Sunbridge Group Limited and Its Controlled Entities
ABN 40 163 886 020

Sunbridge Group Limited

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2018

Appendix 4E

Commentary on Full Year 2018 Results

The Directors of Sunbridge Group Limited ('Sunbridge' or "the Company") and its controlled entities ('the Group') hereby present the Company's Appendix 4E – Preliminary Final Report for the financial year ended 31 December 2018.

Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the 2018 financial year (ended 31 December 2018). It should be noted that the Group's financial year runs from January to December each year.

The Sunbridge Group reported a group profit of $5.4 million for the 2018 financial year. As a result of the depreciation of Australian dollars AUD against the RMB, the Company showed a foreign exchange gain on translation of its foreign operation of $3 million. The Company's cash and cash equivalents reserves remain strong at $31.7 million.

Corporate Results Summary

For the 2018 financial year, the Sunbridge Group, through its wholly owned China-based subsidiaries, realised results as following:

- With the Group's strategies in strengthening existing business, supporting distributors in their renovation and upgrades to their stores, and hence uplifting the Group brand's image, it has resulted in a substantial increase in the Group's revenue for the financial year.
- Group revenue for the year (excluding interest received) was $70.4 million, showing a 24% increased from 2017 revenue of $56.6 million.
- The Group's distributors generated total revenues of $54.4 million showing an increase of $12.3 million from 2017, while the direct stores showing an increase of $1.5 million in revenue. The number of direct stores at year end stood at 46, as compared to 2017 of 52.
- The Group generated net profit before tax of $6.9 million for the current financial year, as compared to 2017 loss before tax of $228k.
- Group net profit after tax of $5.4 million, as compared to 2017 loss after tax of $350k.
- $2.4 million has been spent during the financial year as renovation subsidies to distributors to support their renovation and upgrades to their stores. Due to the transition to AASB 15 renovation subsidies have been recorded as a contract asset. As a result of the transition to AASB 15, Revenue is shown net of renovation subsidies.
- Impact of foreign exchange translation gain on total comprehensive income was $3 million.
- Continuing strong cash reserves of $31.7 million at the financial year end.

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 at around 30%.

Commentary on Full Year 2018 Results (continued)

About Sunbridge Group Limited

Sunbridge Group Limited (ASX: SBB) ("Company") 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 303 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.

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.

Sunbridge Group Limited and Its Controlled Entities
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APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

Current Period	12 months ended 31 December 2018
Prior Period	12 months ended 31 December 2017

2. Results for announcement to the market

Consolidated Group	Item	2018 $	2017 $	Up / Down	% Movement
Revenue – excluding interest received	**2.1**	70,400,990	56,599,417	Up	24%
Profit / (loss) after tax attributable to members	**2.2**	5,399,824	(350,290)	Up	1642%
Net profit attributable to members	**2.3**	5,399,824	(350,290)	Up	1642%
Dividend	**2.4**				

	Amount per security	Amount Franked	Amount Unfranked
Final dividend per share	Nil	Nil	Nil

Explanatory information	**2.5**	For further information refer ***Commentary on Results*** which accompanies this announcement.

<u>Overview</u>

The principal activity of Sunbridge Group Limited and controlled entities ('Consolidated Group' or 'Group') during the financial year was the sale and distribution of menswear.

The Group operates in two business segments, wholesale of clothing apparel to franchised distributors and retail sales of clothing apparel by company owned stores. The Group currently operates in one geographical market, the People's Republic of China. (Refer to Note 2 for further details)

There were no other significant changes in the nature of the consolidated Group's principal activities during the financial year.

This financial report includes the consolidated financial statements and notes to the financial statements of the Consolidated Group. Sunbridge Group Limited was incorporated on 22 May 2013 and listed on the Australian Securities Exchange ("ASX") on 27 November 2013. The Company is incorporated and domiciled in Australia.

<u>Overview of results</u>

For the year ended 31 December 2018, revenue has increased by $13.8 million (up 24% compared to 2017). Group net profit before tax was $6.9 million (up 3146% compared to 2017). Group net profit after tax was $5.4 million (up 1642% compared to 2017).

