Sunbridge Group Limited Annual Report

For the year ended 31 December 2017

Content

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 2017.

Director details

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

Mr Benny Yubin Qiu, Independent Non-Executive Chairman
Mr Jia Yin Xu Managing Director and Chief Executive Officer
Mr Luo Qi, Independent Non-Executive Director (appointed 14 Dec 2017)
Mr Zhen Lu, Independent Non-Executive Director (appointed 18 July 2017, resigned 14 Dec 2017)
Ms Shirley Ze Yu, Independent Non-Executive Director (resigned 18 Jul 2017)

Mr Jia Yin Xu
MBA

Managing Director and CEO
Director since May 2013

Mr Xu founded the Group' 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
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):
XPD Soccer Gear Group Limited (ASX: XPD)

Interests in shares:
250,000

Interest in options:
None

Mr Luo Qi

Independent Non-Executive Director
Director since 14 December 2017

Mr. Luo Qi came to Australia in 2000, and graduated from Curtin University in 2006. He started his business in import and export trade, Australia IPO, and investment fund management. As Vice-chairman of the Australian Chinese Entrepreneurs Association, Vice president of Shandong Chamber of Commerce in Western Australia, Member of the Australia China Business Council, Mr. Luo Qi has been committed to the economic and cultural exchanges between China and Australia, and vigorously assisting Chinese brands to enter the international market. At the same time, Mr. Luo Qi also provides business consultancy and guidance for a number of medium and large enterprises, having accumulated a wealth of experience.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Mr Zhen Lu

Independent Non-Executive Director
Appointed as director on 18 July 2017, resigned on 14 December 2017

Mr Lu Graduates from Central Queensland University with a Master's degree and is currently managing several funds and trading companies in China. Mr Lu has over 15 years' experience in foreign currency, futures, financial investment and equity investment. Mr Lu also the Chairman of Australia Public Companies Association, and Vice Presidents for a range of associations in China and Australia, such as the Liaoning Federation of Returned Overseas Chinese and Global Cantonese Association of Australia.

Other current Directorships:
None

Previous Directorships (last 3 years):
None

Interests in shares:
None

Interest in options:
None

Ms Shirley Ze Yu
PhD

Independent Non-Executive Director
Director since July 2016, resigned on 18 July 2017

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:
None

Interest in options:
None

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 group 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 group loss of $350k for the 2017 financial year. As a result of the appreciation of Australian dollars (AUD) against the Chinese Yuan (RMB), the Group showed a foreign exchange loss on translation of its foreign operation of $931k. The Group's cash and cash equivalents reserves remain strong at $28.3 million.

For the 2017 financial year, the Sunbridge Group, through its wholly owned China-based subsidiaries, realised results as following:

- Group revenue for the year (excluding interest received) was $56.6 million, slightly down by 1% from the 2016 revenue of $57.2 million. Revenue in RMB increased by 3.8% year on year. The augmented decrease in consolidated AUD revenue was due to exchange rate impact.
- Sunbridge's direct stores generated total revenue of $14.56 million for the year, a decrease from 2016 revenue of $15.27 million. The number of direct stores at year end stood at 52, as compared to 2016 of 56.
- Group incurred loss before tax of $228k for the current financial year, represents a decrease of 127%, compared to 2016 net profit before tax of $855k.
- Group loss after tax of $350k represents a decrease of 176%, compared to 2016 net profit after tax of $462k.
- Included in administration expenses are $3.4 million spent during the financial year as renovation subsidies to distributors to support their renovation and upgrades to their stores. This was a one-off incident incurred during the financial year. Excluding this expense, the Group would have reported a profit before tax of $3.1 million.
- Impact of foreign exchange translation loss on total comprehensive income was $931k.
- Continuing strong cash reserves finished at $28.3 million.

As one of China's leading brands in menswear, Sunbridge continues to maintain its market share despite strong competitive pressures. Sunbridge continues to maintain its revenue, and the gross margin held steady above 30%.

About Sunbridge Group Limited

Sunbridge Group Limited (ASX: SBB) ("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 are targeted at different age group segments of well-groomed upper middle class gentleman. The Group's menswear products range from formal and business wear to casual and sporting apparel, and are currently sold in over 310 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 Business has grown rapidly in recent years. The Group's products are sold across an extensive distribution network, covering 27 provinces, autonomous regions and municipalities in the PRC and Hong Kong.

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

Likely development, business strategies and prospects

In the coming year, the Group will continue to strengthen existing business, continue to support distributors in their renovation and upgrades to their stores in 2018, with the priority to enhance customers shopping experience.

The Group will reinforce research and development for high-end and diversification of products, of which, will leads to better branding and improve profitability.

In positioning the Group's branding, the Group will continue its brand development strategy, enhance the value added to its brand, establish its brand positioning and style, and strengthen customers' loyalty to the Group's brand and products.

With the above strategies, especially the support to distributors' stores renovation and upgrades, will improve the growth and returns to the Group in the future.

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.

Dividends

No dividends were paid during the year ended 31 December 2017.

The board of directors is yet to determine the dividend plan in relation to the year ended 31 December 2017.

