

# China Precision Steel Announces Fiscal 2013 Year End Results

Written by Australian Business

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SHANGHAI, Oct. 13, 2013 /PRNewswire/ -- China Precision Steel, Inc. (NASDAQ: [CPSL](#)), a niche precision steel processing company principally engaged in producing and selling high precision, cold-rolled steel products, announced today its financial results for the fiscal year 2013 ended June 30, 2013

## Full Year 2013 Highlights

- Revenue was \$36.5 million
- Total volume sold was 56,232 tons
- Gross loss was \$11.8 million
- Net loss was \$69.0 million
- Net loss per share was \$17.76

"We started the year off with a challenging environment of overcapacity of steel production combined with sluggish demand which resulted in a significant drop in our sales volume for fiscal year 2013. In response to the industry's problems, the State Council and other oversight organizations have decided to implement steps to address the overcapacity including putting aside funds for promoting restructuring and mergers of steel companies," commented Mr. Hai Sheng Chen, CEO of China Precision Steel. "While government organizations work to improve the

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conditions in the industry, we are pleased to have experienced a progressive increase in our sales volume from the low of the first quarter in fiscal year 2013, primarily due to strengthening of our relationships with customers in less competitive markets such as the auto and international markets."

Revenue for fiscal year 2013 was \$36.5 million, down 74.5% from revenue of \$143.0 million in fiscal year 2012. High carbon and low carbon products accounted for 38.2% and 59.8% of sales, respectively, compared to 18.3% and 79.3%, respectively, in the prior year. International sales represented 10% of total sales, up from 5% in fiscal year 2012.

With China's economy losing steam over the past year combined with overcapacity and softening demand for steel, steel prices have been under pressure. Subsequently, gross loss for the fiscal year 2013 was \$11.8 million compared to a gross loss of \$5.8 million in fiscal year 2012. Gross margin was (32.2%), compared to gross margin of (4.1%) a year ago. Operating loss was \$70.2 million, compared to operating loss of \$14.0 million in fiscal year 2012. Net loss was \$69.0 million, compared to a net loss of \$16.9 million a year ago. Fully diluted loss per share was \$17.76, compared to fully diluted loss per share of \$4.37 for fiscal year 2012.

### Financial Condition

As of June 30, 2013, China Precision Steel had \$75,243 in cash and cash equivalents, total liabilities of \$67.0 million. Stockholders' equity was \$5.29 million, compared to \$118.9 million as of June 30, 2012.

"China's economy appears to be improving as economic activity is increasing and confidence is returning for the country's growth prospects. As a result, many local governments that hadn't been able to expand investments amid the economic slowdown are now restarting their plans to spend on infrastructure which is expected to support the rebound in demand for steel," Mr. Chen continued. "While the economy and the steel industry in particular are in the early stages of turning around, we are taking steps to improve our working capital and operating cash flow by implementing policies to reduce our accounts receivable. We are also working to continue to strengthen our collection efforts as well as tighten controls on all further credit sales to minimize future risks during this difficult environment. We remain committed to our shareholders and will continue to focus on building long-term shareholder value."

### About China Precision Steel

China Precision Steel is a niche precision steel processing company principally engaged in the production and sale of high precision cold-rolled steel products and provides value added services such as heat treatment and cutting medium and high carbon hot-rolled steel strips. China Precision Steel's high precision, ultra-thin, high strength (7.5 mm to 0.05 mm) cold-rolled steel products are mainly used in the production of automotive components, food packaging materials, saw blades, steel roofing and textile needles. The Company sells to manufacturers in the People's Republic of China as well as overseas markets such as Nigeria

,  
Ethiopia

,  
Thailand  
and  
Indonesia

. China Precision Steel was incorporated in 2002 and is headquartered in Sheung Wan

,  
Hong Kong

. Additional information can be found at the Company's website <http://chinaprecisionsteelinc.com>

## **Forward-Looking Statements**

*Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Certain statements in this press release by China Precision Steel constitute "forward-looking statements" for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements regarding: the ability of the Company to maintain compliance with the NASDAQ minimum bid price requirements; the ability of the Company to successfully implement planned measures to cut costs and increase profitability and to strengthen its financial position; the likelihood that*

*China's*

*economy will rebound in response to new pro-growth policies and infrastructure projects and that the Company will be able to benefit from any such growth; and predictions and guidance relating to the Company's future financial performance. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs but they involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, business conditions in China*

*, weather and natural disasters, changing interpretations of generally accepted accounting principles; outcomes of government reviews; inquiries and investigations and related litigation; continued compliance with government regulations; legislation or regulatory environments, requirements or changes adversely affecting the businesses in which China Precision Steel is engaged; cyclical nature of steel consumption including overcapacity and decline in steel prices, limited availability of raw material and energy may constrain operating levels and reduce profit margins, environmental compliance and remediation could result in increased cost of capital as well as other relevant risks not included herein. The information set forth herein should be read in light of such risks. You are urged to consider these factors carefully in evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. The forward-looking statements made herein speak only as of the date of this press release and the Company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.*

For more information, please contact:

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- Financial Tables Follow -

## China Precision Steel, Inc. and Subsidiaries

### Consolidated Balance Sheets

□ June 30,

June 30,

2013

2012

#### Assets

#### Current assets

Cash and cash equivalents

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\$75,243

\$1,602,805

Accounts receivable

Trade, net of allowances of \$30,642,373 and \$3,231,613

at June 30, 2013 and 2012, respectively

29,480,738

59,116,931

Bills receivable

94,089

173,089

Other

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1,041,255

1,117,243

Inventories, net

15,837,201

15,516,220

Prepaid expenses

467,890

668,867

Advances to suppliers, net of allowance of \$19,689,609 and

\$4,623,323 at June 30, 2013 and 2012, respectively

9,304,847

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37,384,684

### **Total current assets**

56,301,263

115,579,839

### **Property, plant and equipment**

Property, plant and equipment, net

61,366,745

67,752,991

Construction-in-progress

255,996

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233,512

61,622,741

67,986,503

## **Intangible assets, net**

1,903,675

1,880,129

## **Goodwill**

99,999

99,999

## **Total assets**

\$119,927,678

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\$185,546,470

## Liabilities and Stockholders' Equity

### Current liabilities

Short-term loans

\$28,028,722

\$27,246,477

Long-term loan - current portion

16,200,000

16,200,000

Accounts payable and accrued liabilities

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7,044,007

6,772,892

Advances from customers

1,456,420

2,253,956

Other taxes payables

8,295,220

8,446,373

Current income taxes payable

5,993,574

5,756,178

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## Total current liabilities

67,017,943

66,675,876

## Long-term loan

-

-

## Stockholders' equity:

Preferred stock: \$0.001 per value, 8,000,000 shares

authorized, no shares outstanding at June 30, 2013 and

2012, respectively

-

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-

Common stock: \$0.001 par value, 62,000,000 shares

authorized, 3,880,866 issued and outstanding at

June 30, 2013 and 2012, respectively

3,880

3,880

Additional paid-in capital

75,685,066

75,685,066

Accumulated other comprehensive income

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22,075,822

19,097,295

(Accumulated deficit)/retained earnings

(44,855,033)

24,084,353

### **Total stockholders' equity**

52,909,735

118,870,594

### **Total liabilities and stockholders' equity**

\$119,927,678

\$185,546,470

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## China Precision Steel, Inc. and Subsidiaries

### Consolidated Statements of Operations and Comprehensive Income

For the Years Ended June 30, 2013 and 2012

**2013**

**2012**

#### Sales revenues

\$36,527,550

\$142,973,631

Cost of goods sold

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48,301,295

148,780,427

### **Gross (loss)**

(11,773,745)

(5,806,796)

### **Operating expenses**

Selling expenses

112,991

209,793

Administrative expenses

2,465,576

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2,684,432

Bad debts written off

14,147,604

-

Allowance for bad and doubtful debts

41,466,990

5,022,138

Depreciation and amortization expense

199,885

216,444

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## **Total operating expenses**

58,393,046

8,132,807

## **(Loss) from operations**

(70,166,791)

(13,939,603)

## **Other income/(expense)**

Other revenues

4,784,116

89,604

Interest and finance costs

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(3,556,711)

(3,104,207)

### **Total other income/(expense)**

1,227,405

(3,014,603)

### **(Loss) from operations before income tax**

(68,939,386)

(16,954,206)

### **Provision for income tax**

Current

-

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(5,061)

Total income tax (benefit)

-

(5,061)

**Net (loss)**

(68,939,386)

(16,949,145)

**Basic (loss) per share**

(\$17.76)

(\$4.37)

**Basic weighted average shares outstanding**

3,880,866

3,880,866

**Diluted (loss) per share**

(17.76)

(4.37)

**Diluted weighted average shares outstanding**

3,880,866

3,880,866

**China Precision Steel, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**For the Years Ended June 30, 2013 and 2012**

**2013**

**2012**

**Cash flows from operating activities**

**Net (loss)**

(68,939,386)

(16,949,145)

**Adjustments to reconcile net income to net cash provided by operating activities**

Depreciation and amortization

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9,104,176

9,043,993

Allowance for bad and doubtful debts

47,437,208

5,022,138

Reversal of provision for bad and doubtful debts

(5,970,218)

-

Bad debts written off

14,147,604

-

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Other income - write off of accounts payable and other payables

(3,116,535)

-

Other income - write off of advances from customers

(984,970)

-

Inventory provision

518,184

350,817

Gain on disposal of property, plant and equipment

-

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(36,993)

### **Net changes in assets and liabilities:**

Accounts receivable, net

3,328,317

(19,407,494)

Inventories

(298,456)

9,637,950

Prepaid expenses

212,651

(31,828)

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Advances to suppliers

1,464,390

10,632,903

Accounts payable and accrued expenses

3,211,106

1,620,381

Advances from customers

124,940

(60,058)

Other taxes payable

(450,470)

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2,041,833

Current income taxes

33,412

(32,269)

**Net cash (used in)/provided by operating activities**

(178,047)

1,832,228

**Cash flows from investing activities**

Purchase of property, plant and equipment, including construction in progress

(489,526)

(340,155)

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Purchases of intangible assets

(2,737)

-

Proceeds from disposal of property, plant and equipment

-

56,006

### **Net cash (used in) investing activities**

(492,263)

(284,149)

### **Cash flows from financing activities**

Repayments of short-term loans

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(757,381)

(2,697,352)

### **Net cash (used in) financing activities**

(757,381)

(2,697,352)

### **Effect of exchange rate**

(99,871)

44,324

### **Net (decrease) in cash**

(1,527,562)

(1,104,949)

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### Cash and cash equivalents, beginning of year

1,602,805

2,707,754

### Cash and cash equivalents, end of year

\$75,243

\$1,602,805

SOURCE China Precision Steel Inc.

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