



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 2016



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

Appendix 4E

Commentary on Full Year 2016 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 2016.

Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the 2016 financial year (ended 31 December 2016). 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 \$462k for the 2016 financial year. As a result of the appreciation of Australian dollars AUD against the RMB, the Company showed a foreign exchange loss on translation of its foreign operation of \$3.4 million. The Company's cash and cash equivalents reserves remain strong at \$28.9 million.

Corporate Results Summary

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

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

The main reasons for the decreased revenue and profits are as follows

- a softer Chinese economy impacted Group's overall sales.
- large amount of inventory sold at discounted price.
- number of franchised distributors decreased by 2 during the financial year (group revenue reduced by \$1.09 million).
- number of direct stores reduced from 67 to 56 during the financial year (group revenue reduced by \$973k).
- incurred bad debt of \$1.21 million due to close-down of 2 franchised distributors.



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

Commentary on Full Year 2016 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 380 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 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
ABN 40 163 886 020

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

1. Reporting period

Current Period 12 months ended 31 December 2016
Prior Period 12 months ended 31 December 2015

2. Results for announcement to the market

Consolidated Group	Item	2016 \$	Up / Down	% Movement
Revenue – excluding interest received	2.1	57,202,805	Down	20.0%
Profit after tax attributable to members	2.2	462,468	Down	88.1%
Net profit attributable to members	2.3	462,468	Down	88.1%
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 <i>Commentary on Results</i> which accompanies this announcement.		

Overview

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 5 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.

Overview of results

For the year ended 31 December 2016, sales revenue has decreased by \$14,277,228 (down 20.0% compared to 2015). Group NPBT was \$855k (down 85.2% compared to 2015). Group NPAT was \$462k (down 88.1% compared to 2015). The main reasons for the decreased revenue and profits are as follows



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

- a softer Chinese economy impacted Group's overall sales.
- large amount of inventory sold at discounted price.
- number of franchised distributors decreased by 2 during the financial year (group revenue reduced by \$1.09 million).
- number of direct stores reduced from 67 to 56 during the financial year (group revenue reduced by \$973k).
- incurred bad debt of \$1.21 million due to close-down of 2 franchised distributors.

Financial Position

The net assets of the consolidated Group decreased by \$2,913,922 from \$62,954,177 on 31 December 2015 to \$60,040,255 on 31 December 2016. This decrease has largely resulted from the following factors:

- \$462,468 profit after tax attributable to members; and,
- \$3,376,390 loss on foreign exchange translation

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, decreased from \$50,905,300 in 2015 to \$49,216,767 in 2016.

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 2016	31 December 2015
Number of securities	471,738,000	471,738,000
Net tangible assets per security in cents	12.41	12.43



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

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

<u>Earnings per Share on continuing operations</u>	31 December 2016	31 December 2015
Basic earnings per share in cents	0.10	0.83
Diluted earnings per share in cents	0.10	0.83

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 and are not likely to be subject to dispute or qualification.

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

Benny Yubin Qiu – Chairman

Dated this 28th of February 2017



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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue	6	57,202,805	71,480,033
Cost of Goods Sold		(39,588,827)	(46,756,114)
Gross Profit		17,613,978	24,723,919
Other Income	6	97,144	119,761
Direct store expenses		(4,568,869)	(5,383,451)
Marketing expense		(3,276,268)	(2,454,132)
Distributor support expense		-	(2,692,406)
Amortisation expense	16	(427,258)	(1,276,768)
Depreciation expense	15	(1,120,817)	(810,031)
Impairment of intangible assets	16	(57,554)	(1,141,782)
Stock impairment expense		(473,405)	(303,492)
Other expenses	7	(6,927,694)	(4,972,497)
Finance costs	8	(4,593)	(36,631)
Profit / (Loss) before Income Tax		854,664	5,772,490
Income Tax Expense	9	(392,196)	(1,880,537)
Profit / (Loss) for The Year		462,468	3,891,953

Other Comprehensive Income for The Year Net of Tax

Items that may be reclassified subsequently to profit or loss

Exchange differences on translating foreign operations	(3,376,390)	3,641,627
Total Comprehensive Income for The Year Attributable to Members	(2,913,922)	7,533,580

Profit attributable to members of the parent entity	462,468	3,891,953
Total comprehensive income attributable to members of the parent entity	(2,913,922)	7,533,580