Events arising since the end of the reporting period

No matters or circumstances that have arisen since the end of the year which 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	
	A	B
Jia Yin Xu	4	4
Benny Qiu	4	4
Luo Qi	1	1
Zhen Lu	1	1
Shirley Ze Yu	2	2

- **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 meetings were held for audit and risk committee or nomination and remuneration committee. Issues relating to audit and risk, nomination and remuneration were discussed at the board level.

Shares 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:

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

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 has established a Nomination and Remuneration Committee which operates in accordance with its Charter as approved by the Board and is 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 being annual salary

The Nomination and Remuneration Committee assess 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 Co. Ltd and Hengjiasi Fashion Development Co., Ltd, the Group's operating subsidiaries in China. The payment is not contractual and is dependent on Group performance and there are no specific KPI involved.

Use of remuneration consultants

No remuneration consultant has been engaged by the Group.

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

The Group received 62.46% of 'yes' votes on its Remuneration Report for the financial year ending 31 December 2016. As a result of the Second strike, a resolution to spill the board was put to shareholders, 52.41% of shareholders voted "against" the Spill Motion. The Group had received no further feedback on its Remuneration Report post the Annual General Meeting.

B Details of remuneration

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

Director and other Key Management Personnel Remuneration

		Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits	Share-Based Payments		
Employee	Year	Cash Salary & Fees ($)	Annual Bonus ($)	Non-Monetary Benefits ($)	Superannuation ($)	Long Service Leave ($)	Termination Payments ($)	Options ($)	Total ($)	Annual Bonus Percentage of Remuneration ($)
Executive Directors										
Jia Yin Xu - Managing Director and CEO (Appointed 22 May 2013)	2017	93,965	-	-	7,021	-	-	-	100,986	0%
	2016	116,705	10,131	-	3,550	-	-	-	130,386	8%
Non-Executive Directors										
Benny Yubin Qiu – Independent Non-executive Chairman (Appointed 30 December 2014)	2017	43,800	-	-	-	-	-	-	43,800	0%
	2016	30,024	-	-	-	-	-	-	30,024	0%
Luo Qi – Independent Non-executive Director (Appointed 14 December 2017)	2017	833	-	-	-	-	-	-	833	0%
	2016	-	-	-	-	-	-	-	-	0%
Zhen Lu – Independent Non-executive Director (Appointed 18 July 2017, resigned 14 Dec 2017)	2017	-	-	-	-	-	-	-	-	0%
	2016	-	-	-	-	-	-	-	-	0%
Shirley Ze Yu – Independent Non-executive Director (Appointed 18 July 2016, resigned 18 July 2017)	2017	13,992	-	-	-	-	-	-	13,992	0%
	2016	8,124	-	-	-	-	-	-	8,124	0%

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)	2017	33,000	-	-	3,135	-	-	-	36,135	0%
	2016	33,000	-	-	3,135	-	-	-	36,135	0%
Pei Hui Young – CFO (Appointed 1 November 2017)	2017	4,750	-	-	451	-	-	-	5,201	0%
	2016	-	-	-	-	-	-	-	-	0%
Mark Ma – CFO (Appointed 1 Oct 2016, resigned 31 Oct 2017)	2017	26,166	-	-	-	-	-	-	26,166	0%
	2016	7,715	-	-	-	-	-	-	7,715	0%
Feifu Lin – PRC Financial Manager	2017	35,801	3,051	-	3,383	-	-	-	42,235	7%
	2016	34,140	2,918	-	3,550	-	-	-	40,608	7%
Wenjian Xu – PRC Head of Sales Division	2017	62,275	5,310	-	3,383	-	-	-	70,968	7%
	2016	59,569	5,065	-	3,550	-	-	-	68,184	7%
Shaohuang Xu – PRC Deputy General Manager	2017	55,266	4,712	-	3,383	-	-	-	63,361	7%
	2016	52,871	4,498	-	3,550	-	-	-	60,919	7%
Man Li – PRC Head of Development Division	2017	66,968	5,735	-	3,383	-	-	-	76,086	8%
	2016	63,627	5,471	-	3,550	-	-	-	72,648	8%
Linmao Ye – PRC Human Resource Manager	2017	32,383	2,761	-	3,383	-	-	-	38,527	7%
	2016	30,743	2,634	-	3,550	-	-	-	36,927	7%
2017 Total		**469,199**	**21,569**	**-**	**27,522**	**-**	**-**	**-**	**518,290**	**4%**
2016 Total		**436,518**	**30,717**	**-**	**24,435**	**-**	**-**	**-**	**491,670**	**6%**

C Interest in shares and options

The table below shows the shareholdings of each director in number and percentage as at 31 December 2017.

Name	2016 Shareholding in Number	Purchase / (Disposal)	2017 Shareholding in Number	2016 Shareholding in Percentage	2017 Shareholding in Percentage
Jia Yin Xu	217,800,000	-	217,800,000	46.17%	46.17%
Benny Yubin Qiu*	-	250,000	250,000	-	0.05%
Shirley Ze Yu	60,000	(60,000)	-	0.01%	-

*On 9 January 2017, Mr Benny Yubin Qiu acquired 250,000 shares. As at 31 December 2017 of the remuneration report total number of shares held by Mr Benny Yubin Qiu was 250,000 which represented 0.05% of the total number of shares of the Group.

No other KMP has any share or option interest as at 31 December 2017.

