

China Precision Steel, Inc.  
Form 10-Q  
November 16, 2012

**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: September 30, 2012

**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** **14-1623047**  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

**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)

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(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 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

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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 November 12, 2012 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.001 par value	3,880,866

**CHINA PRECISION STEEL, INC.**

*Quarterly Report on Form 10-Q*

*Three Months Ended September 30, 2012*

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PART I

FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS.**

**CHINA PRECISION STEEL, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**

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**China Precision Steel, Inc. and Subsidiaries****Consolidated Balance Sheets****(Unaudited)**

	Notes	September 30, 2012	June 30, 2012
Assets			
Current assets			
Cash and cash equivalents		\$1,595,567	\$1,602,805
Accounts receivable			
Trade, net of allowances of \$4,655,538 and \$3,231,613 at September 30, 2012 and June 30, 2012, respectively	5	57,932,138	59,116,931
Bills receivable		103,426	173,089
Other receivables		965,765	1,117,243
Inventories, net	6	17,615,451	15,516,220
Prepaid expenses		466,204	668,867
Advances to suppliers, net of allowance of \$4,675,112 and \$4,623,323 at September 30, 2012 and June 30, 2012, respectively	7	36,964,593	37,384,684
Total current assets		115,643,144	115,579,839
Property, plant and equipment			
Property, plant and equipment, net	8	66,194,820	67,752,991
Construction-in-progress	9	241,959	233,512
		66,436,779	67,986,503
Intangible assets, net	10	1,889,974	1,880,129
Goodwill		99,999	99,999
Total assets		\$184,069,896	\$185,546,470
Liabilities and Stockholders' Equity			
Current liabilities			
Short-term loans	11	\$27,551,689	\$27,246,477
Long-term loan - current portion	12	16,200,000	16,200,000
Accounts payable and accrued liabilities		7,302,426	6,772,892
Advances from customers		2,798,954	2,253,956
Other taxes payables		8,432,531	8,446,373
Current income taxes payable		5,853,288	5,756,178

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Total current liabilities		68,138,888	66,675,876
Stockholders' equity:			
Preferred stock: \$0.001 per value, 8,000,000 shares authorized, no shares outstanding at September 30, 2012 and June 30, 2012, respectively	13	-	-
Common stock: \$0.001 par value, 62,000,000 shares authorized, 3,880,866 issued and outstanding at September 30, 2012 and June 30, 2012, respectively	13	3,880	3,880
Additional paid-in capital	13	75,685,066	75,685,066
Accumulated other comprehensive income		20,379,992	19,097,295
Retained earnings		19,862,070	24,084,353
Total stockholders' equity		115,931,008	118,870,594
Total liabilities and stockholders' equity		\$ 184,069,896	\$ 185,546,470

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

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**China Precision Steel, Inc. and Subsidiaries****Consolidated Statements of Operations and Comprehensive Income****For the Three Months Ended September 30, 2012 and 2011****(Unaudited)**

	Notes	2012	2011
Sales revenues		\$5,956,760	\$42,166,843
Cost of goods sold		7,423,709	42,105,073
Gross (loss)/profit		(1,466,949)	61,770
Operating expenses			
Selling expenses		29,273	68,304
Administrative expenses		442,615	294,076
Allowance for bad and doubtful debts		1,373,000	-
Depreciation and amortization expense		51,961	54,444
Total operating expenses		1,896,849	416,824
(Loss) from operations		(3,363,798)	(355,054 )
Other income/(expense)			
Other revenues		103	199
Interest and finance costs		(858,588 )	(669,928 )
Total other (expense)		(858,485 )	(669,729 )
(Loss) from operations before income tax		(4,222,283)	(1,024,783 )
Provision for income tax	14		
Current		-	54,312
Total income tax expense		-	54,312
Net (loss)		\$(4,222,283)	\$(1,079,095 )
Basic (loss) per share	15	\$(1.09 )	\$(0.28 )
Basic weighted average shares outstanding		3,880,866	3,880,866
Diluted (loss) per share	15	\$(1.09 )	\$(0.28 )
Diluted weighted average shares outstanding		3,880,866	3,880,866
Components of comprehensive (loss)/income:			
Net (loss)		\$(4,222,283)	\$(1,079,095 )
Other comprehensive income:			



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Foreign currency translation adjustment	1,282,697	1,643,164
Comprehensive (loss)/income	\$(2,939,586)	\$564,069

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

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**China Precision Steel, Inc. and Subsidiaries****Consolidated Statements of Changes in Stockholders' Equity****For the Three Months Ended September 30, 2012****(Unaudited)**

	Common Stock		Additional	Accumulated	Retained	Total
	Share	Amount	Paid-in	Other	Earnings	Stockholders'
			Capital	Comprehensive		Equity
				Income		
Balance at June 30, 2012	3,880,866	\$ 3,880	\$75,685,066	\$ 19,097,295	\$24,084,353	\$ 118,870,594
Foreign currency translation adjustment	-	-	-	1,282,697	-	1,282,697
Net loss	-	-	-	-	(4,222,283 )	(4,222,283 )
Balance at September 30, 2012	3,880,866	\$ 3,880	\$75,685,066	\$ 20,379,992	\$ 19,862,070	\$ 115,931,008

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

**China Precision Steel, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****For the Three Months Ended September 30, 2012 and 2011****(Unaudited)**

	2012	2011
Cash flows from operating activities		
Net (loss)	\$(4,222,283)	\$(1,079,095)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,254,886	2,196,295
Allowance for bad and doubtful debts	1,373,000	-
Net changes in assets and liabilities:		
Accounts receivable, net	694,880	(6,877,517)
Inventories	(1,925,422)	308,082