Financial Position

The net assets of the consolidated Group increased by $10.9 million from $58.8 million on 31 December 2017 to $69.7 million on 31 December 2018. This increase has largely resulted from the following factors:

- $5.4 million profit after tax attributable to members;
- $3 million gain on foreign exchange translation; and
- Effect of AASB 15 Adjustment of $2.5 million

The consolidated Group's strong financial position has enabled the group to maintain a healthy working capital ratio. The Group's working capital, being current assets less current liabilities, increased from $49.6 million in 2017 to $57.7 million in 2018.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the parent entity during the financial year or the prior year.

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income – see accompanying preliminary financial statements

4. Consolidated Statement of Financial Position – see accompanying preliminary financial statements

5. Consolidated Statement of Cash Flow – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

The Directors have resolved not to pay an unfranked final dividend.

7. Details of any Dividend or distribution reinvestment plans

Please see Point 2.4 above for recommended dividends. The Company does not have any distribution reinvestment plans.

8. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

9. Net tangible assets per security

	31 December 2018	31 December 2017
Number of securities	471,738,000	471,738,000
Net tangible assets per security in cents	14.44	12.50

10. Changes in controlled entities

There have been no changes in controlled entities during the year.

11. Details of associates and joint venture entities

Not applicable.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer ***Commentary on Results*** which accompanies this announcement.

13. Foreign entities disclosures

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

14. Additional information

Earnings per Share on continuing operations	**31 December 2018**	**31 December 2017**
Basic earnings per share in cents	1.14	(0.07)
Diluted earnings per share in cents	1.14	(0.07)

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year 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.

15. Compliance Statement

The financial statements are in the process of being audited.

Signed in accordance with a resolution of the Board of Directors of Sunbridge Group Limited:

Benny Yubin Qiu – Chairman
Dated this 28th of February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018	2017
		$	$
Revenue	3	70,400,990	56,599,417
Cost of goods sold		(50,292,516)	(38,882,564)
Gross profit		**20,108,474**	**17,716,853**
Other income	3	316,029	91,204
Direct store expenses		(4,662,654)	(4,251,479)
Marketing expense		(2,490,950)	(3,065,440)
Distributor support expense		-	(3,436,443)
Amortisation expense		-	(474,553)
Depreciation expense		(1,086,637)	(1,529,327)
Stock impairment expense		(1,055,126)	(644,139)
Other expenses	4	(3,946,893)	(4,629,935)
Finance costs		(235,739)	(4,781)
Profit / (loss) before income tax		6,946,504	(228,040)
Income tax expense	5	(1,546,680)	(122,250)
Profit / (loss) for the year		**5,399,824**	**(350,290)**
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		3,002,817	(931,367)
Total comprehensive income / (loss) for the year attributable to members		**8,402,641**	**(1,281,657)**
Earnings per share (on profit / (loss) attributable to ordinary equity holders)		**Cents**	**Cents**
Basic earnings per share	15	1.14	(0.07)
Diluted earnings per share	15	1.14	(0.07)

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

Sunbridge Group Limited and Its Controlled Entities
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Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018	2017
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	31,744,903	28,276,398
Trade and other receivables	7	22,160,326	14,731,616
Security deposits to suppliers		2,877,196	2,413,255
Inventories	8	10,127,271	8,607,440
Current tax assets		-	420,508
TOTAL CURRENT ASSETS		**66,909,696**	**54,449,217**
NON-CURRENT ASSETS			
Contract assets		4,126,786	-
Property, plant and equipment	10	7,828,851	7,989,050
Deferred tax assets		694,176	1,185,070
TOTAL NON-CURRENT ASSETS		**12,649,813**	**9,174,120**
TOTAL ASSETS		**79,559,509**	**63,623,337**
CURRENT LIABILITIES			
Trade and other payables	11	5,729,816	4,864,739
Short-term borrowings		3,091,508	-
Current tax liabilities		338,498	-
TOTAL CURRENT LIABILITIES		**9,159,822**	**4,864,739**
NON-CURRENT LIABILITIES			
Deferred tax liabilities		649,587	-
TOTAL NON-CURRENT LIABILITIES		**649,587**	**-**
TOTAL LIABILITIES		**9,809,409**	**4,864,739**
NET ASSETS		**69,750,100**	**58,758,598**
EQUITY			
Issued capital	13	12,495,825	12,495,825
Foreign exchange translation reserve	14	9,536,281	6,483,953
Reserves	14	6,771,262	6,771,262
Retained Earnings		40,946,732	33,007,558
TOTAL EQUITY		**69,750,100**	**58,758,598**