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	RMB600,000	3 years and auto-renewal	1 month
Benny Yubin Qiu - Independent Non-Executive Chairman	AUD43,800	1 year and auto-renewal	1 month
Luo Qi - Independent Non-Executive Director	AUD20,000	1 year and auto-renewal	1 month
Chow Yee Koh – Company Secretary	AUD33,000	1 year and auto-renewal	1 month
Pei Hui Young - Chief Financial Officer	AUD28,500	1 year and auto-renewal	1 month
Feifu Lin - PRC Financial Manager	RMB189,600	1 year and auto-renewal	1 month
Shaohuang Xu - PRC Deputy General Manager	RMB292,800	1 year and auto-renewal	1 month
Wenjian Xu - PRC Head of Sales Division	RMB330,000	1 year and auto-renewal	1 month
Man Li – PRC Head of Development Division	RMB356,400	1 year and auto-renewal	1 month
Linmao Ye - PRC Head of Sales Division	RMB171,600	1 year and auto-renewal	1 month

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

	2017	2016
	$	$
Reimbursement of expenses previously paid by Mr Xu Jiayin on the Group's behalf	398,896	320,000
Advances received by the Group to support the parent entity's operation in Australia from Mr Xu Jiayin	399,343	190,000

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
31 December 2017	$	$
Mr Jia Yin Xu	-	189,553

	Receivable from the party	Payable to the party
31 December 2016	$	$
Mr Jia Yin Xu	-	190,000

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.

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, the Group 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 Group's auditors provided the Group tax return services of $3,200 in addition to their statutory audit duties (2016: $3,100).

The Board has considered the non-audit services provided during the year by the auditor and, 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 Group 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 Group, acting as an advocate for the Group or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Group, 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 Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Signed in accordance with a resolution of the Directors.

Benny Yubin Qiu
Chairman

29 March 2018

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2017, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Iain Kemp

I S Kemp
Partner - Audit & Assurance

Adelaide, 29 March 2018

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 3rd 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.

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.

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 2018 there are 1 woman in senior executive positions in the Company, and 136 women employees across the Company, representing 69% of the whole organisation. During the year there was 1 woman on the Board, whom has since resigned. 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.

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:

(d) a broad range of business experience; and
(e) 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) Qi Luo (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.

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.

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.

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. 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:

(d) relevant announcements made to the market via ASX;
(a) media releases;
(b) investment updates;
(c) Company presentations and media briefings;
(d) copies of press releases and announcements for the preceding three years; and
(e) 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.

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.

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.

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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017	2016
		$	$
Revenue	6	56,599,417	57,202,805
Cost of goods sold		(38,882,564)	(39,588,827)
Gross profit		17,716,853	17,613,978
Other income	6	91,204	97,144
Direct store expenses	7	(5,827,230)	(6,724,057)
Marketing expenses	7	(3,065,440)	(3,276,268)
Selling expenses	7	(2,606,671)	(2,508,131)
Administration expenses	7	(6,531,975)	(4,343,409)
Finance costs	8	(4,781)	(4,593)
Profit / (Loss) before Income Tax		(228,040)	854,664
Income Tax Expense	9	(122,250)	(392,196)
Profit / (Loss) for The Year Attributable to Members of the Parent Entity		**(350,290)**	**462,468**
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		(931,367)	(3,376,390)
Total Comprehensive Income / (Loss) for The Year Attributable to Members of the Parent Entity		**(1,281,657)**	**(2,913,922)**
Earnings Per Share (on profit attributable to ordinary equity holders)		**Cents**	**Cents**
Basic Earnings Per Share	23	(0.07)	0.10
Diluted Earnings Per Share	23	(0.07)	0.10

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017	2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	28,276,398	28,937,501
Trade and other receivables	11	14,731,616	14,360,258
Security deposits to suppliers	12	2,413,255	2,081,004
Inventories	13	8,607,440	8,399,005
Current tax assets	19	420,508	427,066
TOTAL CURRENT ASSETS		54,449,217	54,204,834
NON-CURRENT ASSETS			
Property, plant and equipment	15	7,989,050	9,002,010
Intangible assets	16	-	491,350
Deferred tax assets	17	1,185,070	1,330,128
TOTAL NON-CURRENT ASSETS		9,174,120	10,823,488
TOTAL ASSETS		63,623,337	65,028,322
CURRENT LIABILITIES			
Trade and other payables	18	4,864,739	4,988,067
TOTAL CURRENT LIABILITIES		4,864,739	4,988,067
TOTAL LIABILITIES		4,864,739	4,988,067
NET ASSETS		**58,758,598**	**60,040,255**
EQUITY			
Issued capital	21	12,495,825	12,495,825
Foreign exchange translation reserve	22	6,483,953	7,415,320
Statutory reserve	22	6,771,262	6,771,262
Retained earnings		33,007,558	33,357,848
TOTAL EQUITY		**58,758,598**	**60,040,255**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Statutory Reserve	Total Equity
	$	$	$	$	$
Balance at 1 January 2016	**12,495,825**	**32,895,380**	**10,791,710**	**6,771,262**	**62,954,177**
Profit for the year	-	462,468	-	-	462,468
Other comprehensive income	-	-	(3,376,390)	-	(3,376,390)
Total comprehensive income	**-**	**462,468**	**(3,376,390)**	**-**	**(2,913,922)**
Balance at 31 December 2016	**12,495,825**	**33,357,848**	**7,415,320**	**6,771,262**	**60,040,255**
Loss for the year	-	(350,290)	-	-	(350,290)
Other comprehensive income	-	-	(931,367)	-	(931,367)
Total comprehensive income	**-**	**(350,290)**	**(931,367)**	**-**	**(1,281,657)**
Balance at 31 December 2017	**12,495,825**	**33,007,558**	**6,483,953**	**6,771,262**	**58,758,598**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017	2016
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		55,819,614	56,102,490
Payments to suppliers and employees		(55,469,949)	(53,098,993)
Interest received		91,204	97,144
Finance costs paid		(4,781)	(4,593)
Income tax paid		2,384	(655,029)
Net cash provided by operating activities	**25**	**438,472**	**2,441,019**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(671,320)	(2,237,628)
Net cash used in investing activities		**(671,320)**	**(2,237,628)**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash advances to related parties		(447)	(130,000)
Net cash used in financing activities		**(447)**	**(130,000)**
Net change in cash and cash equivalents		233,295	73,391
Cash and cash equivalents, beginning of year	10	28,937,501	30,530,267
Effects of exchange rates on cash and cash equivalents holdings in foreign currencies		(427,808)	(1,666,157)
Cash and cash equivalents, end of year	**10**	**28,276,398**	**28,937,501**

