SUNBRIDGE GROUP LIMITED

Company Update with Sunbridge Managing Director Mr Xu Jia Yin

16 March 2015

Sunbridge Group Ltd (ASX: SBB) (Sunbridge, the Company) recently released its first Appendix 4E – Preliminary Final Report, following the Company's successful listing on the ASX in November 2013.

Sunbridge Managing Director, Mr Xu Jia Yin, provides the following update for shareholders on these results, and also on operational initiatives and the outlook for the Company.

1. Sunbridge has recently announced that it has recorded NPAT of $A8.4 million for the year ended 31 December 2014. Can you provide shareholders with you views on the Company's performance?

The Board is very encouraged by this result, mainly because top line revenue growth was very strong and the underlying profit was also solid. This is the first full year period that Sunbridge has reported as an ASX listed company, which is an important milestone for us.

Shareholders should be encouraged by revenue growth which was a 6% year-on-year increase ($A84.24 million versus $A79.49 million) as it demonstrates the strength of our brands in China and the continuing demand for our products. This is very pleasing for the management team in China as this revenue growth was achieved in what is a highly competitive retail environment here.

Whilst statutory NPAT was down, this is a direct reflection of the Board's decision to make a significant investment in the Company's future growth with $A6.3 million invested in upgrading and renovating many of our 352 outlets that are run by franchisees. We consider that this investment is integral to maintaining future growth, not just for our brands but for the entire Company.

Shareholders should also be encouraged that underlying or operational profit is still strong, with the add back of non-recurrent expenses (mainly store renovation expenses, as stated) and like-for-like comparison actually showing a solid increase on the previous corresponding period ($A15.37 million versus $A13.9 million for 2013). Also, we benefited from a weaker Australian dollar which saw us record a foreign exchange gain of $A4.2 million for the year which was surplus to our operational profit result.

2. The company has taken the decision to invest heavily in store renovations? Does Sunbridge expect to continue to invest similar amounts in store renovations in the current year?

Firstly, it is important to emphasise how critical it is in such a large and competitive retail market like China that we continue to invest in our brands to maintain their visibility and strengthen their appeal to consumers. Ensuring that the retail experience is fresh and modern is a very large part of this, hence the significant investment we made in store upgrades and renovations in 2014.

We must continue to deliver a first class shopping experience for our customers, because that is how great brands are built. Whilst we have not fully determined the scale of investment we will make this year, it remains an important and ongoing commitment so we can deliver long term growth and build a business of much greater scale.

3.The company has almost $30 million in cash on its balance sheet. How is the Board deploying these funds?

Before I go into the deployment of funds, I should stress that we are well positioned with a very strong balance sheet, having a total equity position of $A55.42 million at year's end, a significant increase on that of the previous year which was $A43.12 million.

As we have conveyed to shareholders on numerous occasions with audited figures, we keep our cash on deposit and in country with Chinese banks so that funds may be deployed readily and easily when required – this is a very important advantage when doing business in China. Whilst deposit rates in China are not as attractive as those in Australia, we have been in discussions with franchisees to acquire more retail outlets, and it is important we have ready access to our funds.

In terms of deployment, we have a record of buying back franchised stores in order to boost margins and retain greater control of the way in which our brands are promoted and sold, and we will maintain this strategy.

Another part of our growth strategy is opening new stores throughout China so we can broaden our retail footprint. Building greater market share and increased visibility throughout China is a key objective for us.

4. The company has made statements about its intention to possibly pay 25% of profits in dividends. Given that Sunbridge did not pay a dividend this year, what is the company's intention in this regard in the future?

The Board appreciates that some shareholders have been disappointed by this decision, and as one of Sunbridge's largest shareholders, I would naturally like to see all shareholders rewarded with dividends, and this is our objective for the future.

However, the Board has determined that in the current market it is important that we pursue growth opportunities over paying dividends in the shorter term.

The opportunity we now have to scale up and build our brands in what is rapidly becoming the largest consumer market in the world in China represents a compelling opportunity. These opportunities to not happen often. By capitalising on these opportunities, we feel that we will be able to unlock maximum value for shareholders in the medium and longer terms.

Whilst we have a retail distribution network of over 420 outlets today, by Chinese standards this is quite small. So it's important that we fully leverage the opportunity we now have and attain the critical mass we need to build our business for longer term growth and prosperity.

5. Your recent announcement referenced potential acquisitions. What sort of businesses is the company assessing?

This year will be an important one for Sunbridge, and as previously communicated to shareholders, acquisition driven growth is very much on our radar – now is the right time to further capitalise on the solid profit base we have established from our current operations.

Sunbridge is a prudent and well managed company and we have a track record of success in the menswear sector. Our operations are geared toward this demographic so similar bolt ons are our first priority. Of course China is the first market where we are looking to expand but we are also considering opportunities in international markets.

So we are looking at a number of opportunities, but what I can say is that any acquisition must make an immediate contribution to earnings and have the same growth potential as our existing operations, otherwise they do not make sense. Having a well defined acquisition criteria is important.

6. So what are the company's immediate objectives for the next six months?

A large part of our focus will be on managing our cost base tightly in order to preserve the Company's strong balance sheet. We understand there is some debate that Sunbridge has a lazy balance sheet, but we believe a strong cash position should be more common place in many businesses, as not only does it provides security for shareholders, it also gives us the flexibility to capitalise on growth when the opportunity arises.

We plan to continue our program of store renovations and franchise buy backs to further grow revenues and boost margins, and more importantly, to maintain our position in the market place. The continued investment in our PANDIST and Agueseadan brands is critical to our ongoing success.

Something I want to emphasise is our desire to achieve greater scale, and this is why we want to maintain a strong cash position in the near term.

Like some shareholders, I am of course disappointed with the performance of the company's share price but like all good businesses, if we continue to deliver at an operational level, the share price will follow. We are committed to our listing on the Australian Securities Exchange and creating a retail business that is ranked among the leading retailers on the ASX.

I would like to convey to my fellow shareholders that Sunbridge is a well-established and credible Company in China with considerable unlocked value that we intend to fully leverage over the coming year and beyond.

I thank you for your ongoing support and loyalty, and I look forward to updating you on our operations and other initiatives throughout the year.

- ENDS -

Sunbridge's Board and Management aims to meet with shareholders in Australia in the near term to share more details on the company's growth objectives for 2015 and into 2016. Further details of these shareholder briefings will be provided shortly.

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 邦迪.斯顿**" and **AGUESEADAN 亚阁.仕丹**" **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 400 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 28 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 the Guangdong and Wenzhou cities, 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.