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 2018

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Other Reserves	Total Equity
	$	**$**	**$**	**$**	**$**
Balance at 1 January 2017	**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**
Effect of AASB 15	-	2,539,350	49,511	-	2,588,861
Balance at 1 January 2018	**12,495,825**	**35,546,908**	**6,533,464**	**6,771,262**	**61,347,459**
Profit for the year	-	5,399,824	-	-	5,399,824
Other comprehensive income	-	-	3,002,817	-	3,002,817
Total comprehensive income	**-**	**5,399,824**	**3,002,817**	**-**	**8,402,641**
Balance at 31 December 2018	**12,495,825**	**40,946,732**	**9,536,281**	**6,771,262**	**69,750,100**

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 2018

	Notes	2018 $	2017 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		68,727,174	55,819,614
Payments to suppliers and employees		(65,887,648)	(55,469,949)
Interest received		85,004	91,204
Finance costs		(4,714)	(4,781)
Income tax paid		(396,944)	2,384
Net cash from operating activities	**16**	**2,522,872**	**438,472**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(560,016)	(671,320)
Net cash used in investing activities		**(560,016)**	**(671,320)**
CASH FLOW FROM FINANCING ACTIVITIES			
Cash receipts (repayment) from (of) related parties		49,160	(447)
Net cash used in financing activities		**49,160**	**(447)**
Net change in cash and cash equivalents		2,012,016	(233,295)
Cash and cash equivalents, beginning of year	6	28,276,398	28,937,501
Effects of exchange rates on cash and cash equivalents holdings in foreign currencies		1,456,489	(427,808)
Cash and cash equivalents, end of year	**6**	**31,744,903**	**28,276,398**

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

Notes to the Consolidated Financial Statements

1 Basis of preparation and significant accounting policies

These preliminary consolidated financial statements of Sunbridge Group Limited and its controlled entities (the "Group") for the year ended 31 December 2018 have been prepared based on the requirements of rule 4.3A of the ASX listing rules (Appendix 4E).

The preliminary consolidated financial statements of the Group have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2017, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 31 December 2017 are the relevant policies for the purposes of comparatives.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments (2014)* became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the year ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

1.1. Revenue

AASB 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.

The Group's business model is straight forward and its contracts with customers for the sale of menswear include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains control of goods which is the point where the Group satisfies performance obligations.

Wholesaler commission which was previously presented as a separate expense item is now required to be presented as revenue, as it is part of the consideration promised in contracts with franchised distributors and includes a variable amount. This resulted in a net decrease to revenue and wholesaler commission expenses.

Store renovation support was historically expensed when incurred. Under AASB 15 the store renovation support has been accounted for as consideration paid to the distributor, hence has been recorded as an asset on the statement of financial position. The relationship with Distributors is considered to be 7-10 years. The company has determined that the release of the store renovation support to profit or loss over a period of 3 years represents the economic benefit of the support provided.

1 Basis of preparation and significant accounting policies (cont.)

Impact of adoption on the current reporting period

The Group has applied AASB 15 with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated.

The table below highlights the impact of the adoption of AASB 15 on the financial line items of the Group's statement of financial position, the statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

Statement of Profit or Loss and Other Comprehensive Income	Amounts under AASBs 118 & 111	Adjustments	Amounts under AASB 15
	$	$	$
Revenue	73,381,592	(2,980,602)	70,400,990
Wholesaler commission	(1,178,632)	1,178,632	-
Distributor support expense	(2,402,626)	2,402,626	-
Income tax expense	(1,162,078)	(384,602)	(1,546,680)

Statement of Financial Position	Amounts under AASBs 118 & 111	Adjustments	Amounts under AASB 15
	$	$	$
Contract assets	-	4,126,786	4,126,786
Deferred tax assets	1,240,818	(546,642)	694,176
Deferred tax liabilities	-	649,587	649,587
Retained earnings	38,407,382	2,539,350	40,946,732
Foreign exchange translation reserve	9,486,770	49,511	9,536,281

Note 3 provides additional disclosures disaggregating revenue by product lines and the timing of revenue recognition.

1.2. Financial Instrument

The Group has initially adopted AASB 9 *Financial instruments* from 1 January 2018. AASB 9 replaces AASB 139 *Financial instruments: recognition and measurement*. It sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Based on the assessment by the Group, there is no significant cumulative effect of the initial application of AASB 9 at 1 January 2018 in accordance with the transition requirement.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1 Basis of preparation and significant accounting policies (cont.)