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 by the group 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 2017 were approved and authorised for issue by the Board of Directors on 29 March 2018.

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 2017.

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

- *AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15;*
- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses;*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107; and*
- *AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15;*
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

In addition, several other standard amendments and interpretations were applicable for the first time in 2017, but were not relevant to the Group 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 2017. 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:

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

a Financial assets that are debt instruments will be classified based on: (i) the objective of the Group's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b 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.

c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

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 group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the group'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 2018.

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:

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

- 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

The group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the group'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 2018.

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 group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the group'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 2019.

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 2017. 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.

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.

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:

- expenses relating to share-based payments
- research costs relating to new business activities; and

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.

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.

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 profit or loss during the financial year 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:

Class of Fixed Asset	**Depreciation Rate**
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 profit or loss.

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 group 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.

4.11 Financial instruments (continued)

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 group 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. 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.

4.13 Income taxes (continued)

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.

4.16 Employee benefits

Provision is made for the group'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 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.

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.

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.

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

- **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.

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 group 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 incurrence 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.

5 Segment reporting (continued)

Segment information for the year is as follows:

2017	Wholesale $	Retail $	Total $
Segment revenues	42,042,066	14,557,351	56,599,417
Segment cost of sales	(31,450,509)	(7,432,054)	(38,882,563)
Segment depreciation and amortisation	(422,150)	(1,547,310)	(1,969,460)
Segment stock provision	(566,842)	(77,297)	(644,139)
Segment other expenses	(10,728,815)	(4,202,624)	(14,931,439)
Segment operating results	**(1,126,250)**	**1,298,066**	**171,816**
Unallocated expenses			(522,106)
Group result			**(350,290)**
Segment assets	-	889,077	889,077
Total unallocated assets	-	-	62,734,260
Total consolidated assets			**63,623,337**
Segment liabilities	-	-	-
Total unallocated liabilities	-	-	4,864,739
Total consolidated liabilities			**4,864,739**

2016	Wholesale $	Retail $	Total $
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 depreciation and amortisation	(319,015)	(1,932,748)	(2,251,763)
Segment impairment expense	-	(57,554)	(57,554)
Segment stock provision	(416,596)	(56,809)	(473,405)
Segment other expenses	(8,847,148)	(4,733,756)	(13,580,904)
Segment operating results	**415,749**	**834,601**	**1,250,350**
Unallocated expenses			(787,882)
Group result			**462,468**
Segment assets	-	2,085,536	2,085,536
Total unallocated assets	-	-	62,942,786
Total consolidated assets			**65,028,322**
Segment liabilities	-	-	-
Total unallocated liabilities	-	-	4,988,067
Total consolidated liabilities			**4,988,067**

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

6 Revenue

	2017	2016
	$	$
Sales revenue		
- Sales of goods	56,599,417	57,202,805
Total sales revenue	**56,599,417**	**57,202,805**
Other income		
- Bank interest received	91,204	97,144
Total other income	**91,204**	**97,144**

7 Expenses

7.1 Direct store expenses

	2017	2016
	$	$
Employee expenses	975,789	1,034,810
Marketing and advertising	55,536	66,342
Shopping mall commission	2,742,007	2,907,105
Shopping mall management expense	138,640	168,989
Rental	53,194	48,040
Depreciation (direct store)	1,101,198	764,543
Impairment for intangible assets	-	57,554
Amortisation	474,553	1,333,091
Other direct store expenses	286,313	343,583
Total direct store expenses	**5,827,230**	**6,724,057**

7.2 Marketing expenses

	2017	2016
	$	$
Advertising	198,895	220,849
Exhibition	2,866,545	3,055,419
Total marketing expenses	**3,065,440**	**3,276,268**

7 Expenses (cont.)

7.3 Selling expenses

	2017	2016
	$	$
Wholesale commission	846,357	689,987
Employee expenses	902,406	1,005,824
Transportation expenses	414,244	384,194
Hospitality expenses	216,016	221,647
Travelling expenses	121,700	102,170
Other selling expenses	105,948	104,309
Total selling expenses	**2,606,671**	**2,508,131**

