



SUNBRIDGE GROUP LIMITED

Sunbridge delivers record revenue as company-owned store acquisitions and refurbishment program positions key brands for growth

- Sunbridge maintains strong revenue growth for year – up 6% on PCP to \$A84.24 million
- Investment in self-owned stores now starting to pay off – direct store revenue of \$A6.75 million
- Statutory NPAT of \$8.4 million down 40% on PCP due to extensive store renovation program (\$A6.27 million) fully expensed during period and amortisation of franchise fees (A\$728,101)
- \$4.2 million forex gain not included in Statutory NPAT
- Underlying/operational profit result still solid at \$A15.37 million
- Balance sheet strong with cash on hand and equivalents of \$A29.3 million
- Increase in number of self-owned stores continues – now 71 out of over 420 outlets
- Company will not pay final dividend to preserve cash reserves for possible accretive acquisitions

Melbourne & Jinjiang, 27 February 2015: Sunbridge Group Ltd (ASX: SBB) (Sunbridge, the Company) is pleased to update shareholders on its Preliminary Final Report and operations for the financial year ended 31 December 2014. It should be noted that Sunbridge reports on a calendar year basis.

Financial Overview

Sunbridge is pleased to report that it booked revenue of \$A84.24 million for the year, which represents a 6% improvement on 2013 revenue of \$A79.48 million. The Company is encouraged by this result, given prevailing market conditions in China and the highly competitive sector in which it operates here.

The Company notes that whilst NPAT of \$A8.4 million represents a 40% decrease on the previous year's result of \$A13.9 million, this figure was impacted upon by an increase in operating expenses due to one-off costs associated with an extensive program of store renovations (\$A6.27 million), and the amortisation of franchise fees associated with store buy backs during the period (\$A728,101).

The Board has taken the decision to expense these costs in the 2014 financial year rather than amortise them over an extended period.

The Company is encouraged that its underlying or operational profit (adding back these one off expenses) remains strong at \$A15.37 million, an increase on that of 2013 (\$A13.9 million).

Sunbridge also made a foreign currency translation gain for the period of \$A4.2 million (not included in NPAT) due to the depreciation of the Australian dollar, which has assisted in strengthening the Company's cash position, with cash on hand and equivalents of \$A29.3 million.

The Company is further encouraged that despite competitive pressures, and in addition to growing revenues, that gross margins remain steady at 34%.

Operational Overview

Sunbridge had a particular focus on growing its self-owned store network during the year, in order to further drive sales and improve margins. The Company has grown its number of self-owned and operated retail outlets, many in high volume department stores, from just 5 at the beginning of the year to 71 (out of a total of over 420 outlets), which has assisted with maintaining revenue growth.



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The Company also implemented a significant program of renovations during the year throughout many of its 352 authorised retail outlets, designed to lift and enhance the profile of its brands, and to ensure that maintains its position in the market as one of China's leading menswear companies.

Sunbridge has also been active in building its brands' presence in order to retain market share through a number of advertising, marketing and sponsorship initiatives in China, most notably as an anchor sponsor of the 2014 AVC Beach Volleyball Championship held in Jinjiang city in June.

The Company has also been honoured to receive many industry awards during the year, a highlight being those its PANDIST brand received at the prestigious Asian Brand Forum held in Shenzhen, at which Managing Director, Mr Xu Jia Yin, was also honoured with an award.

Another key achievement for Sunbridge was the construction of its new warehouse facility and corporate headquarters in Jinjiang, which is now in the final stages of fit-out. The Company identified the need for this facility, which doubles warehouse capacity, due to the continued growth of its brands. Sunbridge is also establishing an online presence for its brands which will necessitate improved warehousing and logistics.

Dividend Policy

The Board has made the decision not to pay a final dividend in order to preserve its cash reserves, which it is intending to use for a number of potential strategic acquisitions during 2015. The Board will keep shareholders updated about these and other initiatives over the coming months.

Sunbridge Managing Director, Mr Xu Jia Yin, commented: "We are pleased that we have been able to grow our revenues in a very challenging and highly competitive market."

"The decision we have taken to rapidly expand the number of Sunbridge's self-owned stores, along with a significant investment in renovations throughout many of our 352 authorised outlets and in franchise buy backs is now starting to pay off."

"We have taken the decision to contain most of the expenses associated with these activities to the 2014 financial year."

"Whilst this has had an impact on our statutory profit, Sunbridge now enters the 2015 financial year well placed with a strong balance sheet, and with cash and equivalents of \$A29.3 million."

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ABOUT SUNBRIDGE GROUP LIMITED

Sunbridge Group Limited (ASX: SBB) (“Company”) is a leading retailer of menswear in the People's Republic of China (PRC). The Group owns and operates the “PANDIST 邦迪.斯顿” and “*Aqeseadan* 亚阁.仕丹” brands of menswear, which are targeted at different age group segments of well-groomed upper middle class gentleman. The Group’s menswear products range from formal and business wear to casual and sporting apparel, and are currently sold in over 400 retail outlets across the PRC. As an integrated fashion enterprise, the Group is responsible for the design, sourcing and selling of their products. Founded in 1996, the Business has grown rapidly in recent years. The Group’s products are sold across an extensive distribution network, covering 28 provinces, autonomous regions and municipalities in the PRC and Hong Kong.

The Group designs all of its clothing through its in-house design team but it outsources all of its production to Original equipment manufacturer (OEM) contractors which are located in the Guangdong and Wenzhou cities, which are well known apparel production hubs in the PRC. The Group believes that its outsourcing of production to third parties enables it to focus its valuable resources on key design, procurement, warehousing and distribution functions giving the Group a competitive edge. Quality is one of the Group’s top priorities, and the Group works closely with its OEM contractors to ensure that all of its apparel and accessories meet the high quality standards demanded by its target market.