



Sunbridge Group Limited

Appendix 4E
Preliminary Final Report
For the year ended 31 December 2013

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Sunbridge Group Limited and controlled entities
ABN 40 163 886 020

Appendix 4E

Commentary on Full Year Results

The Directors of Sunbridge Group Limited ('Sunbridge' or 'the Company') and its controlled entities ('the Group') hereby present the Company's first Appendix 4E – Preliminary Final Report, following successful listing in November 2013.

Through this report, the Board seeks to provide an update to its Shareholders and the market on the results achieved for the 2013 financial year (ended 31 December 2013). It should be noted that the Group's financial year runs from January to December each year.

The Sunbridge Group realised an after tax profit of \$AUD13.9 million for the 2013 financial year which represents an increase of 5% on the previous year. As a result of the strengthening of the Chinese Renminbi, the Company showed a foreign exchange gain on translation of foreign operation of \$AUD5.6 million. The Company's cash and cash equivalents reserves remain strong at \$AUD27.9 million.

Corporate Results Summary

For the 2013 year, the Sunbridge Group, through its wholly owned China based subsidiaries, achieved:

- **Group revenue for the year (excluding interest received) was up by 25% to \$AUD79.5 million compared to 2012 revenue of \$AUD63.7 million;**
- Sunbridge's 5 direct stores generated total revenues of \$AUD1.5 million, a significant increase from 2012's revenues of \$AUD0.2 million through improved brand recognition and effective management of the Group's own stores. In addition, the management of our own stores provided valuable insight into customers' fashion desires, which will lead to futures designs much sought after by consumers;
- **Group NPBT and Listing Expenses (considered once-off expense) of \$AUD19.8 million. An increase of 10% over the previous year NPBT of \$AUD17.9 million;**
- **Group NPAT of \$AUD13.9 million. An increase of 5% over the previous year NPAT of \$AUD13.3 million;**
- Foreign exchange translation gain impacting on comprehensive income of \$AUD5.6 million;
- **Continuing strong cash reserves of \$AUD27.9 million;**

As one of China's leading brands in menswear, Sunbridge continues to grow its market share despite strong competitive pressures. Sunbridge's sales revenues alone, increased by 25% over the prior year, with gross margin holding steady at 34%.



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Commentary on Full Year 2013 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 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.

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APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. Reporting period

Current Period 12 months ended 31 December 2013
Prior Period 12 months ended 31 December 2012

2. Results for announcement to the market

Consolidated Group	Item		% Change		
			\$		\$
Revenue – excluding interest received	2.1	up	15,825,559	25%	to 79,485,327
Profit after tax attributable to members	2.2	up	636,129	5%	to 13,900,051
Net Profit attributable to members	2.3	up	636,129	5%	to 13,900,051
Dividend	2.4				
			Amount per security	Amount Franked	Amount Unfranked
Final dividend per share			0.06 cents	Nil	0.06 cents
The record date for determining entitlements to the dividend	2.5		31 March 2014		
Date final dividend payable	2.6		30 April 2014		
Explanatory information	2.7		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 segment, being the People's Republic of China; refer to Note 24 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 2013 sales revenue and net profit after tax have increased by \$15,825,559 (25% compared to 2012), and \$636,129 (5% compared to 2012) respectively on the prior year.

Financial Position

The net assets of the consolidated group have increased by \$23,537,710 from \$19,587,284 at 31 December 2012 to \$43,124,994 at 31 December 2013. This increase has largely resulted from the following factors:

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FOR THE YEAR ENDED 31 DECEMBER 2013

- \$13,900,051 profits after tax attributable to members;
- \$4,347,600 raised following the listing on ASX; and
- \$5,572,456 decrease in foreign exchange loss reserve.

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, has increased from \$15,534,756 in 2012 to \$38,298,311 in 2013.

Significant Changes in the State of Affairs

Pursuant to a Share Transfer Agreement dated 28 June 2013, Mega Rich International Creation Limited and its controlled entities (Bangdisidun (Fujian) Dress Development Co., Ltd and Hengjiasi Dress Development Co., Ltd), became wholly owned subsidiaries of Sunbridge.