7.4 Administration expenses

	2017	2016
	$	$
Audit fee	138,300	133,000
Employee expenses	1,231,061	1,384,272
Depreciation	428,129	356,273
Stock obsolete expenses	644,139	473,405
Bad debt expenses / (recovered)	(212,412)	1,209,881
Hospitality expenses	297,744	310,052
Travelling expenses	116,521	109,203
Distributor support expense	3,436,443	-
Other expenses	452,050	367,323
Total administration expenses	**6,531,975**	**4,343,409**

7.5 Depreciation and amortisation expenses

	2017	2016
	$	$
Included in:		
Direct store expenses	1,575,751	2,097,634
Administration expenses	428,129	356,273
Total depreciation and amortisation expenses	**2,003,880**	**2,453,907**

7 Expenses (cont.)

7.6 Employee expenses

	2017	2016
	$	$
Included in:		
Direct store expenses	975,789	1,034,810
Selling expenses	902,406	1,005,824
Administration expenses	1,231,061	1,384,272
Total employee expenses	**3,109,256**	**3,424,906**

8 Finance costs

Finance costs for the reporting periods consist of the following:

	2017	2016
	$	$
Finance costs		
- Bank charges	4,781	4,593
Total finance costs	**4,781**	**4,593**

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% (2016: 30%). The Chinese assessable earnings are taxed at 25% (2016: 25%).

The components of tax expense comprise:

	2017 $	2016 $
Current tax	-	69,909
Deferred tax	122,250	322,287
Current tax expense/(benefit)	**122,250**	**392,196**

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

	2017 $	2016 $
Prima facie tax payable on profit from ordinary activities before income tax at local tax rates		
- Consolidated group	(78,020)	213,666
Prior year tax differences adjusted based on PRC tax audit	-	69,909
Non-assessable income	57,691	(29,400)
Tax loss on entities not recognised	142,579	138,021
Income tax attributable to entity	**122,250**	**392,196**
The applicable weighted average effective tax rates are as follows(1)	54%	46%

(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.

10 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2017	2016
	$	$
Cash at bank and in hand	28,276,398	28,937,501
Cash and cash equivalents	**28,276,398**	**28,937,501**

Cash at bank and on hand balances as at 31 December 2017 includes Chinese Renminbi denominated equivalent balances of $28.2 million (2016: $28.9 million) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Renminbi is not freely convertible into foreign currencies. Under the PRC (People's Republic of China) Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

11 Trade and other receivables

Trade and other receivables consist of the following:

	Note	2017	2016
		$	$
CURRENT			
Trade receivables	11a	15,675,615	15,537,973
Provision for bad debts		(959,010)	(1,193,896)
Other receivables	11b	12,551	8,943
Goods & services tax receivable	11c	2,460	7,238
Total		**14,731,616**	**14,360,258**

Reconciliation of provision for bad debts	2017	2016
	$	$
Balance at 1 January	(1,193,896)	-
Bad debt expenses	(212,412)	(1,209,881)
Foreign exchange difference	447,298	15,985
Balance at 31 December	**(959,010)**	**(1,193,896)**

11 Trade and other receivables (cont.)

a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 60 day terms (2016: 60 days). As of 31 December 2017, trade receivables of $2,589,170 (2016: $3,914,400) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017	2016
	$	$
60-90 days	1,630,160	3,009,703
90-180 days	959,010	825,007
180-365 days	-	79,690
Total	**2,589,170**	**3,914,400**

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.

b. Other receivables

Other receivables arise from transaction outside the usual operating activities of the Group 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

	2017	2016
	$	$
CURRENT		
Security deposits to suppliers	2,413,255	2,081,004

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

13 Inventories

Inventories consist of the following:

	2017 $	2016 $
CURRENT		
Inventory recognised at cost	10,003,701	9,150,101
Provision for stock obsolescence	(1,396,261)	(751,096)
Net inventory	**8,607,440**	**8,399,005**

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 $1,396,261 has been recognised during the current financial year for aged stock items in accordance with the Group policy (2016: $751,096).

14 Controlled entities

a. Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%) 2017 %	2016 %
Sunbridge Group Limited	Australia		
Subsidiaries of Sunbridge Group Limited:			
- 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 2017 or 31 December 2016.

c. Non-controlling interest

No subsidiaries have a non-controlling interest.

15 Property, plant and equipment

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

	Office Equipment $	Buildings $	Direct Store Equipment $	Motor Vehicles $	Consolidated $
Gross carrying amount					
Cost					
Balance 1 January 2017	**780,171**	**7,450,005**	**2,963,946**	**110,645**	**11,304,767**
Additions	166,068	71,667	433,585	-	671,320
Net exchange differences	(8,742)	(112,996)	(37,057)	(1,699)	(160,494)
Balance 31 December 2017	**937,497**	**7,408,676**	**3,360,474**	**108,946**	**11,815,593**
Accumulated Depreciation					
Balance 1 January 2017	**(116,838)**	**(746,083)**	**(1,369,761)**	**(70,075)**	**(2,302,757)**
Depreciation	(128,477)	(265,812)	(1,101,198)	(33,840)	(1,529,327)
Net exchange differences	(710)	6,273	(438)	416	5,541
Balance 31 December 2017	**(246,025)**	**(1,005,622)**	**(2,471,397)**	**(103,499)**	**(3,826,543)**
Net carrying amount 31 December 2017	**691,472**	**6,403,054**	**889,077**	**5,447**	**7,989,050**

