



# SUNBRIDGE GROUP LIMITED

## Company update with CEO Mr Xu Jia Yin

28 September 2015

**Sunbridge Group Ltd (ASX: SBB) (Sunbridge, the Company)** recently released its Appendix 4D – Preliminary Report for the period ended 30 June 2015 (it should be noted that the Company reports on a calendar year basis).

Sunbridge CEO, Mr Xu Jia Yin, provides this update for shareholders on these results, and on the ongoing strategy and outlook for the Company.

**1. Sunbridge recently announced that it recorded NPAT of \$2.02 million for the Half Year ended 30 June 2015. Could you provide shareholders with your views on Company's performance and some insights into this result?**

Shareholders should be encouraged that not only has the Company delivered a profit in challenging market conditions, and after making some significant but necessary investments, we have also maintained our cash reserves of almost \$30 million along with a solid balance sheet.

I also point out that Sunbridge's net equity position has grown from \$55.4 million as at 31 December 2014 to \$61.3 million at the end of this latest Half Year period.

While it is clear that the retail environment in China has been somewhat challenging, it should be noted that Sunbridge still managed to deliver this NPAT result of \$2.02 million for the period from revenue of \$36.76 million.

It is important to highlight that this result was impacted by an increase in operating expenses of \$2.34 million, due to the rapid growth in the number of our self-owned stores, along with the amortisation of the \$2.5 million investment we made in franchise store renovations, combined with one-off expenses of \$239,000 for the period.

So taking all of these factors into account, I believe that the Company has performed quite strongly, especially in this economic climate.

**2. Why has Sunbridge invested so heavily in self-owned store acquisitions and franchise store renovations? Does the Company intend to keep investing similar amounts this way in the current period?**

Growing the number of self-owned stores is an important part of our business strategy, as this will underpin the Company's growth in the longer term, and also helps to maintain the visibility of our brands in a large and competitive market. This strategy also boosts our margins – the fact that our margins were up by 2% for the period is proof of this, and is a great result.

However, now that we have tripled the number of self-owned stores from 24 in the first half of 2014 to the 70 we have now (2 non-performing self-owned stores were closed recently), we feel that we do not need to pursue this growth strategy so aggressively.



The support we provide to our franchisees with store renovations is an important part of our overall marketing plan in terms of maintaining the quality and relevance of our brands in what is becoming an increasingly competitive retail sector in China. We must continue to deliver a first class customer experience, which is why we want all of our stores to look clean, fresh and modern.

Once again, with the significant progress we have now made in this regard, it will not be necessary to invest as heavily in store renovations in the near term.

**3. The Company maintains its very strong cash reserves of almost \$30 million – why is this so?**

In the current economic climate we feel that it is very important to keep a strong cash balance to give us the financial flexibility to deploy funds for any potential acquisitions or business opportunities that may arise, while continuing to market and promote our brands in order to further grow and maintain our market share.

I understand the disappointment of some shareholders in the Board's decision not to pay a dividend following this Half Year result, but we feel that our financial resources are better directed towards ensuring the Company's ongoing growth and prosperity so that this may be possible in future.

**4. You have previously stated that Sunbridge might be looking at possible acquisitions – is this still the case?**

We are still assessing a number of potential acquisitions, but we intend to be prudent in this regard. We will only proceed with any acquisition once we have completed all necessary due diligence, and also are satisfied that it will be accretive and the right fit for our business.

While we have some options under consideration, we feel it is important that any investment we make in an acquisition will deliver maximum value for the Company and our shareholders.

**5. What are the Company's objectives for the near future?**

A major focus will be on managing expenses and overheads in order to lower our cost base and maintain Sunbridge's strong balance sheet. I reiterate that we must maintain our strong cash position so that we are well placed to capitalise on any opportunities that may arise.

We will continue to invest strategically in growing the number of self-owned stores, albeit not at such a rapid pace. I consider this to be an integral part of our business plan that will help us to achieve the critical mass we need in this market place.

I understand that shareholders want more information on the Company's activities, and I wish to reassure you that the Board and management are working very hard at an operational level to ensure that our share price will be more reflective of Sunbridge's true value and potential.

I thank you for your ongoing support and loyalty, and I look forward to updating you on Sunbridge's operations and initiatives over the coming months.

**– ENDS –**



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## **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 “**A<sup>g</sup>u<sup>s</sup>eseadan 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.