There have been no other significant changes in the state of affairs of the parent entity during the financial year or 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 Cashflow – see accompanying preliminary financial statements**
- 6. Dividends Paid or Recommended**

The Directors have resolved to pay an unfranked final dividend of 0.06 cents per share. The Directors have taken into account the underlying performance of the business, its continuing strong cash generating capability and the positive outlook for 2014 in making the decision for dividend payment. The dividends are calculated at 25% of average profits after date of successful IPO, which is in line with the Company's prospectus.

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 2013
Number of securities	471,738,000
Net tangible assets per security in cents	9.1

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10. Changes in controlled entities

Pursuant to a Share Transfer Agreement dated 28 June 2013, Mega Rich International Creation Limited and its controlled entities (Bangdisidun (Fujian) Dress Development Co., Ltd and Hengjiasi Dress Development Co., Ltd), became wholly owned subsidiaries of Sunbridge.

11. Details of associates and joint venture entities

Mega Rich International Creation Limited and its controlled entities (Bangdisidun (Fujian) Dress Development Co., Ltd and Hengjiasi Dress Development Co., Ltd), became wholly owned subsidiaries of Sunbridge during the period.

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 2013
Basic earnings per share in cents	3.52
Diluted earnings per share in cents	3.52

After Balance Date Events

Other than the declaration of dividends, there are 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:

Wayne V Reid – Chairman

Dated this 28th day of February 2014

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Sunbridge Group Limited and controlled entities
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2013**

	Note	2013 \$	2012 \$
Revenue	2	79,485,327	63,659,768
Cost of goods sold		(52,553,215)	(42,021,664)
Gross profit		26,932,112	21,638,104
Other income	2	2,354	699
Reversal of provision stock impairment	11	-	1,434,149
Operating expenses		(4,853,291)	(3,555,771)
Administrative expenses		(1,870,855)	(1,125,554)
Finance costs		(453,638)	(491,255)
Listing expenses		(830,869)	-
Profit/(loss) before income tax	3	18,925,813	17,900,372
Income tax expense	4	(5,025,762)	(4,636,450)
Profit For The Year		13,900,051	13,263,922
Other Comprehensive Income For The Year, Net of Tax			
Items that may be reclassified subsequently to profit or loss		-	-
Exchange gain/(loss) differences arising on the translation of foreign operations		5,572,456	(187,972)
Total Comprehensive Income For The Year Attributable to Members		19,472,507	13,075,950
Profit attributable to members of the parent entity		13,900,051	13,263,922
Total comprehensive income attributable to members of the parent entity		19,472,507	13,075,950
Earnings per share (on profit attributable to ordinary equity holders)			
		Cents	Cents
Basic earnings per share (cents per share)	7	3.52	N/A
Diluted earnings per share (cents per share)	7	3.52	N/A

The accompanying notes form part of these financial statements.

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Sunbridge Group Limited and controlled entities
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	27,856,579	8,632,696
Trade and other receivables	9	18,689,883	14,757,124
Security deposits to suppliers	10	1,817,514	282,310
Inventories	11	4,537,344	1,287,129
TOTAL CURRENT ASSETS		52,901,320	24,959,259
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,440,842	3,724,256
Intangible assets	15	385,841	328,272
TOTAL NON-CURRENT ASSETS		4,826,683	4,052,528
TOTAL ASSETS		57,728,003	29,011,787
CURRENT LIABILITIES			
Trade and other payables	16	3,864,836	2,084,166
Financial liabilities	17	9,150,495	6,165,040
Current tax liabilities	18	1,587,678	1,175,297
TOTAL CURRENT LIABILITIES		14,603,009	9,424,503
TOTAL LIABILITIES		14,603,009	9,424,503
NET ASSETS		43,124,994	19,587,284
EQUITY			
Issued capital	20	12,495,825	8,430,622
Foreign exchange translation reserve	22	2,957,819	(2,614,637)
Reserves	22	6,771,262	6,771,262
Retained earnings		20,900,088	7,000,037
TOTAL EQUITY		43,124,994	19,587,284

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2013**

	Share Capital Ordinary	Retained Earnings	Foreign Exchange Reserve	Reserves	Total
	\$	\$	\$	\$	\$
Balance at 31 December 2011	8,430,622	3,349,915	(2,426,665)	6,771,262	16,125,134
Dividends declared	-	(9,613,800)	-	-	(9,613,800)
Profit for the year	-	13,263,922	-	-	13,263,922
Other comprehensive income	-	-	(187,972)	-	(187,972)
Balance at 31 December 2012	8,430,622	7,000,037	(2,614,637)	6,771,262	19,587,284
Profit for the year	-	13,900,051	-	-	13,900,051
Shares issued during the period	4,065,203	-	-	-	4,065,203
Other comprehensive income	-	-	5,572,456	-	5,572,456
Balance at 31 December 2013	12,495,825	20,900,088	2,957,819	6,771,262	43,124,994

The accompanying notes form part of these financial statements.