15 Property, plant and equipment (Continued)

	Office Equipment	Buildings	Direct Store Equipment	Motor Vehicle	Consolidated
	$	$	$	$	$
Gross carrying amount					
Cost					
Balance 1 January 2016	**209,892**	**7,535,797**	**1,742,082**	**116,823**	**9,604,594**
Additions	589,161	316,888	1,331,579	-	2,237,628
Net exchange differences	(18,882)	(402,680)	(109,715)	(6,178)	(537,455)
Balance 31 December 2016	**780,171**	**7,450,005**	**2,963,946**	**110,645**	**11,304,767**
Accumulated Depreciation					
Balance 1 January 2016	**(60,089)**	**(516,899)**	**(649,585)**	**(36,993)**	**(1,263,566)**
Depreciation	(60,729)	(260,038)	(764,543)	(35,507)	(1,120,817)
Net exchange differences	3,980	30,854	44,367	2,425	81,626
Balance 31 December 2016	**(116,838)**	**(746,083)**	**(1,369,761)**	**(70,075)**	**(2,302,757)**
Net carrying amount 31 December 2016	**663,333**	**6,703,922**	**1,594,185**	**40,570**	**9,002,010**

16 Intangible assets

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

	Franchising Rights	Software	Total
	$	$	$
Gross carrying amount			
Balance at 1 January 2017	2,974,751	67,579	3,042,330
Currency translation differences	(45,677)	(1,038)	(46,715)
Balance at 31 December 2017	**2,929,074**	**66,541**	**2,995,615**
Accumulated Amortisation			
Balance at 1 January 2017	(2,483,401)	(67,579)	(2,550,980)
Amortisation	(474,553)	-	(474,553)
Currency translation differences	28,880	1,038	29,918
Balance at 31 December 2017	**(2,929,074)**	**(66,541)**	**(2,995,615)**
Carrying amount 31 December 2017	**-**	**-**	**-**

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). As at 31 December 2017 all intangible assets were fully amortised.

	Franchising Rights	Software	Total
	$	$	$
Gross carrying amount			
Balance at 1 January 2016	4,138,613	71,352	4,209,965
Termination of franchising rights	(957,667)	-	(957,667)
Currency translation differences	(206,195)	(3,773)	(209,968)
Balance at 31 December 2016	**2,974,751**	**67,579**	**3,042,330**
Amortisation and impairment			
Balance at 1 January 2016	(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
Balance at 31 December 2016	**(2,483,401)**	**(67,579)**	**(2,550,980)**
Carrying amount 31 December 2016	**491,350**	**-**	**491,350**

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:

	2017	2016
	$	$
Provision for stock obsolescence	345,753	187,774
Provision for bad debts	237,478	298,474
Property, plant and equiptment	(22,441)	(22,441)
Intangibles	(243,270)	(243,270)
Wholesaler renovation support	867,550	1,109,591
Total Deferred Tax Assets	**1,185,070**	**1,330,128**

18 Trade and other payables

Trade and other payables consist of the following:

	2017	2016
	$	$
CURRENT:		
Trade payables	1,853,484	1,864,375
Security deposits from customers	1,338,696	1,549,512
Related party loans payables	189,553	190,000
Other payables	1,483,006	1,384,180
Total Trade and Other Payables	**4,864,739**	**4,988,067**

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:

	2017	2016
	$	$
CURRENT ASSETS:		
Prepaid Income Tax	420,508	427,066

20 Contingent assets and liabilities

There are currently two ongoing legal cases relating to a maintenance dispute and default of a third party's mortgage loan in which the subsidiary, Hengjiasi Dress Development Co., Ltd was one of the guarantors. The amounts payable have yet to be determined. Further information on these contingencies is omitted so as not to seriously prejudice the Group's position in the related disputes. The Directors consider that the impact will not be material.

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

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.

	2017 Shares	**2016 Shares**	**2017 $'000**	**2016 $'000**
Shares issued and fully paid:				
Beginning of the year	471,738,000	471,738,000	12,495,825	12,495,825
Shares issued	-	-	-	-
Total contributed equity at 31 December	**471,738,000**	**471,738,000**	**12,495,825**	**12,495,825**

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 2017 and 31 December 2016 are as follows:

	2017	2016
	$	$
Total liabilities	4,864,739	4,988,067
Less: Cash and cash equivalents	(28,276,398)	(28,937,501)
Net liabilities (net of cash)	**(23,411,659)**	**(23,949,434)**
Total equity	58,758,598	60,040,255
Net liabilities to equity ratio	**(40%)**	**(40%)**

22 Other components of equity

Foreign Currency Translation Reserve

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

Statutory General Reserve

Pursuant to the current People's Republic of China Company Law, the Group 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 2017 or 2016).

The reconciliation for the calculation of earnings per share for 2017 and 2016 are as follows:

	2017	2016
Profit/(loss) used to calculate basic EPS and dilutive EPS	(350,290)	462,468
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 2017 (2016: Nil).

