

COMPANY NEWS

Suncorp Technologies Limited [1063.HK; HK\$0.58 Not Rated] - Partnering with ChinaPay to enter into payment platform business

Market Cap: US\$958m; Free Float: 58.4%; 3-months Average Daily Turnover: US\$5.1m

Analyst: Mark Po

The Company. Suncorp Technologies Limited (Suncorp) is principally engaged in the sales and marketing of residential telephone products with its license arrangements under Motorola brand. Suncorp announced that the group and ChinaPay have entered into a business cooperation agreement which will appoint Suncorp as its agent to procure overseas merchants to adopt cross-border payment through ChinaPay's payment gateway in Europe.

ChinaPay is a wholly-owned subsidiary of China UnionPay Merchant Services Co., Ltd. (銀聯商務有限公司), and its main business includes the provision of internet payment, mobile payment, provide technology support to bankcard payment and the other related financial services. China UnionPay is a shareholder of China UnionPay Merchant Services. China UnionPay is a domestic bankcard association and an authorised interbank clearing institution under the approval of the People's Bank of China. There are 30m active merchants in China UnionPay payment platform globally. China Union Pay ranked global no. 3 in terms of value of transaction in 2014. There are 1.8m ATMs connected to China UnionPay's system.

The business cooperation agreement sets out a framework for cooperation between Chinapay and Suncorp and further tripartite agreements will be entered into between ChinaPay, Suncorp and the merchants procured by Suncorp separately from time to time. Under the agreement, China UnionPay provides basic interbank clearing and settlement system. Suncorp will help overseas merchants to develop a relevant system for integrating and connecting to China UnionPay's settlement and clearing services on e-commerce platform (<http://emall.chinapay.com>) and the application on mobile platform. Suncorp will develop the relevant "last mile" system based on the merchants' specific business.

Business model under the agreement with China UnionPay. Suncorp will assist to draw traffic to online e-commerce platform (<http://emall.chinapay.com>) and the application of the e-commerce platform. The agreement, at this moment, only covers Europe market. Suncorp will share commission with ChinaPay pursuant to the business cooperation agreement. Suncorp plans to receive: a) membership fees from merchants in hosting their products on online platform and the application, b) a percentage of commission sharing with the merchants on each successful transaction; and c) advertising income.

Suncorp entered into a framework cooperative agreement with the Executive Committee of China Corporate United Pavilion Expo 2015 Milano Italy (意大利米蘭世博會中國企業聯合館執行委員會) whereby Suncorp shall promote and market the application of China UnionPay's online e-commerce platform (<http://emall.chinapay.com>) at the Milan Expo. Leveraging on the business cooperation agreement with ChinaPay, Suncorp will have the opportunity to jointly promote cross-border online payments associated with China UnionPay. Suncorp will establish a strategic committee with ChinaPay to jointly explore new merchants that use cross-border online payment and settlement services.

Fund raising. Suncorp plans to issue a maximum of 2,536m shares, representing 19.76% of existing share outstanding, to not less than 6 independent placees at a price of not less than HK\$0.245 per share. The

[Suncorp Technologies Limited]



Key Financials (in HK\$ m)	2010	2011	2012	2013
Revenue	178.7	237.0	349.6	293.4
Change (yoy %)	n.a.	32.6	47.5	(16.1)
Gross Profit	14.2	8.8	46.5	36.8
Gross Margin %	8.0	3.7	13.3	12.6
Net Profit	(18.6)	(67.7)	(27.8)	10.2
Net Margin %	(10.4)	(28.6)	(8.0)	3.5
EPS (Basic)	(0.02)	(0.06)	(0.02)	0.00
DPS	n.a.	n.a.	n.a.	n.a.

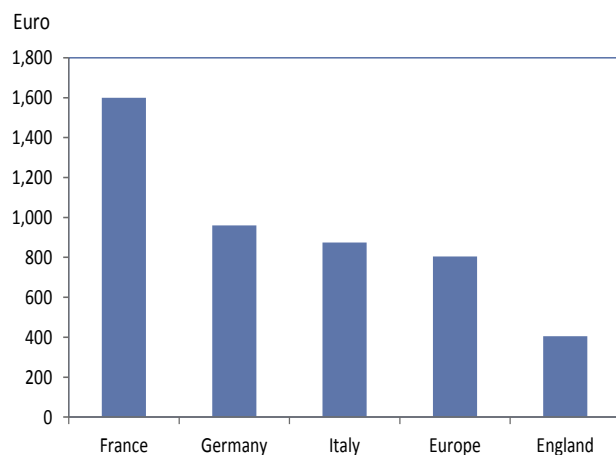
Source: Bloomberg, Company Data.

proceeds will be used for: a) development of mobile application and back-end system, b) customer acquisition, c) enhancing online platform, d) marketing and promotion and e) general working capital.

