$
Advertising	220,849	215,411
Exhibitions	3,055,419	2,238,721
<b>Total marketing expenses</b>	<b>3,276,268</b>	<b>2,454,132</b>





Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 7 Expenses (cont.)

### 7.3 Selling expenses

	2016	2015
	\$	\$
Wholesale commission	689,987	795,531
Employee expenses	1,005,824	873,020
Transportation expenses	384,194	453,764
Hospitality expenses	221,647	148,207
Travelling expenses	102,170	113,223
Other selling expenses	104,309	109,403
<b>Total selling expenses</b>	<b>2,508,131</b>	<b>2,493,149</b>

### 7.4 Administration expenses

	2016	2015
	\$	\$
Audit fee	133,000	125,000
Employee expenses	1,384,272	1,424,550
Depreciation	356,273	281,847
Inventory obsolete expenses	473,405	303,492
Doubtful debt expenses	1,209,881	-
Hospitality expenses	310,052	228,231
Travelling expenses	109,203	130,178
Other expenses	367,323	557,498
<b>Total administration expenses</b>	<b>4,343,409</b>	<b>3,050,797</b>

### 7.5 Depreciation and amortisation expenses

	2016	2015
	\$	\$
Included in:		
Direct store expenses	2,097,634	1,804,952
Administration expenses	356,273	281,847
<b>Total depreciation and amortisation expenses</b>	<b>2,453,907</b>	<b>2,086,799</b>



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 7 Expenses (cont.)

### 7.6 Employee expenses

	2016	2015
	\$	\$
Included in:		
Direct store expenses	1,034,810	1,163,581
Selling expenses	1,005,824	873,020
Administration expenses	1,384,272	1,424,550
<b>Total employee expenses</b>	<b>3,424,906</b>	<b>3,461,152</b>

## 8 Finance costs

Finance costs for the reporting periods consist of the following:

	2016	2015
	\$	\$
Finance costs		
- Bank charges	4,593	5,285
- Interest expenses	-	31,346
<b>Total finance costs</b>	<b>4,593</b>	<b>36,631</b>



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

## 9 Income tax expenses

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Sunbridge. The Australian assessable earning will be taxed at 30% (2015: 30%). The Chinese assessable earnings are taxed at 25% (2015:25%).

The components of tax expense comprise:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current tax	69,909	1,786,643
Deferred tax	322,287	93,894
<b>Current tax expense/(benefit)</b>	<b>392,196</b>	<b>1,880,537</b>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Prima facie tax payable on profit from ordinary activities before income tax at local tax rates</b>		
- Consolidated group	213,666	1,443,123
Prior year tax differences adjusted based on PRC tax audit	69,909	22,625
Non-assessable income	(29,400)	(188,854)
Impairment of intangible assets	-	285,446
Tax loss on entities not recognised	138,021	318,197
<b>Income tax attributable to entity</b>	<b>392,196</b>	<b>1,880,537</b>

**The applicable weighted average effective tax rates are as follows<sup>(1)</sup>**

46%                      33%

- (1) The applicable weighted average effective tax rates reflect the consolidated effective tax rates after taking into account the loss-making position of the parent entity and the fact that the tax losses are not taken into account.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 10 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016	2015
	\$	\$
Cash at bank and in hand	28,937,501	30,530,267
<b>Cash and cash equivalents</b>	<b>28,937,501</b>	<b>30,530,267</b>

## 11 Trade and other receivables

Trade and other receivables consist of the following:

	Note	2016	2015
		\$	\$
<b>CURRENT</b>			
Trade receivables	11a	15,537,973	13,983,196
Provision for doubtful debts		(1,193,896)	-
Other receivables	11b	8,943	16,228
Goods & services tax receivable	11c	7,238	30,426
<b>Total</b>		<b>14,360,258</b>	<b>14,029,850</b>

	2016	2015
	\$	\$
<b>Reconciliation of provision for doubtful debts</b>		
Balance at 1 January	-	-
Doubtful debts expenses	(1,209,881)	-
Foreign exchange difference	15,985	-
<b>Balance at 31 December</b>	<b>(1,193,896)</b>	<b>-</b>

