April 1, 2015
Company Report
Rating: UNRATED

Share price (HK$) 3.09

Analyst : Kenneth Tung
Tel: (852) 2147 8311
Email: kennethtung@abci.com.hk

Key Data

52Wk H/L(HK$)	4.05/2.87
Issued shares (mn)	2,000
Market cap (HK$ mn)	6,400
3-mth avg daily turnover (HK$ mn)	4.2
Major shareholder(s) (%):	
Yi Xiaodi	69.34

Source(s): Company, Bloomberg, ABCI Securities

FY14 Revenue breakdown (%)

Property development	95.0
Property management & hotel	3.6
Rental	1.5

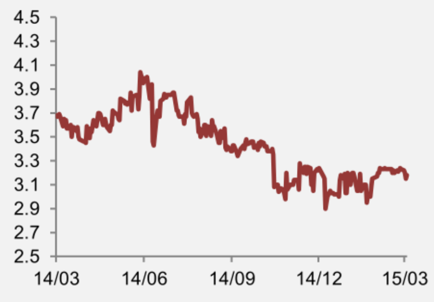
Source(s): Company, ABCI Securities

Share performance (%)

	Absolute	Relative*
1-mth	0.0	1.2
3-mth	(1.2)	(5.8)
6-mth	(6.7)	(9.8)

*Relative to HSI
Source(s): Bloomberg, ABCI Securities

1-Year stock performance (HK$)



Source(s): Bloomberg, ABCI Securities

Sunshine 100 (2608 HK)

FY14 results review

- Reported net profit rose 27% yoy to RMB 854mn as revenue increased 23% yoy
- Gross margin dropped 7.4ppt yoy to 21.2%
- Following its IPO, net gearing improved from 401% in 2013 to 209% in 2014
- Presales grew 25% yoy to RMB 6.7bn; ASP rose 8% yoy on higher contribution from commercial properties

FY14 results review. Sunshine 100 (SS100) announced its FY14 results. Net profit grew 27% yoy to RMB 854mn, as revenue rose 23% yoy to RMB 7.1bn on increased GFA delivery. Excluding the impact of fair value gain of investment properties and other one-off items, core profit increased 11% to RMB 563mn. Gross margin declined 7.4ppt yoy from 28.6% in FY13 to 21.2% in FY14, while EBIT margin contracted 8.0ppt yoy to 9.4%. The decline in margin was caused by the provision of RMB 109.8mn for various projects. Nonetheless, balance sheet showed substantial improvement. Net gearing declined 191ppt yoy from 401% in Dec 13 to 209% in Dec 14 as a result of the HK$ 1.9bn proceeds raised at IPO in Mar 2014. In Oct 2014, SS100 successfully issued USD115mn of senior notes due 2017, with interest rate of 12.75%, which was followed by a private placement of USD100mn of additional senior notes due 2017 issued in December 2014, with effective interest rate of 12.25%.

Presales grew 25% yoy to RMB 6,667mn. SS100's presales rose 25% yoy to RMB 6.7bn, as GFA sold increased 16% yoy to 0.81mn sqm while ASP grew 8% yoy to RMB 8,246/sqm. SS100 managed to raise its ASP as presales from commercial properties increased from 9% in FY13 to 16% in FY14. ASP of SS100's commercial products (2014: RMB 16,541/sqm, +6% yoy) is much higher than the residential ones (2014: RMB 7,414, +5% yoy). By region, about 41% of the presales revenue was from Bohai Rim, 38% from midwest China, 10% from Pearl River Delta, and 11% from Yangtze River Delta.

Active land acquisition. Land acquisition in 2014 reached RMB 1,794mn, with 50% of the amount being allocated to street complex projects. As at Dec 2014, SS100's landbank reached 11mn sqm, of which 41% was located at Bohai Rim, 25% in midwest China, 15% at Yangtze River Delta, and 19% at Pearl River Delta.

Risk factors: 1) Margin may decline further on intensifying market competition; 2) Unable to refinance due to high gearing.

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

[1]Underlying net income =Net profit - revaluation gain of investment properties and one-off items
[2]Net gearing=Net debt/Total equity
Source(s): Bloomberg, ABCI Securities

Exhibit 1: SS100's 2014 results

P&L	FY14	FY13	*yoy Chg*
	RMB mn	RMB mn	*(%)*
Turnover	**7,104**	**5,769**	***23.1***
Cost of Sales & direct operating costs	(5,598)	(4,119)	*35.9*
Gross Profit	**1,506**	**1,650**	***(8.8)***
Gross Margin (%)	***21.2***	***28.6***	***(7.4)***
Selling and distribution costs	(372)	(284)	*31.1*
Administrative and other expense	(464)	(362)	*28.2*
EBIT	**669**	**1,004**	***(33.4)***
EBIT Margin (%)	***9.4***	***17.4***	***(8.0)***
Other income	324	72	*348.3*
Valuation gains on investment properties	388	243	*59.3*
Share of profit from JCE/ Associates	74	28	*162.9*
Finance cost	(145)	(233)	*(37.8)*
Profit before tax	**1,310**	**1,115**	*17.5*
Tax	**(499)**	**(484)**	***3.2***
- LAT	(177)	(110)	*60.3*
- Enterprise tax	(322)	(374)	*(13.7)*
Profit after tax	**810**	**631**	*28.4*
Minority Interest	44	41	*5.9*
Net profit	**854**	**672**	*27.0*
Core net profit	**563**	**506**	*11.3*
Core net margin	***7.9***	***8.8***	

Operating statistics	**FY14**	**FY13**	**yoy Chg**
			%
Presales GFA (mn sqm)	0.81	0.70	*15.9*
Presales ASP (RMB/sqm)	8,246	7,667	*7.6*
Presales Sales (RMB mn)	**6,667**	**5,347**	*24.7*

Balance sheet	**Dec-14**	**Dec-13**	*YoY chg*
	RMBm	**RMBm**	*ppt*
Gross debt	14,841	13,802	*7.5*
Cash	3,286	2,774	*18.5*
Net debt	**11,555**	**11,028**	*4.8*
Shareholders' equity	**5,516**	**2,751**	*100.5*
Net gearing (%)	**209%**	**401%**	

Revenue breakdown	**FY14**	**FY13**	**YoY Chg**
	RMBm	RMBm	**%**
- Property development	6,747	5,526	*22.1*
- Property management & hotels	253	166	*52.5*
- Rental	103	77	*34.1*
Total	**7,104**	**5,769**	***23.1***

Source(s): Company, ABCI Securities

Disclosures

Analyst Certification

I, Tung Yiu Kei, Kenneth, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

.

Definition of equity rating

Rating	Definition
Buy	Stock return ≥ Market return rate
Hold	Market return – 6% ≤ 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 ≤180 day volatility/180 day benchmark index volatility
High	1.5 ≤ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	1.0 ≤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.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities

Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.
Tel: (852) 2868 2183