Our View. Suncorp is now in the process of transforming itself into payment platform. With China UnionPay co-operation, Suncorp will capture the growth potential from growing tourism industry. We also expect Suncorp and China UnionPay to extend from offline to online payment for a smooth business model. We share the view that it takes time for investors to understand its business model before building up their confidence on Suncorp. Shares of Suncorp jumped after announcement of co-operation with China UnionPay. Any share price weakness provides an entry opportunity. We expect Suncorp to release more news flow regarding business development and co-operation with China UnionPay after completing the share placement.

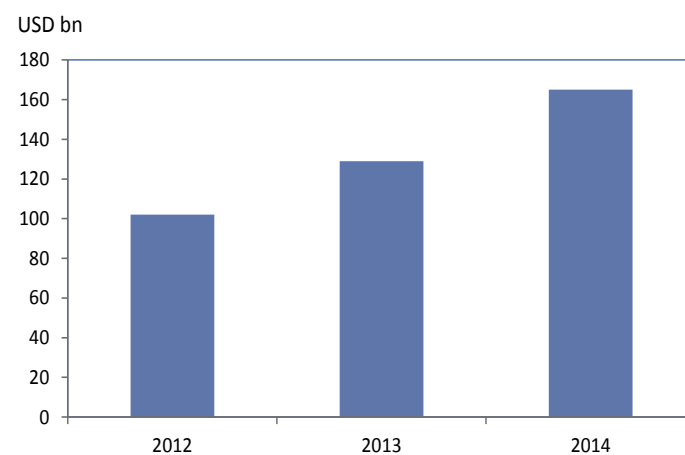
Catalysts: Completion of share placement, introduction of strategic shareholder and news flow on business development with China UnionPay.