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

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

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



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

Consolidated Statement of Financial Position

As at 31 December 2016

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

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



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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Other Reserves	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2015	12,495,825	29,003,427	7,150,083	6,771,262	55,420,597
Profit for the year	-	3,891,953	-	-	3,891,953
Other comprehensive income	-	-	3,641,627	-	3,641,627
Total comprehensive income	-	3,891,953	3,641,627	-	7,533,580
Balance at 31 December 2015	12,495,825	32,895,380	10,791,710	6,771,262	62,954,177
Profit for the year	-	462,468	-	-	(295,609)
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

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



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

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		56,102,490	74,455,707
Payments to suppliers and employees		(53,118,097)	(66,236,586)
Interest received		97,144	119,761
Finance costs		(4,593)	(36,631)
Income tax paid		(655,029)	(2,779,642)
Net cash provided by operating activities	25	2,421,915	5,522,609
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,237,628)	(2,353,221)
Net cash provided by/(used in) investing activities		(2,237,628)	(2,353,221)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds/(Repayment) of borrowings		-	(3,060,950)
Cash receipts (advances) from (to) related parties		(130,000)	(1,027,196)
Net cash used in financing activities		(130,000)	(4,088,146)
Net change in cash and cash equivalents		54,287	(918,758)
Cash and cash equivalents, beginning of year	10	30,530,267	29,320,103
Effects of exchange rates on cash and cash equivalents holdings in foreign currencies		(1,647,053)	2,128,922
Cash and cash equivalents, end of year	10	28,937,501	30,530,267

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



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

Notes to the Consolidated Financial Statements

1 Nature of operations

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

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

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

2 General information and statement of compliance

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



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

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

At the date of authorisation of the Financial Statement, a number of Standards and Interpretations were on issue but not yet effective. In the Directors' opinion, the following Standards on issue but not yet effective are most likely to impact the amounts reported by the Group in future financial periods:

Standards/ Interpretation	Effective Date	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> AASB 9 <i>Financial Instruments</i> (December 2014) [Also refer to AASB 2013-9 and AASB 2014-1 AASB 9 <i>Financial Instruments</i> (December 2014)] 	1 January 2018	31 December 2018
<ul style="list-style-type: none"> AASB 1056 Superannuation Entities 	1 July 2016	31 December 2017
<ul style="list-style-type: none"> AASB 15 Revenue from Contracts with Customers 	1 January 2018	31 December 2018
<ul style="list-style-type: none"> AASB 16 Leases 	1 January 2019	31 December 2019
<ul style="list-style-type: none"> AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 	1 January 2018	31 December 2018
<ul style="list-style-type: none"> AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) 	1 January 2018	31 December 2018
<ul style="list-style-type: none"> AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 	1 January 2018	31 December 2018
<ul style="list-style-type: none"> AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities 	1 July 2016	30 June 2017
<ul style="list-style-type: none"> AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities 	1 July 2016	31 December 2017
<ul style="list-style-type: none"> AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 	1 January 2017	31 December 2018
<ul style="list-style-type: none"> AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses 	1 January 2017	31 December 2017
<ul style="list-style-type: none"> AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 	1 January 2017	31 December 2017
<ul style="list-style-type: none"> AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 	1 January 2018	31 December 2018



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

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

• AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	31 December 2017
• AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	31 December 2018
• AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	31 December 2018
• AASB 1058 <i>Income of Not-for-Profit Entities</i>	1 January 2019	31 December 2019
• AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017	31 December 2017
• AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 January 2019	31 December 2019

Below are Standards issued by IASB but not yet by the AASB

• Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 12: 1 January 2017	31 December 2017 and 31 December 2018 (respectively)
	Amendments to IFRS 1 & IAS 28: 1 January 2018	
• Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	31 December 2018
• IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	31 December 2018



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

4 Summary of accounting policies

4.1 Overall considerations

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

4.2 Basis of consolidation

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

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

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

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



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

4.3 Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

There have been no investments in associates or joint ventures during the year.

4.4 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 income statement, 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 income statement.

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 balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.



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

4.5 Segment reporting

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

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

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

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

4.6 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).

4.7 Operating expenses

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

4.8 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.

4.9 Intangible assets

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



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

4.10 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 income statement during the financial period in which they are incurred.

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Land and 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 income statement.



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

4.11 Impairment testing of goodwill, 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.

4.12 Financial instruments

Recognition and Initial Measurement

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

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



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

4.12 Financial instruments (cont.)

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is 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 expire. 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.

4.13 Inventories

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

4.14 Income taxes

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

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



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

4.14 Income taxes (cont.)

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

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

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

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

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

4.15 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.

4.16 Equity, reserves and dividend payments

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

Other components of equity include the following:

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

Retained earnings include all current and prior period retained profits.

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

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



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

4.17 Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled 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 national government bonds with terms to maturity that match the expected timing of cash flows.