### a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 60 day terms (2015: 60 days). Some customers who have a trading history with the group are provided extended credit terms to 90 days. As of 31 December 2016, trade receivables of \$2,720,001 (2015: \$1,906,537) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016	2015
	\$	\$
60-90 days	2,720,001	1,906,537
90-180 days	-	-
180-365 days	-	-
<b>Total</b>	<b>2,729,001</b>	<b>1,906,537</b>

The other balances within trade receivables are not past due and do not contained impaired assets. Based on the credit history of these receivables, it is expected that these amounts will be received when due.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 11 Trade and other receivables (cont.)

### b. Other receivables

Other receivables arise from transaction outside the usual operating activities of the Company and are unsecured, interest free and repayable on demand.

There are no balances that are past due and impaired. It is expected these balances will be received when demanded.

### c. Goods & services tax receivable

Goods & services tax ("GST") receivable relates to the GST receivable for the Australia parent entity.

## 12 Security deposits to suppliers

	2016	2015
	\$	\$
CURRENT		
Security deposits to suppliers	2,081,004	2,239,413

Other assets represent advances/security deposits to suppliers for inventory purchases.

## 13 Inventories

Inventories consist of the following:

	2016	2015
	\$	\$
CURRENT		
Inventory recognised at cost	9,150,101	8,705,207
Provision for inventory obsolescence	(751,096)	(299,799)
<b>Net inventory</b>	<b>8,399,005</b>	<b>8,405,408</b>

Inventories are valued at the lower of cost and net realisable value. Inventory includes various forms of clothing apparel items held for sale. Inventory has been determined to be valued at the lower of cost and net realisable value at reporting date.

An inventory provision of \$751,096 has been recognised during the current financial year for aged inventory items in accordance with the Company policy (2015: \$299,799).



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 14 Controlled entities

### a. Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
		%	%
Sunbridge Group Limited	Australia		
<b>Subsidiaries of Sunbridge Group Limited:</b>			
- Mega Rich International Creation Limited (2)	Hong Kong	100	100
- Bangdisidun (Fujian) Dress Development Co., Ltd.	People's Republic of China	100	100
- Hengjiasi Dress Development Co., Ltd	People's Republic of China	100	100

#### Note:

- (1) Percentage of voting power is in proportion to ownership;  
 (2) Mega Rich International Creation Limited is the intermediate parent entity of Bangdisidun (Fujian) Dress Development Co., Ltd and Hengjiasi Dress Development Co., Ltd.

### b. Cross guarantee

There is no deed of cross guarantee as at 31 December 2016 or 31 December 2015.

### c. Non-controlling interest

No subsidiaries have a non-controlling interest.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 15 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Office Equipment \$	Buildings \$	Construction in Progress \$	Direct Store Equipment \$	Motor Vehicle \$	Consolidated \$
<b>Gross carrying amount</b>						
<b>Cost</b>						
<b>Balance 1 January 2016</b>	209,892	7,535,797	-	1,742,082	116,823	9,604,594
Additions	589,161	316,888	-	1,331,579	-	2,237,628
Disposals	-	-	-	-	-	-
Transferred from construction in progress	-	-	-	-	-	-
Net exchange differences	(18,882)	(402,680)	-	(109,715)	(6,178)	(537,455)
<b>Balance 31 December 2016</b>	780,171	7,450,005	-	2,963,946	110,645	11,304,767
<b>Accumulated Depreciation</b>						
<b>Balance 1 January 2016</b>	(60,089)	(516,899)	-	(649,585)	(36,993)	(1,263,566)
Depreciation	(60,729)	(260,038)	-	(764,543)	(35,507)	(1,120,817)
Disposals	-	-	-	-	-	-
Net exchange differences	3,980	30,854	-	44,367	2,425	81,626
<b>Balance 31 December 2016</b>	(116,838)	(746,083)	-	(1,369,761)	(70,075)	(2,302,757)
<b>Net carrying amount 31 December 2016</b>	663,333	6,703,921	-	1,594,186	40,570	9,002,010



