

Update

Equities - China May, 4th, 2012



Greater China Precision Components Ltd. (GCPC)

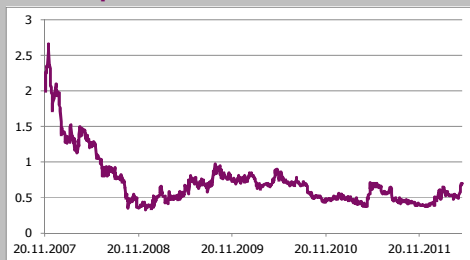
Rating:	Buy
Risk:	High
Current Price:	EUR 0.76
Price Target:	EUR 1.50
Sector:	Mob. Components

Reuters Code:	49G.DE
Bloomberg Code:	49G GY Equity
ISIN:	SG9999005052
Home Page:	www.greater-cpc.com
Fiscal Year End:	December

Trading Data

Price High/Low 52 w	EUR 0.76 - 0.35
Market Capitalisation:	EUR 18.8m
Shares outstanding	26m
Free Float:	23.0%

Price Graph



Financial Calendar

August 2012 Half Year 2012 Report

Exchange Rate (May, 2012): RMB/EUR 8.3

Date and Time of Stock Price
May 04, 2012 10 am CET

VEM Aktienbank
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Surprise, Surprise: Very good 2011 results

GCPC has reported its 2011 results, which came in far better than expected. After a quite weak first half 2011, H2 2011 exceeded our expectations by far. 2011 sales grew by a very strong 93.3% to RMB 589.6m (EUR 72.8m) compared to last year. Responsible for the good figures is mainly the new client Amazon, for whom GCPC is producing tablet casings (Kindle eBooks) since last year. In 2011, tablet component sales were already representing close to 44% of total sales, having a positive effect on GCPC's profit development. Tablet casings are characterized by higher margins. Consequently, the company was able to increase gross margins from 21.6% in 2010 to 27.3% in 2011. Net profit increased by 82.8% to RMB 60.4m (EUR 7.4m), representing a net profit margin of 10.2%.

We are very happy with the profit margins development, especially taking into account the rising labor costs and generally falling selling prices.

The company has declared to pay a final dividend of RMB 0.38 for FY 2011.

2012/2013 Outlook: We are positive

We have been quite sceptical in regards to future company growth last September. Now, we are quite upbeat and think that GCPC's future will be prosperous.

Reasons are as follows:

1. We have just visited the GCPC site in Huizhou and were very impressed by the high utilisation rate and efficiency of the factory. The company now has more than 3000 employees (2010: 2200) and what we liked in particular was the increase of English speaking, international management staff. New managers should support the top management to gain an increased number of international clients.
2. Historically, the company produced mainly for handset sub-contractors. Now, GCPC is talking directly to an increasing amount of international handset vendors.
3. The product mix should further improve. We expect the company to produce an increased share of components for tablets but also smart phones in the future. GCPC is already testing the smart phone casing production successfully and we soon expect the company to announce first (Chinese) clients.
4. The company works constantly on optimizing its production process by increasing its efficiency through a higher rate of automatisation.

Some risk factors of course remain. Average selling prices will stay under pressure and labor costs will continue to rise in the future. But we believe that GCPC will master these challenges.

A need for improvement lies in the communication with the investment community. Historically, the management has talked too sporadically to investors, leaving too much room for speculation. This has to change and the management has promised to do so.

For 2012 we expect a sales growth of 10% to RMB 648.5m (EUR 79.5m). Net profit should come in at RMB 73.2m (EUR 8.9m), representing a net profit margin of 11.3%.

Increasing price target to EUR 1.50

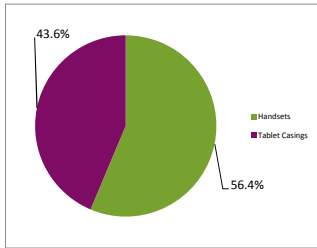
2011 figures and our recent company visit makes us confident that the company has what it takes to remain a successful company in the casings industry.

We are increasing our price target from EUR 0.67 to EUR 1.50, which is based on the combination of a DCF Model and a peer group analysis.

We recommend BUYING.

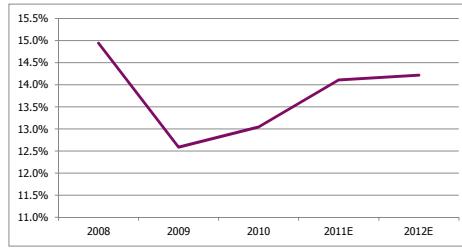
Attention is drawn to the disclaimer and other information on page 4

Sales Structure



Source: GCPC

EBIT Margins Development



Source: GCPC and VEM Aktienbank

Company Description

GCPC is one of the leading one-stop providers of mobile handsets and tablet casings in China. Its primary business is the manufacturing of spray painted mobile handset casings. GCPC provides customers with services such as product design development, moulding and prototyping, raw materials and components procurement, plastic injection, spray painting and assembling services. GCPC operates its business through its subsidiary, Huizhou Green.