4.18 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

4.19 Goods and Services Tax (GST) and Value Added Tax (VAT)

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

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



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

4.20 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.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.



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

5 Segment reporting

Identification of reportable segments

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

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

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

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

Types of products and services by segment

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

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

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

Basis of accounting for purposes of reporting by operating segments:

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

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



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

5 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



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

5 Segment reporting (cont.)

Segment information for the reporting period is as follows:

	Wholesale	Retail	Total
	\$	\$	\$
2016			
Segment revenues	41,928,324	15,274,480	57,202,804
Segment cost of sales	(31,929,816)	(7,659,012)	(39,588,828)
Segment interest revenue	97,141	-	97,141
Segment interest expense	(4,143)	-	(4,143)
Segment depreciation and amortisation	(319,103)	(1,916,994)	(2,236,097)
Segment impairment expense	-	(57,554)	(57,554)
Segment stock provision	(473,405)	-	(473,405)
Segment other expenses	(10,059,881)	(3,928,882)	(13,988,763)
Segment operating results	(760,883)	1,712,038	951,155
Unallocated expenses net of unallocated revenue			(488,687)
Group result			462,468
Segment assets	64,527,151	491,350	65,018,501
Total unallocated assets	-	-	9,821
Total consolidated assets			65,028,322
Segment liabilities	4,675,900	-	4,675,900
Total unallocated liabilities	-	-	312,167
Total consolidated liabilities			4,988,067
2015			
Segment revenues	53,229,900	18,250,133	71,480,033
Segment cost of sales	(38,361,054)	(8,395,060)	(46,756,114)
Segment interest revenue	119,767	-	119,767
Segment interest expense	(14,280)	-	(14,280)
Segment depreciation and amortisation	(838,809)	(1,831,997)	(2,670,806)
Segment impairment expense	-	(1,141,782)	(1,141,782)
Segment stock provision	(303,492)	-	(303,492)
Segment other expenses	(11,377,649)	(2,938,418)	(14,316,067)
Segment operating results	1,559,567	2,957,156	4,516,723
Unallocated expenses net of unallocated revenue			(624,770)
Group result			3,891,953
Segment assets	65,240,525	1,967,672	67,208,197
Total unallocated assets	-	-	45,618
Total consolidated assets			67,253,815
Segment liabilities	3,819,914	-	3,819,914
Total unallocated liabilities	-	-	1,075,715
Total consolidated liabilities			4,895,629



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

6 Revenue

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

7 Other expenses

Material other expenses during the year ended 31 December 2016 are listed below:

	2016	2015
	\$	\$
Audit expenses	133,000	125,000
Wholesale commission	727,739	795,531
Salary expenses	1,805,476	1,882,164
Transportation expenses	384,194	453,764
Bad debt expenses	1,209,881	-
Administrative expenses	1,672,239	1,513,265
Other expenses	995,165	202,773
Total other expenses	6,927,694	4,972,497

8 Finance costs

Finance costs for the reporting periods consist of the following:

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



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%)

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

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

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



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

11 Trade and other receivables

Trade and other receivables consist of the following:

	Note	2016 \$	2015 \$
CURRENT			
Trade receivables	10a	14,344,077	13,983,196
Other receivables	10b	8,943	16,228
Goods & services tax receivable	10c	7,238	30,426
Total		14,360,258	14,029,850

a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 60 day terms (2015: 60 days). As of 31 December 2016, trade receivables of \$3,914,400 (2015: \$1,906,537) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 \$	2015 \$
60-90 days	3,009,703	1,906,537
90-180 days	825,007	-
180-365 days	79,690	-
Total	3,914,400	1,906,537

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 Company and are unsecured, interest free and repayable on demand.

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

c. Goods & services tax receivable

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



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

12 Security deposits to suppliers

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

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

13 Inventories

Inventories consist of the following:

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

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

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

14 Controlled entities

a. Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%)	
		2016	2015
		%	%
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 2016 or 31 December 2015.

c. Non-controlling interest

No subsidiaries have a non-controlling interest.