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

15 Property, plant and equipment (cont.)

	Office Equipment \$	Buildings \$	Construction in Progress \$	Direct Store Equipment \$	Motor Vehicle \$	Consolidated \$
<b>Gross carrying amount</b>						
<b><u>Cost</u></b>						
<b>Balance 1 January 2015</b>	35,271	3,166,836	2,034,186	1,529,876	110,348	6,876,517
Additions	174,678	62,828	1,991,769	123,946	-	2,353,221
Disposals	-	-	-	-	-	-
Transferred from construction in progress	-	4,171,837	(4,171,837)	-	-	-
Net exchange differences	(57)	134,296	145,882	88,260	6,475	374,856
<b>Balance 31 December 2015</b>	209,892	7,535,797	-	1,742,082	116,823	9,604,594
<b><u>Accumulated Depreciation</u></b>						
<b>Balance 1 January 2015</b>	(31,949)	(285,015)	-	(120,150)	-	(437,114)
Depreciation	(26,589)	(217,809)	-	(528,184)	(37,449)	(810,031)
Disposals	-	-	-	-	-	-
Net exchange differences	(1,551)	(14,075)	-	(1,251)	456	(16,421)
<b>Balance 31 December 2015</b>	(60,089)	(516,899)	-	(649,585)	(36,993)	(1,263,566)
<b>Net carrying amount 31 December 2015</b>	149,804	7,018,987	-	1,092,408	79,829	8,341,028





Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 16 Intangible assets

Details of the Group's intangible assets and their carrying amounts are as follows:

	Franchising Rights	Software	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
<b>Balance at 1 January 2016</b>	4,138,613	71,352	4,209,965
Addition	-	-	-
Termination of franchising rights on store closure	(957,667)	-	(957,667)
Currency translation differences	(206,195)	(3,773)	(209,968)
<b>Balance at 31 December 2016</b>	<b>2,974,751</b>	<b>67,579</b>	<b>3,042,330</b>
<b>Accumulated Amortisation</b>			
<b>Balance at 1 January 2016</b>	(2,170,941)	(71,352)	(2,242,293)
Amortisation	(1,333,091)	-	(1,333,091)
Termination of franchising rights	900,113	-	900,113
Currency translation differences	120,518	3,773	124,291
<b>Balance at 31 December 2016</b>	<b>(2,483,401)</b>	<b>(67,579)</b>	<b>(2,550,980)</b>
<b>Carrying amount 31 December 2016</b>	<b>491,350</b>	<b>-</b>	<b>491,350</b>

The costs of the acquisition of franchising rights are recognised as intangible assets and are amortised over the estimated minimum lease term of direct stores (3 years). The remaining amortisation period for franchising rights is between 0.3-1 year.

Impairment of franchising rights recognised during the period relates to direct stores that were closed and that will no longer generate future economic benefit to the Group.

	Franchising Rights	Software	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
<b>Balance at 1 January 2015</b>	4,974,614	67,397	5,042,011
Addition	-	-	-
Termination of franchising rights on store closure	(1,141,782)	-	(1,141,782)
Currency translation differences	305,781	3,955	309,736
<b>Balance at 31 December 2015</b>	<b>4,138,613</b>	<b>71,352</b>	<b>4,209,965</b>
<b>Amortisation and impairment</b>			
<b>Balance at 1 January 2015</b>	(867,690)	(58,995)	(926,685)
Amortisation	(1,267,739)	(9,029)	(1,276,768)
Currency translation differences	(35,512)	(3,328)	(38,840)
<b>Balance at 31 December 2015</b>	<b>(2,170,941)</b>	<b>(71,352)</b>	<b>(2,242,293)</b>
<b>Carrying amount 31 December 2015</b>	<b>1,967,672</b>	<b>-</b>	<b>1,967,672</b>



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 17 Deferred tax assets

Deferred taxes arising from temporary differences as a result of different treatment on distributor support and inventory impairment expenses recognised for accounting and tax purposes can be summarised as follows:

	2016	2015
	\$	\$
Provision for inventory obsolescence	187,774	74,950
Wholesaler renovation support	1,142,354	1,665,227
<b>Total Deferred Tax Assets</b>	<b>1,330,128</b>	<b>1,740,177</b>

## 18 Trade and other payables

Trade and other payables consist of the following:

	2016	2015
	\$	\$
CURRENT:		
Trade payables	1,864,375	1,026,938
Security deposits from customers	1,549,512	1,636,025
Related party loans payables	190,000	320,000
Other payables	1,384,180	1,154,292
<b>Total Trade and Other Payables</b>	<b>4,988,067</b>	<b>4,137,255</b>

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

## 19 Current tax assets and liabilities

The Group's current tax assets and liabilities are as below:

	2016	2015
	\$	\$
CURRENT ASSETS:		
Prepaid Income Tax	427,066	-
CURRENT LIABILITIES		
Income Tax Liability	-	162,383

## 20 Contingent assets and liabilities

There are no contingent assets or liabilities exist as at the end of the financial year



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 21 Share capital

### Ordinary shares

The share capital of Sunbridge consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital.

Ordinary shares participate in dividends in proportion to the number of shares held.

At the Shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

	2016	2015	2016	2015
	Shares	Shares	\$'000	\$'000
Shares issued and fully paid:				
Beginning of the year	471,738,000	471,738,000	12,495,825	12,495,825
Shares issued	-	-	-	-
<b>Total contributed equity at 31 December</b>	<b>471,738,000</b>	<b>471,738,000</b>	<b>12,495,825</b>	<b>12,495,825</b>

### Capital Management

The management's objectives when managing capital are to ensure that the group can fund its operations and continue as a going concern and to provide shareholders with adequate returns.

The management monitors capital on the basis of debt to equity ratio. This ratio is calculated as net liabilities divided by equity. Net liabilities is "Total liabilities" as shown on the consolidated statement of financial position less cash and cash equivalent and equity is "equity" as shown on the consolidated statement of financial position.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year, which is to maintain the debt to equity ratio at not more than 100%. The debt-equity ratios as at 31 December 2016 and 31 December 2015 are as follows:

	2016	2015
	\$	\$
Total liabilities	4,988,067	4,299,638
Less: Cash and cash equivalents	(28,937,501)	(30,530,267)
<b>Net liabilities (net of cash)</b>	<b>(23,949,434)</b>	<b>(26,230,629)</b>
Total equity	60,040,255	62,954,177
<b>Net liabilities to equity ratio</b>	<b>(40%)</b>	<b>(42%)</b>



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

## **22 Other components of equity**

### **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

### **Statutory General Reserve**

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the surplus reserve balance reaches a minimal of 50% of the registered capital. For the purposes of calculating the transfer to this reserve, the profit after taxation shall be the amount determined under the People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends to the shareholders.

## **23 Earnings per share and dividends**

### **Earnings per share**

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Sunbridge) as the numerator (i.e. no adjustments to profit were necessary in 2015 or 2016).

The reconciliation for the calculation of earnings per share for 2016 and 2015 are as follows:

	<b>2016</b>	<b>2015</b>
Profit used to calculate basic EPS and dilutive EPS	462,468	3,891,953
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS	471,738,000	471,738,000

### **Dividends**

The board has resolved not to pay any dividends for the year ended 31 December 2016 (2015: Nil) due to the decrease of the net profit after tax for the year ended 31 December 2016 and the investment plan in 2017.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 24 Capital and leasing commitments

### Leasing commitments

The Consolidated Group has leasing commitments at 31 December 2016 as follow:

	2016	2015
	\$	\$
Payable – minimum lease payments		
- Not later than 12 months	19,220	43,064
- Between 12 months and 5 years	-	20,293
- Greater than 5 years	-	-
<b>Total</b>	<b>19,220</b>	<b>63,357</b>

Lease commitment relates to future contracted operating lease payment for direct stores.

