

Greater China Precision Components Ltd. (GCPC)

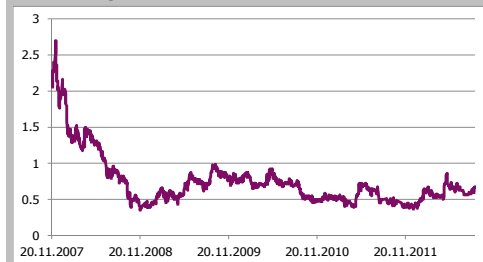
Rating:	Buy
Risk:	High
Current Price:	EUR 0.70
Price Target:	EUR 1.50
Sector:	Mob. Components

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 0.86 - 0.375
Market Capitalisation:	EUR 18.9m
Shares outstanding	26m
Free Float:	23.0%

Price Graph



Financial Calendar

May 2013 2012 Yearly Results

Exchange Rate (Sept. 2012): RMB/EUR 8.0

Date and Time of Stock Price
Sept. 03, 2012 10 am CET

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The good story continues: Great H1 2012 results

GCPC has reported its 2012 results, which came in very good. Sales gained by a strong 96.5% to RMB 304.8m (EUR 38.1m). Sales in H1 2011 were RMB 155.2m (EUR 19.4m). Although last years first half was exceptionally weak making the comparison easier, the growth story is taking up in speed in the second half of 2011 and is continuing. Main responsible factors for the strong growth are a continuation of very good tablet orders (among others from companies like Amazon) and ongoing strong demand from existing mobile casing clients.

In H1 2012 gross margin was a good 24% (H1 2011: 17%). Net profits exceeded our expectations. H1 2012 net profit was RMB 37.4m (EUR 4.66m), which is equal to a net profit margin of 12.3%. This is even better than net margin of H2 2011, which were already at a good 10.2%.

We are very happy with this development, especially when considering the ongoing trend to rising labor costs and a continuation of pricing pressure from existing and new clients. Good order income proofs that GCPC was and is a trusted and reliable partner of globally acting companies. We are confident that these partnerships will continue in the future as firms like Amazon don't shift away from trusted producers. The risk would be too high.

What we like as well is the high cash level of RMB 93.37m (EUR 11.67m) as of June 30th 2012. This gives the management enough power to continue investing in needed machines as well as other equipment and therefore the growth of the company.

We stay positive for 2012/2013

Six months ago we got more positive about the future of GCPC and we stick to our view. The good H1 2012 numbers give support, that the company will be able to reach our 2012 targets, if not even exceeding them. Positive driving factors will be an increase in direct sales to international handset companies, an improved product mix with a tendency to higher margin products like tablets and an efficiency increase through a higher rate of automatisaton.

Where we finally have seen some improvement is in the way the company communicates with the investment community. The company website now has a very fresh and new look and matches in quality and information level with the good operative performance of the company. Nevertheless, we find that the management still talks too sporadically to the investors, which needs to be changed in the future.

Some operational risk factors remain, like a still shaky global economic environment, pricing pressure, the high competitive environment, labor costs increases. Consequently, we currently keep our estimates unchanged. We hope that positive news flow will force us to increase our estimates for fiscal years 2012 and 2013.

For the full year 2012 we expect a sales growth of 10% to RMB 648.5m (EUR 81m). Net profit should come in at RMB 73.2m (EUR 9.15m), representing a net profit margin of 11.3%. In 2013, we expect another sales increase of 10% to RMB 713.4m (EUR 89.17m). Net profit margins should expand slightly to 11.4%.

Price target EUR 1.50 - Recommendation BUY

We are leaving our BUY recommendation as well as our price target of EUR 1.50 unchanged, which is based on the combination of a DCF Model and a peer group analysis.

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

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
04.03.2012	EUR 0.70	Buy	EUR 1.50

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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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- 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.

Quarterly summary:

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Additional important information:

Date of first publication of this analysis by VEM : Sept 3th, 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.