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, trade and other receivables and contract assets are classified as financial assets at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

1 Basis of preparation and significant accounting policies (cont.)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount $'000	AASB 9 carrying amount $'000
Financial assets				
Trade and other receivables	Loans and Receivables	Amortised cost	14,732	14,732
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	4,865	4,865

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018.

New and revised standards issued but are not yet effective for these financial statements

A number of new standards and amendments to standards are not yet effective for the year ending 31 December 2018 and have not been adopted by the Group in preparing the interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standard which may have impact on the consolidated financial statements.

2 Segment reporting

Identification of reportable segments

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

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

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

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

Types of products and services by segment
Segments as determined by the Directors and Management are as follows:

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

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

Basis of accounting for purposes of reporting by operating segments:

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the 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.

2 Segment reporting (cont.)

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- current tax liabilities; and
- other financial liabilities

2 Segment reporting (cont.)

Segment information for the reporting period is as follows:

	Wholesale	Retail	Total
2018	**$**	**$**	**$**
Segment revenues	54,387,930	16,013,060	70,400,990
Segment cost of sales	(42,289,636)	(8,002,880)	(50,292,516)
Segment interest revenue	85,004	-	85,004
Segment interest expense	(4,714)	-	(4,714)
Segment depreciation and amortisation	(506,846)	(916,980)	(1,423,826)
Segment stock provision	(928,511)	(126,615)	(1,055,126)
Segment other expenses	(6,080,186)	(4,270,367)	(10,350,553)
Segment operating results	**4,663,041**	**2,696,218**	**7,359,259**
Unallocated expenses net of unallocated revenue			(1,959,435)
Group result			**5,399,824**
Segment assets	-	657,659	657,659
Total unallocated assets	-	-	78,901,850
Total consolidated assets			**79,559,509**
Segment liabilities	-	-	-
Total unallocated liabilities	-	-	9,809,409
Total consolidated liabilities			**9,809,409**

	Wholesale	Retail	Total
2017	**$**	**$**	**$**
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 interest revenue	91,204	-	91,204
Segment interest expense	(4,781)	-	(4,781)
Segment depreciation and amortisation	(422,150)	(1,547,310)	(1,969,460)
Segment stock provision	(566,842)	(77,297)	(644,139)
Segment other expenses	(10,651,518)	(4,279,921)	14,931,439)
Segment operating results	**(962,530)**	**1,220,769**	**258,239**
Unallocated expenses net of unallocated revenue			(608,529)
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**

3 Revenue

	2018	2017
	$	$
Sales revenue		
- Wholesale sales	54,387,930	42,042,066
- Retail sales	16,013,060	14,557,351
Total sales revenue	**70,400,990**	**56,599,417**
Timing of revenue recognition		
- At a point in time	70,400,990	56,599,417
- Over time	-	-
Total revenue from external customers	**70,400,990**	**56,599,417**
Geographical markets		
People's Republic of China	70,400,990	56,599,417
Other income		
- Bank interest	85,004	97,144
- Other interest income	231,025	-
Total other income	**316,029**	**97,144**

4 Other expenses

	2018	2017
	$	$
Audit expenses	138,325	138,300
Wholesale commission	-	846,357
Salary expenses	1,772,190	1,795,012
Transportation expenses	485,639	414,244
Bad debt expenses	-	(212,412)
Administrative expenses	1,040,258	1,090,435
Other expenses	510,481	557,999
Total other expenses	**3,946,893**	**4,629,935**

5 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% (2017: 30%). The Chinese assessable earnings are taxed at 25% (2017: 25%)

The components of tax expense comprise:

	2018 $	2017 $
Current tax	1,162,078	-
Deferred tax	384,602	122,250
Current tax expense	**1,546,680**	**122,250**

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

	2018 $	2017 $
Prima facie tax payable on profit from ordinary activities before income tax at local tax rates of 30% (2017: 30%)		
- Consolidated group	2,083,951	(78,020)
Differences in taxation rates in foreign subsidiaries	(378,320)	-
Tax losses on entities not recognised	123,826	142,579
Non-assessable income	-	57,691
Other	(282,777)	-
Income tax attributable to the Group	**1,546,680**	**122,250**
The applicable weighted average effective tax rates are as follows	22%	54%