### Management fee commitments

The Consolidated Group has management fee commitments at 31 December 2016 as follow:

	2016	2015
	\$	\$
Management fee payable		
- Not later than 12 months	139,632	145,770
- Between 12 months and 5 years	32,481	105,066
- Greater than 5 years	-	-
<b>Total</b>	<b>172,113</b>	<b>250,836</b>

Management fee commitment relates to contracted future payment for direct stores.

### Capital commitments

The Consolidated Group has capital commitments at 31 December 2016 as follow:

	2016	2015
	\$	\$
Planned capital expenditure		
- Not later than 12 months	234,223	247,346
- Between 12 months and 5 years	-	-
- Greater than 5 years	-	-
<b>Total</b>	<b>234,223</b>	<b>247,346</b>

Current year commitment represents outstanding consideration for land use rights purchase. The prior year capital commitment relates to contracted future payment for the office building under consecution.

### Services commitments

The group has the following commitments at reporting date for operating expenses: legal fee of \$6,665 and advertising fee of \$833,737.

All commitments are due within 12 months.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 25 Reconciliation of cash flows from operating activities

Reconciliation of Cash Flows from Operating Activities	2016	2015
	\$	\$
Cash flows from operating activities		
Profit/(loss) for the period	462,468	3,891,953
<b>Adjustments for:</b>		
Amortisation	1,333,091	1,276,768
Impairment	57,554	1,445,274
Depreciation	1,120,817	810,031
Doubtful debts expense	1,209,881	-
Effects of foreign exchange	(1,184,713)	749,532
<b>Net changes in working capital</b>		
Change in trade receivables	(1,554,775)	2,145,417
Change in other receivables	188,881	(70,509)
Change in inventories	6,403	(3,013,273)
Change in trade payables	837,437	(278,730)
Change in income taxes payable	(589,449)	(927,884)
Change in deferred tax	410,049	(8,837)
Change in other liabilities	143,375	(497,133)
<b>Net cash from operating activities</b>	<b>2,441,019</b>	<b>5,522,609</b>

## 26 Auditor remuneration

	2016	2015
	\$	\$
<b>Remuneration for audit and review of financial statements for the parent entity paid/payable to Grant Thornton Australia Pty Ltd:</b>		
- Auditing and reviewing of financial report	133,000	125,000
<b>Other services</b>		
- Taxation services	3,100	2,600
<b>Total Auditor's remuneration</b>	<b>136,100</b>	<b>127,600</b>



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 27 Related party transactions

### a. Transactions with Key Management Personnel

	2016	2015
	\$	\$
Reimbursement of expenses previously paid by Mr Xu Jiayin on the Group's behalf	320,000	1,328,765
Advances received by the Group to support the parent entity's operation in Australia from Mr Xu Jiayin	190,000	470,000

### b. Balance with Key Management Personnel

Amounts receivable from and payable to Key Management Personnel of the Group at reporting date comprise of the following:

	Receivable from the party	Payable to the party
	\$	\$
<b>31 December 2016</b>		
Mr Jia Yin Xu	-	190,000
Mr Ting Jiang	-	-
	Receivable from the party	Payable to the party
	\$	\$
<b>31 December 2015</b>		
Mr Jia Yin Xu	-	320,000
Mr Ting Jiang	2,000	-

Related party transactions comprise of related party loans and no specific terms and conditions have been attached to the transactions above.

### c. Key Management Remuneration

	2016	2015
	\$	\$
Short-term benefits	443,522	423,788
Post-employment benefits	7,836	26,471
	<b>451,358</b>	<b>450,259</b>

Detailed information regarding Key Management Personnel remuneration has been outlined in the Remuneration Report included in the Director's Report



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 28 Financial instrument risk

### 28.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities consist of:

- Cash and cash equivalents;
- Trade and other receivables;
- Security deposits to suppliers;
- Trade and other payables;
- Short-term borrowings;
- Notes payable.

The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### 28.2 Market Risk analysis

The main risks the Group is exposed to through its use of financial instruments are credit risks, liquidity risk and customer concentration risks. The Group does not have any significant exposure to currency risk and price risks.