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

15 Property, plant and equipment

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

	Office Equipment \$	Land and Buildings \$	Construction in Progress \$	Direct Store Equipment \$	Motor Vehicle \$	Consolidated \$
Gross carrying amount						
<u>Cost</u>						
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
Disposals	-	-	-	-	-	-
Transferred from CIP	-	-	-	-	-	-
Net exchange differences	(18,883)	(402,681)	-	(109,715)	(6,178)	(537,457)
Balance 31 December 2016	780,171	7,450,005	-	2,963,946	110,645	11,304,767
<u>Accumulated Depreciation</u>						
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)
Disposals	-	-	-	-	-	-
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	6,703,921	-	1,594,186	40,570	9,002,010



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

15 Property, plant and equipment (Continued)

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



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

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 2016	4,138,613	71,352	4,209,965
Addition, separately acquired	-	-	-
Impairment of franchising rights	(57,554)	-	(57,554)
Currency translation differences	(218,088)	(3,773)	(221,861)
Balance at 31 December 2016	3,862,971	67,579	3,930,550
Amortisation			
Balance at 1 January 2016	(2,170,941)	(71,352)	(2,242,293)
Amortisation	(427,258)	-	(427,258)
Currency translation differences	(773,422)	3,773	(769,649)
Balance at 31 December 2016	(3,371,621)	(67,579)	(3,439,200)
Carrying amount 31 December 2016	491,350	-	491,350

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

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

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



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

17 Deferred tax assets

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

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

18 Trade and other payables

Trade and other payables consist of the following:

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

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

19 Current tax assets and liabilities

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

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

20 Contingent assets and liabilities

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



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

21 Share capital

Ordinary shares

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

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

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

	2016 Shares	2015 Shares	2016 \$'000	2015 \$'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 2016 and 31 December 2015 are as follows:

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



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

22 Other components of equity

Foreign Currency Translation Reserve

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

Statutory General Reserve

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

23 Earnings per share and dividends

Earnings per share

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

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

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

Dividends

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



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

24 Capital and leasing commitments

Leasing commitments

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

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

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

Management fee commitments

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

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

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

Services commitments

Services commitment represents legal fee of \$6,665 and advertising fee of \$833,737 with payable within no later than 12 months.



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

25 Reconciliation of cash flows from operating activities

Reconciliation of Cash Flows from Operating Activities	2016	2015
	\$	\$
Cash flows from operating activities		
Profit/(loss) for the period	462,468	3,891,953
<u>Adjustments for:</u>		
Amortisation	427,258	1,276,768
Impairment	945,013	1,445,274
Depreciation	1,120,817	810,031
Effects of foreign exchange	(1,169,456)	749,532
<u>Net changes in working capital</u>		
Change in trade receivables	(360,881)	2,145,417
Change in other receivables	188,881	(70,509)
Change in inventories	6,403	(3,013,273)
Change in trade payables	837,437	(278,730)
Change in income taxes payable	(589,449)	(927,884)
Change in deferred tax	410,049	(8,837)
Change in other liabilities	143,375	(497,133)
Net cash from operating activities	2,421,915	5,522,609

26 Auditor remuneration

	2016	2015
	\$	\$
Remuneration for audit and review of financial statements for the parent entity:		
- Auditing and reviewing of financial report	133,000	125,000
Other services		
- Tax return	3,100	2,600
Total Auditor's remuneration	136,100	127,600



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

27 Related party transactions

27.1 Transactions with Key Management Personnel

	2016	2015
	\$	\$
Reimbursement of expenses previously paid by Mr Xu Jiayin on the Group's behalf	420,000	1,328,765
Advances received by the Group to support the parent entity's operation in Australia from Mr Xu Jiayin	550,000	470,000

27.2 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 2016		
Mr Jia Yin Xu	-	190,000
Mr Ting Jiang	-	-
	Receivable from the party	Payable to the party
	\$	\$
31 December 2015		
Mr Jia Yin Xu	-	320,000
Mr Ting Jiang	2,000	-

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

27.3 Key Management Remuneration

	2016	2015
	\$	\$
Short-term benefits	642,914	451,367
Post-employment benefits	38,364	29,965
	681,278	481,332

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;



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

28.1 Risk management objectives and policies (Continued)

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

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

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

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

28.2 Market Risk analysis

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

Foreign currency risk

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

Credit risk

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

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



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

28.2 Market Risk analysis (Continued)

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 are no collateral held as security at 31 December 2016.

Price risk

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

Liquidity risk

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

Interest rate risk

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

Customer concentration risk

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



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

28.3 Financial instrument composition and maturity analysis

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

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



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

28.4 Credit risk analysis

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

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

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

At 31 December 2016, the Group has certain trade receivables that have not been settled within their normal credit term but are not considered to be impaired. 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 2016. All financial assets and liabilities are carried at amortised cost

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



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

30 Parent entity information

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

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

No guarantee was provided by the parent entity in relation to debts of its subsidiary at 31 December 2016. The Parent Entity has no contingent liabilities or contingent assets at 31 December 2016 (2015: \$ 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.



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

32 Company details

Registered Office

Level 12, 680 George Street
Sydney NSW 2000

Principal place of business

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

Website

www.sunbridge.com.au