6 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2018 $	2017 $
Cash at bank and in hand	31,744,903	28,276,398
Cash and cash equivalents	**31,744,903**	**28,276,398**

7 Trade and other receivables

Trade and other receivables consist of the following:

	2018 $	2017 $
CURRENT		
Trade receivables	18,820,788	15,675,615
Provision for bad debts	-	(959,010)
Other receivables	3,338,174	12,551
Goods & services tax receivable	1,364	2,460
Total	**22,160,326**	**14,731,616**

8 Inventories

Inventories consist of the following:

	2018 $	2017 $
CURRENT		
Inventory recognised at cost	12,663,169	10,003,701
Provision for stock obsolescence	(2,535,898)	(1,396,261)
Net inventory	**10,127,271**	**8,607,440**

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

An inventory provision of $2,525,898 has been recognised during the current financial year for aged stock items in accordance with the Company policy (2017: $1,396,261).

9 Controlled entities

a. Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%) 2018 %	Percentage Owned (%) 2017 %
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 2018 or 31 December 2017.

c. Non-controlling interest

No subsidiaries have a non-controlling interest.

10 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 2018	**937,497**	**7,408,676**	**3,360,474**	**108,946**	**11,815,593**
Additions	-	177,160	382,856	-	560,016
Net exchange differences	44,102	351,680	164,915	5,125	565,822
Balance 31 December 2018	**981,599**	**7,937,516**	**3,908,245**	**114,071**	**12,941,431**
Accumulated Depreciation					
Balance 1 January 2018	**(246,025)**	**(1,005,622)**	**(2,471,397)**	**(103,499)**	**(3,826,543)**
Depreciation	(149,985)	(285,344)	(651,308)	-	(1,086,637)
Net exchange differences	(14,250)	(52,399)	(127,882)	(4,869)	(199,400)
Balance 31 December 2018	(410,260)	(1,343,365)	(3,250,587)	(108,368)	(5,112,580)
Net carrying amount 31 December 2018	**571,339**	**6,594,151**	**657,658**	**5,703**	**7,828,851**

10 Property, plant and equipment (Continued)

	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**

11 Trade and other payables

Trade and other payables consist of the following:

	2018	2017
	$	$
CURRENT:		
Trade payables	1,942,239	1,853,484
Security deposits from customers	1,337,771	1,338,696
Related party loans	238,713	189,553
Other payables	2,211,093	1,483,006
Total trade and other payables	**5,729,816**	**4,864,739**

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

12 Contingent assets and liabilities

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

13 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.

	2018 Shares	2017 Shares	2018 $'000	2017 $'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 balance sheet.

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 2018 and 31 December 2017 are as follows:

	2018 $	2017 $
Total liabilities	5,729,816	4,864,739
Less: Cash and cash equivalents	(31,744,903)	(28,276,398)
Net liabilities (net of cash)	**(26,015,087)**	**(23,411,659)**
Total equity	69,750,100	58,758,598
Net liabilities to equity ratio	**(37%)**	**(40%)**

14 Other components of equity

Foreign Currency Translation Reserve

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

Statutory General Reserve

Pursuant to the current People's Republic of China Company Law, the Company is required to transfer between 5% to 10% of its profit after taxation to a statutory reserve until the 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.

15 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 2018 or 2017).

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

	2018	2017
Profit/(loss) used to calculate basic EPS and dilutive EPS	5,399,824	(350,290)
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 2018 (2017: Nil).

16 Reconciliation of cash flows from operating activities

Reconciliation of Cash Flows from Operating Activities	**2018**	**2017**
	$	**$**
Cash flows from operating activities		
Profit/(loss) for the period	**5,399,824**	**(350,290)**
Adjustments for:		
Amortisation	-	474,553
Depreciation	1,086,637	1,529,327
Provision for bad debts	-	(212,412)
Effects of foreign exchange	201,851	(354,283)
Net changes in working capital		
Change in trade receivables	(3,145,173)	(137,641)
Change in other receivables	(835,858)	(331,080)
Change in inventories	(1,519,831)	(208,435)
Change in contract assets	(611,376)	-
Change in trade payables	88,755	(10,891)
Change in income taxes payable	759,006	6,558
Change in deferred tax	371,875	145,057
Change in other liabilities	727,162	(111,991)
Net cash from operating activities	**2,522,872**	**438,472**