#### Foreign currency risk

The Group does not have significant balances denominated in foreign currency other than the functional currency of the respective companies within the Group (Renminbi – RMB).

#### Credit risk

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through deposits with financial institutions. The finance committee monitors credit risk on a regular basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.





Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 28.2 Market Risk analysis (cont.)

The Group performs ongoing credit evaluation of its customers' financial conditions and require no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There is no collateral held as security at 31 December 2016.

### **Price risk**

The Group's financial instruments are not exposed to price risk.

### **Liquidity risk**

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

### **Interest rate risk**

The Group's exposure to interest rate risk relates primarily to its short-term deposits placed with financial institutions. For further details on interest rate risk refer to Note 28.4.

### **Customer concentration risk**

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in 2016 generate approximately 58% of the Group's revenue during the financial period. (2015: approximately 60%).



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

### 28.3 Financial instrument composition and maturity analysis

The table below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Interest Bearing Maturing within 1 Year		Interest Bearing Maturing within 2 Years		Non-interest Bearing Maturing within 1 Year		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>										
- Cash and cash equivalents (Variable interest rate)	0.34%	0.30%	28,937,501	30,530,267	-	-	-	-	28,937,501	30,530,267
- Trade and other receivables	-	-	-	-	-	-	14,360,258	14,029,850	14,360,258	14,029,850
- Security deposits to suppliers	-	-	-	-	-	-	2,081,004	2,239,413	2,081,004	2,239,413
<b>Total Financial Assets</b>			<b>28,937,501</b>	<b>30,530,267</b>	<b>-</b>	<b>-</b>	<b>16,441,262</b>	<b>16,269,263</b>	<b>45,378,763</b>	<b>46,799,530</b>
<b>Financial Liabilities:</b>										
- Trade and other payables	-	-	-	-	-	-	4,988,067	4,137,255	4,988,067	4,137,255
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,988,067</b>	<b>4,137,255</b>	<b>4,988,067</b>	<b>4,137,255</b>
<b>Net Financial Assets:</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,390,696</b>	<b>42,662,275</b>



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 28.4 Interest rate sensitivity analysis

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate at reporting date. The Group's financial instruments do not have significant exposure to price risk and foreign exchange risk.

### *Interest rate sensitivity*

The Group's exposure to interest rate risks relates principally to short-term deposits placed with financial institutions, short term borrowings and notes payable.

During 2016 financial year, the group did not hold any interest bearing debt.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 5% (2015: +/- 5%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit/(Loss) for the year		Equity	
	\$		\$	
	+5%	-5%	+5%	-5%
31 December 2016	4,857	(4,857)	4,857	(4,857)
31 December 2015	4,580	(4,580)	4,580	(4,580)

## 28.5 Credit risk analysis

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2016	2015
Class of financial assets	\$	\$
Carrying amounts:		
Cash and cash equivalents	28,937,501	30,530,267
Security deposit made to suppliers	2,081,005	2,239,413
Trade and other receivables	14,360,258	14,029,850
<b>Total</b>	<b>45,378,764</b>	<b>46,799,530</b>

The Group's management considers that all of the above financial assets that are not impaired for each of the 31 December reporting dates under review are of good credit quality.

At 31 December 2016, the Group has certain trade receivables that have not been settled within their normal credit term but are not considered to be impaired. . Refer Note 11 (a).



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## 29 Fair value measurement

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** unobservable inputs for the asset or liability

The Group does not hold any financial assets or liabilities carried at fair value as at 31 December 2016. All financial assets and liabilities are carried at amortised cost

The carrying amounts of current receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities approximates the carrying amount as the impact of discounting is not significant.