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**CONSOLIDATED STATEMENT OF CASH FLOW
FOR YEAR ENDED 31 DECEMBER 2013**

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		79,723,555	64,183,605
Payments to suppliers and employees		(64,590,584)	(53,439,980)
Interest received		2,354	699
Finance costs		(453,638)	(491,255)
Income tax paid		(4,857,530)	(3,682,773)
Net cash provided by operating activities	25	9,824,157	6,570,296
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(38,933)	(348,789)
Proceeds from sale of property, plant and equipment		(3,129)	-
Purchase of intangible assets		-	-
Net cash provided by (used in) investing activities		(42,062)	(348,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		1,704,775	869,820
Proceeds from share issues		4,347,600	-
Payments for capital raising costs		92,583	-
Cash receipts (advances) from (to) related parties		-	384,410
Cash receipts (advances) from (to) non-related parties		-	(778,435)
Dividends paid		-	(7,630,000)
Net cash used in financing activities		6,144,958	(7,154,205)
Net increase in cash held		15,927,053	(932,698)
Cash at beginning of financial year	8	8,632,696	9,678,224
Effect of exchange rates on cash holdings in foreign currencies		3,296,830	(112,830)
Cash at end of financial year	8	27,856,579	8,632,696

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Sunbridge Group Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Sunbridge Group Limited as an individual parent entity ('Parent Entity' and 'Company'). Sunbridge Group Limited listed on the Australian Stock Exchange ("ASX") on 27 November 2013 and is a company incorporated and domiciled in Australia.

The principal activity of the Group is the sales and distribution of "Pandist" and "Agueseadan" menswear. Sunbridge Group Limited was incorporated on 22 May 2013.

Basis of Preparation

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*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro-forma financial information.

a. Principles of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2013. 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value 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	2%
Office equipment	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

De-recognition

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. **Intangibles**

Franchising rights and software

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 vary from 8 to 10 years for franchising rights and 2 years for software.

h. **Foreign Currency Transactions and Balances**

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 which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the 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 the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that 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 the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

i. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance 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.

j. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Revenue and Other Income

Revenue 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 tax (GST) or value added tax (VAT).

m. 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.

All other borrowing costs are recognised in income in the period in which they are incurred.

n. Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST or 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 the expense. Receivables and payables in the balance sheet are shown 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.

o. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid according to term.

p. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjust the figures used to determine basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key Estimates — 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.

s. New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year except as follows:

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

t. New Standards not previously applied

The Consolidated Entity has adopted new and revised IFRS issued by the IASB during the current financial year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available. There is no material financial impact from adopting the new Standards.

The preliminary financial report was authorised for issue on 28th February 2014 by the board of directors.



Sunbridge Group Limited and controlled entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: REVENUE

	Note	2013 \$	2012 \$
Sales revenue			
Sale of goods		79,485,327	63,659,768
Other income			
—Bank Interest received		2,354	699
		79,487,681	63,660,467

NOTE 3: PROFIT FOR THE YEAR

	Note	2013 \$	2012 \$
Expenses			
Finance costs:			
—Interest expense		439,701	487,632
—Bank charges		13,937	3,623
Total finance costs		453,638	491,255
Employee wages and benefits		1,340,187	891,580
Included in administrative expenses are:			
—Depreciation and amortisation		120,833	70,014
—Audit fees	5	80,000	60,000
—(Gain)/loss on the disposal of property, plant and equipment		-	-

NOTE 4: INCOME TAX EXPENSE

	Note	2013 \$	2012 \$
a. The components of tax expense comprise:			
Current tax		5,025,762	4,636,450
Deferred tax		-	-
Current tax expense/(benefit)		5,025,762	4,636,450

The Australian assessable earning will be taxed at 30% (2012: 30%). The Chinese assessable earnings will be taxed at 25%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

