



Market Announcement

6 June 2019

Sunbridge Group Limited (ASX: SBB) – Removal from Official List

Description

Sunbridge Group Limited ('SBB') will be removed from the Official List of ASX Limited ("ASX") effective from the commencement of trading on 7 June 2019 in accordance with Listing Rule 17.12.

The reasons for the removal will be apparent from the attached query letter from ASX to SBB dated 21 May 2019 identifying a number of potential Listing Rule breaches by SBB.

SBB failed to provide a response to the query letter by the deadline stipulated by ASX, in breach of Listing Rule 18.7.

Having regard to the matters raised in the query letter, ASX has formed the view that it is appropriate to remove SBB from the Official List under Listing Rule 17.12.

Issued by

James Rowe

State Manager, Listings Compliance (Perth)



21 May 2019

Reference: ODIN01612

Mr Jia Yin Xu
Director
Sunbridge Group Limited
Level 12, 680 George Street
SYDNEY NSW 2000

By email: 1241950327@qq.com

Dear Mr Xu

Proposed removal of Sunbridge Group Limited ('SBB') from the ASX Official List

ASX refers to:

A. Listing rule 3.1, which provides:

"Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information."

B. Listing rule 3.19A.2, which requires an entity to tell ASX the following:

"A change to a notifiable interest of a director of the entity ... including whether the change occurred during a closed period where prior written clearance was required and, if so, whether prior written clearance was provided. The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs."

C. Listing rule 3.19A.3, which requires an entity to tell ASX the following:

"The notifiable interests of a director of the entity ... at the date that the director ceases to be a director. The entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director."

D. Listing rule 3.19B, which states:

"An entity must make such arrangements as are necessary with a director of the entity ... to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director."

E. Listing rule 4.5, which provides:

"4.5 An entity must give ASX a copy of the following documents.

4.5.1 If the entity is established in Australia, a copy of the documents which a disclosing entity must lodge with ASIC under section 319 of the Corporations Act. It must give the documents to ASX when it lodges them with ASIC and in any event no later than three months after the end of the accounting period. It must also give ASX a copy of any concise report at the same time.

4.5.2 If the entity is not established in Australia and is required to comply with section 601CK of the Corporations Act, a copy of the accounts and other documents it must lodge with ASIC under that section. The accounts must be audited and the audit report must be given to ASX with the accounts. It must give the accounts and other documents to ASX when it

lodges them with ASIC and in any event no later than three months after the end of the accounting period.

4.5.3 If the entity is not established in Australia and is not required to comply with section 601CK of the Corporations Act, a copy of the documents that it would be required to give ASX under rule 4.5.2 if it had to comply with the requirements of that section. It must give the documents to ASX no later than three months after the end of the accounting period."

F. Listing rule 12.2, which provides:

"An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing."

G. Listing rule 12.5, which provides:

"An entity's structure and operations must be appropriate for a listed entity."

H. Listing rule 17.12, which provides:

"ASX may at any time remove an entity from the official list if, in ASX's opinion, any of the following applies.

- The entity is unable or unwilling to comply with, or breaks, a listing rule.*
- The entity has no quoted securities.*
- It is appropriate for some other reason."*

I. Grant Thornton's letter to SBB dated 28 March 2019 advising that it had reported SBB to the Australian Securities and Investments Commission ("ASIC") under section 311 of the *Corporations Act 2001* (Cth), a copy which was provided by SBB to ASX on 7 May 2019 at ASX's request and which disclosed that:

"During the course of the audit of Sunbridge Group Limited ('SBB') for the year ended 31 December 2018 we identified that there was a legal court ruling that indicated an unrecorded liability of SBB. This legal matter ... was not previously disclosed to us during prior period audits or reviews, or during earlier discussions with management and the Managing Director, Mr. XU Jia Yin, in early February 2019. The audit team raised these concerns with the non-executive directors Mr. Benny QIU Yu Bin and Mr. QI Luo on Monday 25th March 2019. On 12 February 2019, we were made aware of a suspected fraud that resulted in loss by the Company. Upon further investigation it has become apparent that the fraud may involve an officer or employee of the Company, which would be a contravention of s596 of the Corporations Act 2001. We became aware of this suspected fraud when we made enquiries with management regarding the outcome of a legal case we identified as part of our audit during the period.

The loan and guarantees were not included in the bank confirmations we received in 31 December 2016, 30 June 2016, 31 December 2017 and 30 June 2018. The unrecorded liability, guarantee and court case were not been previously disclosed to us in meetings or management representation letters signed by the Board for the following periods:

- 31 December 2016 (guarantee);*
- 30 June 2017 (guarantee and loan);*
- 31 December 2017 (guarantee and loan); and*
- 30 June 2018 (guarantee, loan and legal case).*

On identification, we held a discussion with management and the Managing Director, who provided background to the transaction as follows:

A close family member of the Managing Director entered into a loan agreement with a third party bank naming Pandist (Fujian) Garment Development Co., Ltd (a wholly owned subsidiary of SBB) as borrower on 17th May 2017. The Managing Director indicated he was not aware of this transaction. Additionally the Managing Director confirmed that the close family member was not authorised to enter into agreements on behalf of Pandist.