## 30 Parent entity information

Information relating to Sunbridge ('the Parent Entity'):

	2016	2015
	\$	\$
<b>Statement of financial position</b>		
<b>Assets</b>		
Current assets	9,822	45,618
Non-current assets	23,105,271	23,105,271
<b>Total assets</b>	<b>23,115,093</b>	<b>23,150,889</b>
<b>Liabilities</b>		
Current liabilities	122,167	159,724
Non-current liabilities	2,349,163	1,929,163
<b>Total liabilities</b>	<b>2,471,330</b>	<b>2,088,887</b>
<b>Net assets</b>	<b>20,643,763</b>	<b>21,062,002</b>
<b>Equity</b>		
Issued capital	23,652,487	23,652,487
Retained earnings	(3,008,724)	(2,590,485)
<b>Total equity</b>	<b>20,643,763</b>	<b>21,062,002</b>
<b>Financial performance</b>		
Profit/(loss) Loss for the year	(418,239)	(811,795)
<b>Total comprehensive income</b>	<b>(418,239)</b>	<b>(811,795)</b>



**Sunbridge Group Limited and Its Controlled Entities**  
**ABN 40 163 886 020**  
**Annual Report for the year ended 31 December 2016**

### **30 Parent entity information (cont.)**

No guarantees were provided by the parent entity in relation to debts of its subsidiaries at 31 December 2016. The Parent Entity has no contingent liabilities or contingent assets at 31 December 2016 (2015: \$ Nil).

### **31 Post-reporting date events**

No matters or circumstances have arisen since the end of the financial year to the date of authorization which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

### **32 Company details**

#### **Registered Office**

Level 12, 680 George Street  
Sydney NSW 2000

#### **Share Registry**

Broadroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

#### **Principal place of business**

No. 11 Longhu, Shaohui Industrial Area,  
Jinjiang City, Fujian Province  
People's Republic of China

#### **Auditor**

Grant Thornton Audit Pty Ltd Level 3, 170 Frome Street  
Adelaide SA 5000

#### **Website**

[www.sunbridge.com.au](http://www.sunbridge.com.au)

All monetary amounts in this report are in Australian dollars unless stated otherwise. The financial year begins on 1 January and ends on 31 December each year.



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## Directors' Declaration

- 1 In the opinion of the Directors of Sunbridge Group Limited and Its Controlled Entities:
  - a The consolidated financial statements and notes of Sunbridge Group Limited and Its Controlled Entities are in accordance with the *Corporations Act 2001*, including
    - i Giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and
    - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - b There are reasonable grounds to believe that Sunbridge Group Limited and Its Controlled Entities will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2016.
- 3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

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Benny Yubin Qiu  
Chairman

Dated the 31<sup>st</sup> day of March 2017.

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## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SUNBRIDGE GROUP LIMITED**

### **REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

#### **Opinion**

We have audited the financial report of Sunbridge Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue Recognition</b> <b>Refer Note 4.5 and Note 6</b> <p>Revenue, totalling \$57,202,805 for the year, is the key driver of the Group and is generated through two revenue streams being sales through retail stores and those to wholesaler customers.</p> <p>Management focuses on revenue as a key driver by which the performance of the Group is measured.</p> <p>The Company's revenue is the largest item in the Statement of Profit or Loss and is a key audit matter given the nature of revenue and the likely importance of the revenue balance to stakeholders.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and documenting the processes and controls used by the Group in recording revenue;</li> <li>• Testing the operating effectiveness of internal controls in relation to sales from direct stores and to wholesalers surrounding existence and occurrence of revenue transactions;</li> <li>• Reviewing the revenue recognition policy for each revenue stream for compliance with AASB 118 <i>Revenues</i>;</li> <li>• Performing analytical procedures on recorded revenue data disaggregated by month, products and comparing the company performance against market benchmark (other listed companies within the Peoples Republic of China in the same industry);</li> <li>• Performing tests on a sample of revenue transactions to supporting documentation; and</li> <li>• Assessing the adequacy of financial statements disclosures.</li> </ul>
<b>Inventory valuation</b> <b>Refer Note 4.12 and Note 13</b> <p>Inventories are a significant asset of the company and at 31 December 2016 representing 14% of total assets.</p> <p>Following the significant decline in revenue during the current financial year, coupled with the increase in inventory there is an increased risk associated with inventory obsolescence which may impact the price at which items could be sold.</p> <p>In accordance with AASB 102 <i>Inventories</i>, inventories shall be measured at the lower of cost and net realisable value. As a consequence management have raised a provision for inventory obsolescence.</p> <p>This area is considered a key audit risk given the nature of inventories, the total value held and the level of management judgement involved in provisioning for obsolescence.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding and documenting the processes and controls used by the Group;</li> <li>• Testing the operating effectiveness of internal controls in relation to inventory purchases surrounding inventory value initial recognition is operating effectively;</li> <li>• Selecting a sample from the inventory list and agreeing to purchase invoices to ensure inventory items are initially recorded at their acquisition cost;</li> <li>• Selecting a sample from the inventory list to agree to the latest sales transactions to assess if any inventory items were sold below their net realisable value;</li> <li>• Reviewing the inventory aging report to understand the nature and amount of any inventory provisioning for aged inventory; and</li> <li>• Performing analytical review of gross margins by product line achieved during the year and comparing to auditor expectations; and</li> <li>• Assessing the adequacy of financial statements disclosures.</li> </ul>