24 Capital and leasing commitments

Leasing commitments

The Consolidated Group has leasing commitments at 31 December 2017 as follow:

	2017 $	2016 $
Payable – minimum lease payments		
- Not later than 12 months	18,563	19,220
- Between 12 months and 5 years	-	-
- Greater than 5 years	-	-
Total	**18,563**	**19,220**

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 2017 as follow:

	2017 $	2016 $
Management fee payable		
- Not later than 12 months	80,606	139,632
- Between 12 months and 5 years	-	32,481
- Greater than 5 years	-	-
Total	**80,606**	**172,113**

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

Capital commitments

The Consolidated Group has capital commitments at 31 December 2017 as follow:

	2017 $	2016 $
Planned capital expenditure		
- Not later than 12 months	226,258	234,223
- Between 12 months and 5 years	-	-
- Greater than 5 years	-	-
Total	**226,258**	**234,223**

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 $6k, advertising fee of $806k, and distributors' support expenditure $2.29 million.

All commitments are due within 12 months.

25 Reconciliation of cash flows from operating activities

Reconciliation of Cash Flows from Operating Activities	**2017**	**2016**
	$	**$**
Cash flows from operating activities		
Profit/(loss) for the year	**(350,290)**	**462,468**
Adjustments for:		
Amortisation	474,553	1,333,091
Impairment	-	57,554
Depreciation	1,529,327	1,120,817
Bad Debt	(212,412)	1,209,881
Effects of foreign exchange	(354,283)	(1,184,713)
Net changes in working capital		
Change in trade receivables	(137,641)	(1,554,775)
Change in security deposits	(331,080)	188,881
Change in inventories	(208,435)	6,403
Change in trade payables	(10,891)	837,437
Change in income taxes payable	6,558	(589,449)
Change in deferred tax	145,057	410,049
Change in other liabilities	(111,991)	143,375
Net cash from operating activities	**438,472**	**2,441,019**

26 Auditor remuneration

	2017	**2016**
	$	**$**
Remuneration for audit and review of financial statements for the parent entity paid/payable to Grant Thornton Australia Pty Ltd:		
- Auditing and reviewing of financial report	138,300	133,000
Other services		
- Taxation services	3,200	3,100
Total Auditor's remuneration	**141,500**	**136,100**

27 Related party transactions

a. Transactions with Key Management Personnel

	2017	2016
	$	$
Reimbursement of expenses previously paid by Mr Xu Jiayin on the Group's behalf	398,896	320,000
Advances received by the Group to support the parent entity's operation in Australia from Mr Xu Jiayin	399,343	190,000

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
31 December 2017	$	$
Mr Jia Yin Xu	-	189,553

	Receivable from the party	Payable to the party
31 December 2016	$	$
Mr Jia Yin Xu	-	190,000

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

	2017	2016
	$	$
Short-term benefits	490,768	467,235
Post-employment benefits	27,522	24,435
	518,290	**491,670**

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

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 credits 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.

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 2017.

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 2017 generate approximately 66% of the Group's revenue during the financial period. (2016: approximately 58%).

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	$	$	$	$	$	$	$	$
Financial Assets:										
- Cash and cash equivalents (Variable interest rate)	0.34%	0.34%	28,276,398	28,937,501	-	-	-	-	28,276,398	28,937,501
- Trade and other receivables	-	-	-	-	-	-	14,731,616	14,360,258	14,731,616	14,360,258
- Security deposits to suppliers	-	-	-	-	-	-	2,413,255	2,081,004	2,413,255	2,081,004
Total Financial Assets			**28,276,398**	**28,937,501**	-	-	**17,144,871**	**16,441,262**	**45,421,269**	**45,378,763**
Financial Liabilities:										
- Trade and other payables	-	-	-	-	-	-	4,864,739	4,988,067	4,864,739	4,988,067
Total Financial Liabilities			-	-	-	-	**4,864,739**	**4,988,067**	**4,864,739**	**4,988,067**
Net Financial Assets:			-	-	-	-	-	-	**40,556,530**	**40,390,696**

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 2017 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% (2016: +/- 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 2017	4,560	(4,560)	4,560	(4,560)
31 December 2016	4,857	(4,857)	4,857	(4,857)

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:

	2017	**2016**
Class of financial assets	**$**	**$**
Carrying amounts:		
Cash and cash equivalents	28,276,398	28,937,501
Security deposit made to suppliers	2,413,255	2,081,005
Trade and other receivables	14,731,616	14,360,258
Total	**45,421,269**	**45,378,764**

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 2017, the Group has certain trade receivables that have not been settled within their normal credit term but are not considered to be impaired. A detailed list of past due but not impaired trade receivable is disclosed in Note 11 (a).

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 2017. 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'):

	2017	2016
	$	$
Statement of financial position		
Assets		
Current assets	5,932	9,822
Non-current assets	23,105,271	23,105,271
Total assets	**23,111,203**	**23,115,093**
Liabilities		
Current liabilities	140,318	122,167
Non-current liabilities	2,747,308	2,349,163
Total liabilities	**2,887,626**	**2,471,330**
Net assets	**20,223,577**	**20,643,763**
Equity		
Issued capital	23,652,487	23,652,487
Retained earnings	(3,428,910)	(3,008,724)
Total equity	**20,223,577**	**20,643,763**
Financial performance		
Profit/(loss) Loss for the year	(420,186)	(418,239)
Total comprehensive income	**(420,186)**	**(418,239)**

30 Parent entity information (cont.)

No guarantee was provided by the parent entity in relation to debts of its subsidiary at 31 December 2017. The Parent Entity has no commitment, contingent liabilities or contingent assets at 31 December 2017 (2016: $ Nil). Sunbridge Group Limited (Parent Entity) was incorporated on 22 May 2013.