	2013	2012
	\$	\$
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at local tax rates		
—consolidated group	4,731,453	4,475,093
—parent entity	-	-
Add:		
Tax effect of other non-allowable items	-	161,357
Refund of prior year overpayment of tax	175,258	-
Deferred tax assets reversed	121,027	-
Less:		
Tax effect of losses not brought into accounts as they do not meet the recognition criteria	(1,976)	-
Income tax attributable to entity	5,025,762	4,636,450
The applicable weighted average effective tax rates are as follows:	27%	26%

NOTE 5: AUDITORS' REMUNERATION

	2013	2012
	\$	\$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report	80,000	60,000
- investigating accountant's report	45,000	-
- tax report	5,000	-
- work related to listing	2,000	-
	132,000	60,000

NOTE 6: DIVIDENDS

Since the year end the Directors have declared the payment of a final dividend of 0.06 cents per share, unfranked. The aggregate amount of the declared dividend is expected to be paid on 30 April 2014 out of retained earnings at 31 December 2013. This has not been recognised as a liability at year end.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 7: EARNINGS PER SHARE

	2013	2012
a. Reconciliation of earnings to profit or loss	\$	\$
Profit used to calculate basic EPS and dilutive EPS	13,900,051	13,263,922
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS	394,575,196	N/A

NOTE 8: CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at bank and in hand	26,999,584	8,632,696
Short term bank deposits	856,995	-
	27,856,579	8,632,696

At 31 December 2013 \$856,995 (2012: \$nil) was held in an interest bearing short term deposit as a guarantee for notes payable (see Note 17).

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	2013	2012
CURRENT		\$	\$
Trade receivables	9a	18,679,540	13,974,996
Other receivables	9b	5,948	782,128
Goods & services tax receivable	9c	4,395	-
		18,689,883	14,757,124

a. Trade receivables past due but not impaired:

Current trade receivables are non-interest bearing and generally on 30 day terms. As of 31 December 2013, trade receivables of \$9,346,249 (2012: \$5,952,824) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Consolidated Group	
	2013	2012
	\$	\$
30-90 days	9,346,249	5,952,824
90 days above	-	-
Total	9,346,249	5,952,824

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

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 recoverable on Australian incurred.

NOTE 10: SECURITY DEPOSITS TO SUPPLIERS

	2013	2012
CURRENT	\$	\$
Security deposits to suppliers	1,817,514	282,310
Other assets represent advances/security deposits to suppliers for inventory purchases.		

NOTE 11: INVENTORIES

	2013	2012
CURRENT	\$	\$
At cost and net realisable value	4,537,344	1,287,129
Provision for stock obsolescence		
Balance at beginning	-	(1,434,149)
Provision for the year	-	-
Reversal of provision during the year	-	1,434,149
Balance at end	-	-
Net inventory	4,537,344	1,287,129

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 balance date. The provision for obsolete stock raised in 2011 has been reversed during 2012 due to the significant improvement in stock aging and sales of older stocks.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 12: CONTROLLED ENTITIES

a. Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) ⁽¹⁾	
		2013 %	2012 %
Sunbridge Group Limited	Australia		
Subsidiaries of Sunbridge Group Limited:			
Mega Rich International Creation Limited ⁽²⁾	Hong Kong	100	-
Bangdisidun (Fujian) Dress Development Co., Ltd	Peoples Republic of China	100	-
Hengjiasi Dress Development Co., Ltd	Peoples Republic of China	100	-

⁽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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 13: BUSINESS COMBINATION

Pursuant to a Share Transfer Agreement dated 28 June 2013, Mega Rich and its controlled entities has become a wholly owned subsidiary of Sunbridge.

Through this transaction effective control of Sunbridge passed to the shareholders of Mega Rich. The transaction is one referred to in AASB 3 Business Combinations as a common control, transaction where following the reconstruction Sunbridge took control of Mega Rich with no change in underlying control.

As Sunbridge was incorporated specifically for the purpose of this transaction and the subsequent equity raising, the fair value of the equity instruments issued in consideration for the acquisition of Mega Rich and its controlled entities has been estimated by reference to the net assets of the acquired entities at 31 December 2012.

The following has been extracted from the audited financial information of the Mega Rich Group as at 31 December 2012.