The chops/stamps of the Company's wholly-owned subsidiaries, Bangdisidun (Fujian) Dress Development Co., Limited ('Pandist') and Jinjiang Hengjiasi Garment Co., Limited ('HJS') were in temporary possession of the close family member in May 2017 and were during this time misused by the close family member of the Managing Director, while Mr. XU Jia Yin was away on business, to enter into the loan agreements. The amount of unrecorded liability noted in the legal court ruling amounted to RMB14.998m from the Industrial Bank (Shishi Branch) ('Bank') and interest payments were not made from September 2017 with the legal filing first made by the Bank in April 2018.

Based on Pandist's bank statements and representations made by Management and the Managing Director, the funds were never received by the Pandist or a Company within the SBB Group and were directly transferred to Quanzhou Aishi Pulai Garment Development Co., Limited's ('ASPL') bank account. ASPL is owned by another close family member of Managing Director, Mr. XU Jia Yin.

This fact pattern described to us by the Company, indicates a misappropriation of assets and fraudulent activity. In addition, the amount is material to SBB and appears that it could involve the Officers of the Company. Under the Corporations Act 2001, as auditors of SBB, we have an obligation under s311 to report this matter to ASIC, which we have done this on the 28th March 2019 ..."

1. Breach of continuous disclosure obligations

The information in Grant Thornton's letter to SBB dated 28 March 2019 was not disclosed to ASX until SBB's letter dated 30 April 2019 responding to ASX's query letter dated 15 April 2019. ASX considers this to be a clear breach of listing rule 3.1.

2. Breach of periodic reporting obligations

SBB has breached listing rule 4.5, having regard to its continuing failure to lodge its annual report for the year ended 31 December 2018, which was due on 31 March 2019.

We also observe that, as communicated in Grant Thornton's letter to SBB dated 28 March 2019, Grant Thornton required that SBB re-perform bank confirmation procedures for the period ending 30 June 2017, 31 December 2017, 30 June 2018 and 31 December 2018 in the presence of local Grant Thornton personnel to confirm the guarantee arrangements put in place to support loan borrowings and finalise the 2018 audit. This suggests that accounts lodged by SBB for these periods may not be correct and, together with this latest breach of listing rule 4.5, raises concerns about SBB's compliance with listing rule 12.2.

3. Breach of director interest notification obligations

SBB has breached listing rules 3.19A.2 and 3.19A.3 and most likely also 3.19B having regard to:

- a. SBB's failure to lodge an Appendix 3Y within 5 days after Mr Jia Yin Xu's disposal of 22,000,000 SBB securities on 12 November 2018 (the Appendix 3Y not being lodged until 11 March 2019).
- b. SBB's failure to lodge an Appendix 3Z within 5 days after Mr Luo Qi had resigned from SBB on 2 April 2019 (the Appendix 3Z not being lodged until 2 May 2019).

4. Poor corporate governance arrangements

ASX has concerns about the adequacy of SBB's corporate governance arrangements having regard to the matters referred to above and the following:

- a. SBB's announcement entitled "Resignation of Directors, Company Secretary and CFO", released on MAP on 2 April 2019, disclosed that independent directors Mr Yubin Qiu and Mr Luo Qi, Company Secretary Mr Chow Yee Koh and CFO Ms Pei Hui Young had resigned with immediate effect. The announcement provided no explanation for their resignations.

In response to ASX's query, SBB's letter to ASX dated 30 April 2019 stated:

"SBB is not able to confirm whether the reasons for the resignations of the directors, CFO and company secretary referred to in the Announcement relate with SBB's failure to lodge its Financial Report on time, as they have resigned without providing SBB with a reason."

ASX has since been provided with copies of the resignation letters by SBB which include, among other things, statements raising concerns about the non-payment of staff salaries since December 2018 and other concerns about the governance of SBB.

- b. As at the date of this letter, there is only one director of SBB, who is not an Australian resident, in breach of section 201A of the Corporations Act.
- c. That director would appear to be implicated in the suspected fraud outlined in Grant Thornton's letter dated 28 March 2019.

5. Remittance of funds out of the People's Republic of China

SBB, in its letter to ASX dated 30 April 2019, states:

"The auditor is further awaiting the payment of their fees, which is taking time due to foreign currency restrictions out of China".

"SBB proposes that [...] in terms of the future remittance of funds out of China, SBB will inform and get the approval from the relevant foreign exchange administration about its plan for the remittance of funds in advance, possibly 3 to 6 months beforehand"

ASX is concerned that the ongoing issues SBB may face with the remittance of funds out of People's Republic of China call into question SBB's compliance with listing rule 12.5.

6. Proposed termination of ASX Listing

In light of the number and seriousness of the breaches of the listing rules identified above, unless SBB can demonstrate good reason to the contrary, ASX considers it appropriate to terminate SBB's admission to the Official List under listing rule 17.12. Unless SBB can show good reason to the contrary, ASX proposes to do so from the commencement of trading on **Friday 7 June 2019**.

If you wish to provide submissions as to why SBB should not be removed from the Official List, please ensure they are sent to me by email at ListingsCompliancePerth@asx.com.au no later than **9 AM AWST on Thursday 6 June 2019**.

ASX reserves the right to release a copy of this letter to the market under listing rule 18.7A so that the market is informed of the reasons why ASX has taken this action against SBB.

If you have any queries regarding this letter please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)

cc: Vincent Zhu, Partner
Auyeung Hencent & Day Lawyers