



September 1, 2015
Company Report
Rating: UNRATED

Share price (HK\$) 3.10

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Key Data

52Wk H/L(HK\$)	4.38/2.84
Issued shares (mn)	2,375
Market cap (HK\$ mn)	7,172
3-mth avg daily turnover (HK\$ mn)	32.04
Major shareholder(s) (%):	
Yi Xiaodi	58.20

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development	95.0
Property management & hotel	3.6
Rental	1.5

Source(s): Company, ABCI Securities

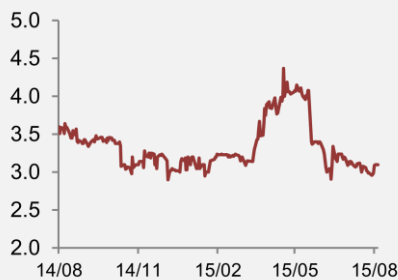
Share performance (%)

	Absolute	Relative*
1-mth	(3.8)	10.2
3-mth	(26.5)	(5.5)
6-mth	(6.8)	7.1

*Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK\$)



Source(s): Bloomberg, ABCI Securities

Sunshine 100 (2608 HK)
1H15 results highlights

- Reported net profit rose 229% yoy to RMB 72mn as revenue increased 176% yoy
- Gross margin dropped 20.1ppt yoy to 13.7%
- Net gearing improved from 209% in Dec 14 to 197% in June 2015
- Presales grew 32% yoy to RMB 3.2bn

1H15 results review. Sunshine 100 (SS100) announced its 1H15 results. Net profit grew 229% YoY to RMB 72mn as revenue increased 176% YoY to RMB 2.364mn on increased GFA delivery. Excluding the impact of fair-value gain of investment properties, core net loss enlarged from RMB 65mn in 1H14 to RMB 161mn on increased SG&A expenses and rising finance cost. Gross margin declined from 33.8% in 1H14 to 13.7% in 1H15. due to the non-recurring inventory impairment of RMB 128.4mn (1H14: nil). Nonetheless, net gearing declined 12ppt HoH from 209% in Dec 14 to 197% in June 15 mainly because of the HK\$1.275bn proceeds raised by the 375mn new shares (15.79% of enlarged share capital) issued at HK\$3.4/share in June 2015. After the placement, EBA Investment of China Everbright Group became the 2nd largest shareholder with a 9.03% share. The Group entered into a strategic cooperation agreement to develop projects under an asset-light model.

Presales grew 32% yoy to RMB 3,201mn. SS100's presales rose 32% yoy to RMB 3.2bn, as GFA sold increased 49% yoy to 0.42mn sqm although ASP dropped 11% yoy to RMB 7,538/sqm. In terms of product mix, commercial property represented 15% (1H14: 18%) of total presales while residential/car parks represented 85% (1H14: 82%). By region, ~44% of presales revenue was from Bohai Rim, 29% from midwest China, 13% from Pearl River Delta, and 14% from Yangtze River Delta.

Disciplined land acquisition. In 1H15, the Group allocated RMB 284mn for land acquisitions, including Shenyang Sunshine 100 International New Town (RMB99.7mn) and COART Village, Lijiang (RMB118mn). The Group also acquired a site in Saipan with a GFA of 120ksqm for holiday resort development. As at June 2015, SS100's landbank reached 10.5mn sqm, of which 39% was located at Bohai Rim, 26% in Midwest China, 15% at Yangtze River Delta, and 20% at Pearl River Delta.

Risk factors: 1) Margin may decline further on intensifying market competition; 2) Unable to refinance on high gearing; 3) Earnings and NAV dilution risk on new share issuance.

Results and Valuation

FY ended Dec 31	2011A	2012A	2013A	2014A
Revenue (RMB mn)	2,940	4,455	5,769	7,104
Chg (% YoY)	0.2	51.5	29.5	23.1
Underlying Net Income (RMB mn) ¹	(158)	196	506	563
Chg (% YoY)	33.6	(224.4)	157.6	11.3
Underlying EPS (RMB)	(0.11)	0.14	0.36	0.30
Chg (% YoY)	33.6	(224.4)	157.6	(17.9)
BVPS (RMB)	0.73	0.95	1.44	2.31
Chg (% YoY)	3.5	30.3	50.9	60.8
Underlying PE (x)	NA	17.5	6.8	8.3
P/B (x)	3.4	2.6	1.7	1.1
ROE (%)	(15.6)	14.9	25.4	12.2
ROA (%)	(0.8)	0.9	1.8	1.6
DPS(HK\$)	-	-	-	-
Yield (%)	-	-	-	-
Net gearing ² (%)	431.4	411.3	400.8	209.5

¹Underlying net income =Net profit - revaluation gain of investment properties and one-off items

²Net gearing=Net debt/Total equity

Source(s): Bloomberg, ABCI Securities



Exhibit 1: SS100's 2014 results

P&L	1H15	1H14	YoY Chg
	RMBmn	RMBmn	(%)
Turnover	2,364	856	176.2
Cost of Sales & direct operating costs	(2,040)	(567)	260.0
Gross Profit	324	289	12.0
Gross Margin (%)	13.7	33.8	-20.1ppt
Selling and distribution costs	(266)	(140)	90.4
Administrative and other expense	(214)	(171)	25.2
EBIT	(156)	(22)	624.4
EBIT Margin (%)	(6.6)	(2.5)	-4.1ppt
Other income	31	51	(39.1)
Valuation gains on investment properties	265	116	128.7
Share of profit from JCE/ Associates	118	9	1,196.2
Finance cost	(112)	(64)	74.6
Profit before tax	146	91	61.3
Tax	(91)	(78)	16.7
- LAT	(38)	(33)	14.7
- Enterprise tax	(54)	(45)	18.1
Profit after tax	55	12	345.3
Minority Interest	17	9	77.3
Net profit	72	22	228.7
Core net profit/ (loss)	(127)	(65)	

Operating statistics	1H15	1H14	YoY Chg
			%
Contracted GFA (mn sqm)	0.42	0.29	48.6
Contracted ASP (RMB/sqm)	7,538	8,507	(11.4)
Contracted Sales (RMB mn)	3,201	2,431	31.7

Balance sheet	Jun-15	Dec-14	YoY chg
	RMBmn	RMBmn	ppt
Gross debt	15,697	14,841	5.8
Cash	2,625	3,286	(20.1)
Net debt	13,072	11,555	13.1
Total equity	6,620	5,516	20.0
Net gearing (%)	197%	209%	-12ppt

Revenue breakdown	1H15	1H14	YoY Chg
	RMBmn	RMBmn	%
- Property development	2,143	702	205.4
- Property management & hotels	170	117	45.3
- Rental	51	37	37.0
Total	2,364	856	176.2

Source(s): Company, ABCI Securities



Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return – 6% \leq Stock return < Market return rate
Sell	Stock return < Market return – 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate from 2009-2013

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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