	31 December 2012
	\$
The assets and liabilities of Mega Rich as at 31 December 2012 were:	
Cash and cash equivalents	8,632,696
Trade and other receivables	14,757,124
Security deposits to suppliers	282,310
Inventories	1,287,129
Property, plant and equipment	3,724,256
Intangible assets	328,272
Trade and other payables	(2,084,166)
Financial liabilities	(6,165,040)
Current tax liabilities	(1,175,297)
Total net assets acquired	<u>19,587,284</u>
Accounted for as:	
Issued capital	8,430,622
Foreign exchange translation reserve	(2,614,637)
Reserves	6,771,262
Retained earnings	7,000,037
	<u>19,587,284</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment \$	Land and Buildings \$	Construction in Progress \$	Consolidated \$
31 December 2013				
<u>Cost</u>				
At 1 January 2013	24,402	2,423,566	1,419,414	3,867,382
Additions	3,129	-	-	3,129
Disposals	-	-	-	-
Exchange differences	5,068	503,455	294,859	803,382
At 31 December 2013	32,599	2,927,021	1,714,273	4,673,893
<u>Accumulated Depreciation</u>				
At 1 January 2013	21,948	121,178	-	143,126
Depreciation for the period	1,652	58,541	-	60,193
Depreciation on disposal	-	-	-	-
Exchange differences	4,559	25,173	-	29,732
At 31 December 2013	28,159	204,892	-	233,051
<u>Net book value</u>				
At 31 December 2013	4,440	2,722,129	1,714,273	4,440,842
At 31 December 2012	2,454	2,302,388	1,419,414	3,724,256
<u>Carrying amounts</u>				
At 1 January 2013	2,454	2,302,388	1,419,414	3,724,256
Additions	3,129	-	-	3,129
Disposals	-	-	-	-
Depreciation expense	(1,652)	(58,541)	-	(60,193)
Depreciation on disposal	-	-	-	-
Exchange differences	509	478,282	294,859	773,650
At 31 December 2013	4,440	2,722,129	1,714,273	4,440,842
At 1 January 2012	3,520	2,378,589	1,436,157	3,818,266
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(1,026)	(48,471)	-	(49,497)
Depreciation on disposal	-	-	-	-
Exchange differences	(40)	(27,730)	(16,743)	(44,513)
At 31 December 2012	2,454	2,302,388	1,419,414	3,724,256



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 15: INTANGIBLE ASSETS

	31 December 2013			31 December 2012		
	Franchising Rights	Software	Total	Franchising Rights	Software	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 January	348,789	-	348,789	-	-	-
Additions	-	62,294	62,294	348,789	-	348,789
Currency translation difference	72,455	-	72,455	-	-	-
At 31 December	421,244	62,294	483,538	348,789	-	348,789
Accumulated amortisation and impairment						
At 1 January	20,517	-	20,517	-	-	-
Amortisation in the period	49,558	23,360	72,918	20,517	-	20,517
Currency translation difference	4,262	-	4,262	-	-	-
At 31 December	74,337	23,360	97,697	20,517	-	20,517
Net carrying value						
31 December	346,907	38,934	385,841	328,272	-	328,272
Carrying amount						
At 1 January	328,272	-	328,272	-	-	-
Additions	-	62,294	62,294	348,789	-	348,789
Amortisation in the period	(49,558)	(23,360)	(72,918)	(20,517)	-	(20,517)
Currency translation difference	68,193	-	68,193	-	-	-
At 31 December	346,907	38,934	385,841	328,272	-	328,272

NOTE 16: TRADE AND OTHER PAYABLES

	2013 \$	2012 \$
CURRENT		
Trade payables	857,404	745,215
Security deposits from customers	1,179,520	61,330
Related party loans	1,217,087	34,172
Other payables	610,825	1,243,449
	3,864,836	2,084,166



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 17: FINANCIAL LIABILITIES

	Note	2013 \$	2012 \$
CURRENT			
Notes payable	8	2,699,995	-
Short term borrowings		6,450,500	6,165,040
		9,150,495	6,165,040

The notes payable are guaranteed against interest bearing short term bank deposit of \$856,995 (see Note 8).

