

China Precision Steel, Inc.
Form 10-Q
February 16, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended: December 31, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-23039

CHINA PRECISION STEEL, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

14-1623047
(I.R.S. Employer Identification No.)

18th Floor, Teda Building
87 Wing Lok Street, Sheungwan, Hong Kong
People's Republic of China
(Address of principal executive offices, Zip Code)

852-2543-2290
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of each of the issuer’s classes of common stock, as of February 10, 2010 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.001 par value	46,562,955

CHINA PRECISION STEEL, INC.

Quarterly Report on FORM 10-Q
Three and Six Months Ended December 31, 2009

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CHINA PRECISION STEEL, INC.
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FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2009 AND 2008

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China Precision Steel, Inc. and Subsidiaries

Consolidated Balance Sheets

	Notes	(Unaudited) December 31, 2009	June 30, 2009
Assets			
Current assets			
Cash and cash equivalents		\$ 12,752,288	\$ 13,649,587
Accounts receivable			
Trade, net of allowances of \$1,006,973 and \$830,127 at December 31 and June 30, 2009, respectively	5	23,524,856	25,140,834
Bills receivable		317,391	6,131,143
Other		920,274	881,153
Inventories	6	25,149,536	16,275,070
Prepaid expenses		161,427	75,917
Advances to suppliers, net of allowance of \$1,632,442 and \$1,631,557 at December 31 and June 30, 2009, respectively	7	22,491,830	21,878,047
Total current assets		85,317,602	84,031,751
Property, plant and equipment			
Property, plant and equipment, net	8	72,880,841	46,812,484
Deposits for building, plant and machinery		-	8,348,496
Construction-in-progress	9	5,656,934	22,245,173
		78,537,775	77,406,153
Intangible assets, net	10	1,852,015	1,871,211
Goodwill		99,999	99,999
Total assets		\$ 165,807,391	\$ 163,409,114
Liabilities and Stockholders' Equity			
Current liabilities			
Short-term loans	11	\$ 25,791,988	\$ 22,489,031
Accounts payable and accrued liabilities		6,346,626	7,144,242
Advances from customers	12	2,786,380	1,742,944
Other taxes payables		2,921,706	6,650,668
Current income taxes payable		4,978,877	4,778,767
Total current liabilities		42,825,577	42,805,652
Stockholders' equity:			
Preferred stock: \$0.001 per value, 8,000,000 shares			

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authorized, no shares outstanding at December 31 and June 30, 2009, respectively	13		
Common stock: \$0.001 par value, 62,000,000 shares authorized, 46,562,955 and 46,562,955 issued and outstanding December 31 and June 30, 2009, respectively	13	46,563	46,563
Additional paid-in capital	13	75,642,383	75,642,383
Accumulated other comprehensive income		9,795,611	9,731,505
Retained earnings		37,497,257	35,183,011
Total stockholders' equity		122,981,814	120,603,462
Total liabilities and stockholders' equity		\$ 165,807,391	\$ 163,409,114

The accompanying notes are an integral part of these consolidated financial statements.

China Precision Steel, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Three and Six Months Ended December 31, 2009 and 2008
(Unaudited)

Notes	Three Months Ended		Six Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Revenues				
Sales revenues	\$ 27,013,838	\$ 17,573,959	\$ 44,055,827	\$ 42,924,378
Cost of goods sold	23,377,883	14,122,622	39,716,513	35,520,383
Gross profit	3,635,955	3,451,337	4,339,314	7,403,995
Operating expenses				
Selling expenses	70,605	1,122,532	102,414	1,333,830
Administrative expenses	654,041	578,105	1,232,739	1,040,205
Allowance for bad and doubtful debts	101,067	3,829,462	218,184	3,829,462
Depreciation and amortization expense	36,755	33,318	80,493	59,521
Total operating expenses	862,468	5,563,417	1,633,830	6,263,018
Income/(loss) from operations	2,773,487	(2,112,080)	2,705,484	1,140,977
Other income/(expense)				
Other revenues	91,041	138,998	110,963	259,701
Interest and finance costs	(275,091)	(320,777)	(503,434)	(648,182)
Total other (expense)	(184,050)	(181,779)	(392,471)	(388,481)
Net income/(loss) from operations before income tax	2,589,437	(2,293,859)	2,313,013	752,496