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

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.

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 2017 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 2017.

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:

Benny Yubin Qiu
Chairman

Dated the 29th day of March 2018.

Grant Thornton House
Level 3
170 Frome Street
Adelaide, SA 5000
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members 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 2017, the consolidated statement of profit or 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 2017 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. 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
Revenue recognition **Note 4.5 and Note 6**	
Revenue is the key driver of the Group and is generated through two revenue streams being retail stores and wholesalers. Additionally ASA 240 *The Auditors Responsibility in relation to Fraud in an Audit of a Financial Report* requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. The Group focuses on revenue as a key performance measure and revenue is also a key driver by which the performance of the Group is measured. This area is a key audit matter due to the volume of transactions and the total balance of revenue.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy to ensure it is in line with AASB 118 *Revenue*; • Performing analytical procedures to understand movements and trends in revenue for comparison against expectations and market benchmarks in comparison to other retail companies in the People's Republic of China; • Confirming a sample of revenue transactions; • Tracing a sample of revenue transactions to supporting documentation to ensure revenue is being recognised in line with the revenue recognition assessment in line with accounting standards; • Performing cut off procedures to ensure that revenue transactions at or around year end have been recorded in the correct period; and • Assessing the adequacy of the related disclosures within the financial statements.
Inventory valuation **Note 4.12 and Note 13**	
Inventories are a significant asset of the company and at 31 December 2017 represent 14% of the total assets. There is an increased risk associated with inventory obsolescence due to seasonality associated with the fashion industry. This may impact the price at which inventory items can be sold. In accordance with AASB 102 *Inventories*, inventories shall be measured at the lower of cost and net realisable value. This area is considered a key audit risk given the nature of inventories held and the total value.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to inventory valuation; • Selecting a sample of inventory items from the 31 December 2017 inventory listing and verifying the sale price of these same items post 31 December 2017 to test whether the inventory items sampled were recorded at the lower of cost or net realisable value; • Reviewing the inventory ageing report to consider the adequacy of inventory provisioning for aged inventory; • Performing analytical reviews of gross margin achieved during the year and comparing to auditor expectations; and • Assessing the adequacy of the related disclosures within the financial statements.

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 included in the Group's annual report for the year ended 31 December 2017, 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_responsibilities/ar1.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 the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Sunbridge Group Limited, for the year ended 31 December 2017, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 29 March 2018

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 2018**.

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>	251,899,387

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

	Ordinary Shares		Options	
Holding	**Shareholders**	**Shares**	**Option holders**	**Options**
1 - 1,000	21	1,097	-	-
1,001 - 5,000	9	35,188	-	-
5,001 - 10,000	54	469,490	-	-
10,001 - 100,000	232	11,175,794	-	-
100,001-9,999,999,999	178	460,056,431	-	-
	494	**471,738,000**	**-**	**-**

ASX Additional Information (Continued)

Twenty (20) Largest Shareholders

	Ordinary Shares	
	Number of Shares Held	Percentage (%) of Issued Shares
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	251,899,387	53.398%
REDBROOK NOMINEES PTY LTD	25,000,000	5.300%
MRS JIYA ZHANG	21,816,472	4.625%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,853,994	2.937%
MR NARAYAN CHANDRASEKHARAN	12,000,966	2.544%
HISHENK PTY LTD	11,214,500	2.377%
CITICORP NOMINEES PTY LIMITED	8,112,679	1.720%
MR VU QUANG MINH DANG & MRS THI KIM DAU NGUYEN <RISING SUPER FUND A/C>	7,804,487	1.654%
BNP PARIBAS NOMS PTY LTD <DRP>	4,372,233	0.927%
HILL & HONE PTY LTD	4,000,000	0.848%
MR SEAN ANTHONY DENNEHY	3,600,000	0.763%
MR ZHI GANG WU & MRS LI HONG REN	3,400,000	0.721%
MR SALVATORE PETER CIANCI	3,360,001	0.712%
MR MINH VU QUANG DANG & MRS THI KIM DAU NGUYEN <RISING SUPER FUND A/C>	3,100,605	0.657%
MR MICHAEL ERNEST GRANATA <THE GRANATA FAMILY A/C>	3,000,000	0.636%
MR KOKO ZAW	3,000,000	0.636%
MR ANDREW RICHARD JACKSON BALL	2,450,597	0.519%
DR STEVEN G RODWELL	2,352,114	0.499%
MR MINH DANG & MR HUY DANG <DANG FAMILY A/C>	2,170,560	0.460%
JASON BRIAN HAMILTON	2,000,000	0.424%
MR GARY STUBBS & MRS SATISH STUBBS	2,000,000	0.424%
PHOENIX-IG PTY LTD <ZAW SUPERFUND A/C>	2,000,000	0.424%
	392,508,595	**83.205%**

Unissued equity securities

There are no options issued by the Group.