The Group's short term borrowings are as follow:

	2013 \$	2012 \$
Industrial Bank	1,843,000	1,526,000
Bank of Communications	-	915,600
Bank of Zhejiang	737,200	457,800
Rural Commercial Bank	2,027,300	1,739,640
Fujian Haixia Bank	921,500	1,526,000
Quanzhou Bank	921,500	-
	6,450,500	6,165,040

Interest is payable on rates between 5.6% and 8.7%. per annum.

NOTE 18: TAX

	2013 \$	2012 \$
a. Liabilities		
CURRENT		
Income Tax	1,587,678	1,175,297
	1,587,678	1,175,297

NOTE 19: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company has contingent liabilities at 31 December 2013 in the form of guarantee contracts totalling \$2,764,500.

The Company provides guarantees to support bank loans held by non-related entities.

NOTE 20: ISSUED CAPITAL

	Number of shares issued	\$
Ordinary shares		
Shares on issue at 31 May 2013 (Incorporation)	1	1
Shares issued for the acquisition of Mega Rich	449,999,999	8,430,622
Shares issued following capital raising	21,738,000	4,347,600
Capital raising costs	-	(282,398)
At the end of reporting period	471,738,000	12,495,825

The company has authorised share capital amounting to 471,738,000 ordinary shares of no par value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 21: ISSUED CAPITAL (CONTINUED)

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.

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 balance sheet 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 2013 and 31 December 2012 are as follows:

	2013	2012
	\$	\$
Total liabilities	14,603,009	9,424,503
Less: cash and cash equivalents	(27,856,579)	(8,632,696)
Net liabilities/(net cash)	(13,253,570)	791,807
Total equity	43,124,994	19,587,284
(Net cash) to equity ratio	-31 %	4 %

NOTE 22: RESERVES

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 23: CAPITAL AND LEASING COMMITMENTS

The Consolidated Group has leasing commitments at 31 December 2013 as follow:

	2013
	\$
Payable – minimum lease payments	
not later than 12 months	92,424
between 12 months and five years	-
greater than 5 years	-
	<u>92,424</u>

The Consolidated Group has capital commitments at 31 December 2013 as follow:

	2013
	\$
Planned capital expenditure:	
not later than 12 months	475,764
between 12 months and five years	-
greater than 5 years	-
	<u>475,764</u>

NOTE 24: OPERATING SEGMENTS

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
- 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 24: OPERATING SEGMENTS (CONTINUED)

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.

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.

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.

Segment information provided to executive directors:

	Wholesales	Retail Sales	Unallocated	Total
	\$	\$	\$	\$
2013				
Segment revenues	77,978,479	1,506,848	-	79,485,327
Segment cost of sales	(51,904,668)	(648,547)	-	(52,553,215)
Segment other expenses	(6,257,663)	(382,420)	(1,366,216)	(8,006,299)
Segment results (Profit after tax)	15,030,383	356,911	(1,487,243)	13,900,051
Segment assets	51,570,476	1,882,296	4,275,231	57,728,003
Segment liabilities	(9,447,007)	-	(5,156,002)	(14,603,009)
2012				
Segment revenues	63,411,834	247,934	-	63,659,768
Segment cost of sales	(41,907,343)	(114,321)	-	(42,021,664)
Segment other expenses	(4,750,903)	(79,569)	(342,108)	(5,172,580)
Segment results (Profit after tax)	13,549,949	40,533	(326,560)	13,263,922
Segment assets	25,857,471	328,273	2,826,043	29,011,787
Segment liabilities	(6,127,233)	-	(3,297,270)	(9,424,503)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 25: CASH FLOW INFORMATION

	2013	2012
	\$	\$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) after income tax	13,900,051	13,263,922
Non-cash flows in profit		
Amortisation	72,918	20,517
Depreciation	60,193	49,497
Listing expenses paid by related party	830,869	-
Effects of foreign exchange	2,691,101	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade receivables	(4,704,544)	(7,953,217)
(Increase)/decrease in other receivables	(763,418)	902,370
(Increase)/decrease in inventories	(3,250,215)	3,614,234
(Increase)/decrease in deferred tax assets	-	227,605
Increase/(decrease) in trade payables	112,189	(2,688,996)
Increase/(decrease) in income taxes payable	412,380	726,072
(Increase)/decrease in other liabilities	462,633	(1,591,708)
Cashflow from operations	<u>9,824,157</u>	<u>6,570,296</u>