Source: GCPC and VEM Aktienbank

Summary of Financials

Year Ending December, 31

Income Statement						Cash Flow Statement				
	2009	2010	2011	2012E	2013E		2010	2011	2012E	2013E
in RMB thousand										
Sales	245,894	305,060	589,607	648,568	713,424	Net Profit			73,195	81,139
% change		24%	93%	10%	10%	Depreciation & Amortisation			21,101	20,898
Gross Profit	64,780	65,904	160,909	181,599	199,759	Change in Working Capital			16,879	-14,371
as % of sales	26.3%	21.6%	27.3%	28.0%	28.0%	Cash flow from Operations	50,914	23,318	111,175	87,666
EBIT	36,749	38,407	76,901	91,494	101,424	Investing Activities	-20,672	-51,360	-51,360	-51,885
as % of sales	14.9%	12.6%	13.0%	14.1%	14.2%	Financing Activities	-17,782	5,208	-8,658	-9,598
Tax Payments	-5189	-5876	-15844	-18299	-20285	Free Cash Flow	12,460	-22,834	51,156	26,183
Tax Rate	14.2%	15.4%	20.8%	20.0%	20.0%	Net Cash	12,460	-22,834	51,156	26,183
Net Profit	31,376	32,294	60,410	73,195	81,139	Opening Cash Balance	30,510	42,970	20,136	71,292
in % of sales	12.8%	10.6%	10.2%	11.3%	11.4%	Closing Cash Balance	42,970	20,136	71,292	97,475
Shares outstanding (in m)	26,400	26,302	25,903	25,903	25,903	Key Ratios				
EPS (reported)	1.19	1.23	2.33	2.83	3.13	P/E			2.5	2.1
Balance Sheet						Key Ratios				
in RMB thousand										
Tangibles	251,336	260,401	288,653	327,459	363,635	P/Sales			0.2	0.2
Trade Debtors	141,206	135,438	322,410	239,881	263,869	EV/EBITDA			1.3	1.2
Other current Assets	4,694	5,594	11,860	13,046	14,351	EV/EBIT			1.8	1.5
Inventories	65,949	54,947	134,641	146,661	161,327	P/B			0.3	0.3
Cash	45,670	42,970	20,652	71,283	92,277	ROE			12.3%	13.2%
Liabilities	1,464	1,423	12,263	12,263	12,263	ROIC			12.0%	12.8%
Total Equity	416,448	439,498	491,761	556,298	627,839	Equity Ratio			97%	97%

GCPC, VEM Aktienbank

SWOT Analyse

Strengths

- Strong Expertise in manufacturing precision plastic components
- Fully integrated product offering from design to assembly at a very efficient rate
- New client gains and value added products should support growth and margins
- Increase in internationalisation

Weaknesses

- Lack of bargaining power with customers
- Dependence on a few top customers for revenues
- Short-term contracts due to limited lifecycle of products

Opportunities

- Broaden product portfolio to include more assembly services and plastic components
- Capacity expansion could help Company to form direct relationship with major OEMs

Threats

- Expansion Strategy could lead to competition with current customers
- Dynamic industry with rapidly changing technologies
- Emergence of India as major manufacturing hub could slow down component industry growth in China

Latest Images of GCPC Site



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Date of publication	Share Price at this date	Recommendation	New Fair Value (at date of publication)
22.10.2007	IPO	Buy	EUR 4.45
11.12.2007	EUR 2.14	Buy	EUR 4.80
02.04.2008	EUR 1.39	Buy	EUR 3.45
24.08.2008	EUR 0.78	Hold	EUR 1.50
15.04.2009	EUR 0.50	Buy	EUR 1.50
07.09.2010	EUR 0.80	Buy	EUR 1.30
30.04.2010	EUR 0.71	Buy	EUR 1.93
02.09.2010	EUR 0.66	Hold	EUR 1.10
29.04.2011	EUR 0.46	Buy	EUR 1.10
21.09.2011	EUR 0.44	Buy	EUR 0.67

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Company	Disclosure
Greater China Precision Components Ltd.	3 - 5 - 8 - 9 - 10 - 11

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This financial analysis is based on public available information (Company presentations, Annual Reports, Quarterly Reports, Press Information, prospectus, ad-hoc announcements etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

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The valuations underlying the ratings of the securities analysed by VEM are based on generally accepted and widely used methods of fundamental valuation, such as DCF model, Peer group comparison, NAV valuation and - where applicable - a Sum-of-the-parts model.

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- BUY: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is at least + 10 %.
- HOLD: The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from - 10 % and + 10 %.
- SELL: The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than - 10 %.

For further important details concerning the valuation methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section "Valuation" in this analysis.

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VEM is evaluating its ratings on a quarterly basis. The evaluation for the last quarter compares VEM's recommendations "Buy", "Hold", and "Sell" in total with VEM's recommendations "Buy", "Hold", and "Sell" for companies to which VEM has delivered significant investment banking services during the last 12 month. To view this evaluation, please visit www.vem-aktienbank.de.

Additional important information:

Date of first publication of this analysis by VEM : May 4, 2012

Date and Time of relevant Share Price (see first page):

A schedule for an update of this Analysis is not appointed yet. VEM reserves the right to update any individual analysis without prior notice.