Figure 1: Per Tourist Spending through China UnionPay



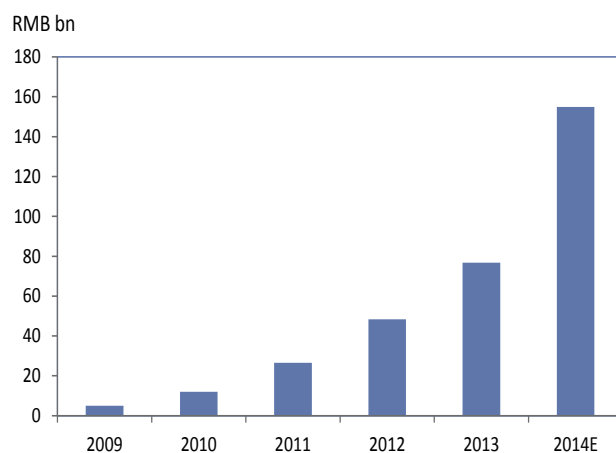
Source: Company Data, Bloomberg

Figure 2: Overseas Tourist Spending through China UnionPay



Source: Company Data, Bloomberg

Figure 3: Online purchase through "Dai Gou" System



Source: China Electronic Commerce Association

Figure 4: Global Coverage of China UnionPay



Source: China UnionPay, Company Data

Figure 5: Peer Comparisons

Ticker	Company				PE			EV/EBITDA			P/B		ROE		ROA		Div yield	
		Price Lcy	Market Cap US\$m	2014F x	2015F x	2016F x	2014F x	2015F x	2016F x	2013 x	2014F x	2013 %	2014F %	2013 %	2014F %	2013 %	2014F %	
1063 HK	Suncorp Technologies Ltd	0.58	958	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	279.8	n.a.	n.a.	n.a.	-23.7	n.a.	0.0	n.a.	
327 HK	Pax Global Technology Ltd	8.14	1,154	17.5	14.2	11.9	12.0	9.6	7.8	3.5	2.9	11.6	18.1	12.7	13.3	0.0	0.0	
818 HK	Hi Sun Technology China Ltd	2.30	822	30.7	20.9	13.5	43.3	25.3	14.7	2.0	1.8	1.1	6.4	10.3	4.9	0.0	n.a.	
002197 CH	Shenzhen Zhengtong Electr-A	28.95	1,241	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.8	n.a.	6.8	n.a.	3.5	n.a.	n.a.	n.a.	
000997 CH	Fujian Newland Computer Co-A	38.64	3,217	62.5	44.3	32.5	53.8	39.3	28.3	11.2	10.5	14.3	16.2	7.8	7.7	n.a.	0.4	
300130 CH	Shenzhen Xinguodu Technolo-A	59.50	1,088	148.8	73.5	60.1	n.a.	n.a.	n.a.	6.3	n.a.	5.4	n.a.	4.9	n.a.	n.a.	n.a.	
ING FP	Ingenico	104.15	6,657	24.7	21.5	18.2	15.4	13.6	12.1	5.6	5.0	18.6	21.4	6.4	6.2	n.a.	1.1	
PAY US	Verifone Systems Inc	35.81	4,073	19.5	16.0	13.9	13.2	12.2	11.8	4.4	4.0	-24.4	20.6	-0.3	8.2	0.0	0.0	
002707 CH	Beijing Utour Internationa-A	150.03	1,421	75.8	53.3	38.1	61.6	40.1	31.1	26.3	19.3	35.4	23.5	14.6	11.1	0.1	0.2	
Average				54.2	34.8	26.9	33.2	23.4	17.6	8.3	7.2	8.6	17.7	7.5	8.6	0.0	0.3	

Source: Bloomberg

Disclaimer

This research report is not directed at, or intended for distribution to or used by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject China Galaxy International Securities (Hong Kong) Co., Limited ("Galaxy International Securities") and/or its group companies to any registration or licensing requirement within such jurisdiction.

This report (including any information attached) is issued by Galaxy International Securities, one of the subsidiaries of the China Galaxy International Financial Holdings Limited, to the institutional clients from the information sources believed to be reliable, but no representation or warranty (expressly or implied) is made as to their accuracy, correctness and/or completeness.

This report shall not be construed as an offer, invitation or solicitation to buy or sell any securities of the company(ies) referred to herein. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. The recipient of this report should understand and comprehend the investment objectives and its related risks, and where necessary consult their own independent financial advisers prior to any investment decision.

Where any part of the information, opinions or estimates contained herein reflects the personal views and opinions of the analyst who prepared this report, such views and opinions may not correspond to the published views or investment decisions of China Galaxy International Financial Holdings Limited and any of its subsidiaries ("China Galaxy International"), directors, officers, agents and employees ("the Relevant Parties").

All opinions and estimates reflect the judgment of the analyst on the date of this report and are subject to change without notice. China Galaxy International and/or the Relevant Parties hereby disclaim any of their liabilities arising from the inaccuracy, incorrectness and incompleteness of this report and its attachment/s and/or any action or omission made in reliance thereof. Accordingly, this report must be read in conjunction with this disclaimer.

Disclosure of Interests

China Galaxy International may have financial interests in relation to the subjected company(ies) the securities in respect of which are reviewed in this report, and such interests aggregate to an amount may equal to or more than 1 % of the subjected company(ies)' market capitalization.

One or more directors, officers and/or employees of China Galaxy International may be a director or officer of the securities of the company(ies) mentioned in this report.

China Galaxy International and the Relevant Parties may, to the extent permitted by law, from time to time participate or invest in financing transactions with the securities of the company(ies) mentioned in this report, perform services for or solicit business from such company(ies), and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto.

China Galaxy International may have served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the last 12 months, significant advice or investment services in relation to the investment concerned or a related investment or investment banking services to the company(ies) mentioned in this report.

Furthermore, China Galaxy International may have received compensation for investment banking services from the company(ies) mentioned in this report within the preceding 12 months and may currently seeking investment banking mandate from the subject company(ies).

Analyst Certification

The analyst who is primarily responsible for the content of this report, in whole or in part, certifies that with respect to the securities or issuer covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject, securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by the analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the securities covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the securities covered in this research report three business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong-listed companies covered in this report; and (4) have any financial interests in the Hong Kong-listed companies covered in this report.

Explanation on Equity Ratings

- BUY : share price will increase by >20% within 12 months in absolute terms
- SELL : share price will decrease by >20% within 12 months in absolute terms
- HOLD : no clear catalyst, and downgraded from BUY pending clearer signal to reinstate BUY or further downgrade to outright SELL

Copyright Reserved

No part of this material may be reproduced or redistributed without the prior written consent of China Galaxy International Securities (Hong Kong) Co., Limited.

China Galaxy International Securities (Hong Kong) Co. Limited, CE No.AXM459

Room 3501-3507, 35/F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Sheung Wan, Hong Kong. General line: 3698-6888.