**Information Other than the Financial Report and Auditor's Report Thereon**

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors' 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 preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

## REPORT ON THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 31 December 2016.

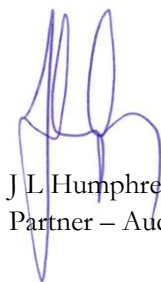
In our opinion, the Remuneration Report of Sunbridge Group Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J.L. Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2017



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

## ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at **15 March 2017**.

### Substantial Shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of Shares
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	272,683,429

### Voting Rights

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Distribution of equity security holders

Holding	Ordinary Shares		Options	
	Shareholders	Shares	Option holders	Options
1 - 1,000	17	856	-	-
1,001 - 5,000	8	32,573	-	-
5,001 - 10,000	99	912,836	-	-
10,001 - 100,000	286	13,556,970	-	-
100,001-9,999,999,999	215	457,234,765	-	-
	<b>625</b>	<b>471,738,000</b>	-	-



Sunbridge Group Limited and Its Controlled Entities  
ABN 40 163 886 020  
Annual Report for the year ended 31 December 2016

**Twenty (20) Largest Shareholders**

	Ordinary Shares	
	Number of Shares Held	Percentage (%) of Issued Shares
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	272,683,429	57.804%
MRS FANG DONG	21,606,472	4.580%
MARGADH STOC PTY LTD	13,729,347	2.910%
HISHENK PTY LTD	11,214,500	2.377%
REDBROOK NOMINEES PTY LTD	10,000,000	2.120%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,534,000	1.597%
CITICORP NOMINEES PTY LIMITED	7,501,999	1.590%
MR ZHI GANG WU & MRS LI HONG REN	3,400,000	0.721%
MR SALVATORE PETER CIANCI	3,210,001	0.680%
MR MICHAEL ERNEST GRANATA <THE GRANATA FAMILY A/C>	3,000,000	0.636%
MR MICHAEL EDWARD KEMP & MRS SANDRA FAYE KEMP <KEMP SUPER FUND A/C>	3,000,000	0.636%
MR KOKO ZAW	3,000,000	0.636%
TRIBAL N Z TRADERS LIMITED	2,600,000	0.551%
HOLLIS SUPERTREE PTY LTD <HOLLIS SUPER FUND A/C>	2,420,000	0.513%
DR STEVEN G RODWELL	2,352,114	0.499%
MR VU QUANG MINH DANG & MRS THI KIM DAU NGUYEN <RISING SUPER FUND A/C>	2,336,102	0.495%
MISS CHUN ZHANG	2,183,663	0.463%
JASON BRIAN HAMILTON	2,000,000	0.424%
HILL & HONE PTY LTD	2,000,000	0.424%
MR GARY STUBBS & MRS SATISH STUBBS	2,000,000	0.424%
	<b>377,771,627</b>	<b>80.081%</b>

**Unissued equity securities**

There are no options issued by the Company.