

China Precision Steel, Inc.
Form 10-Q
November 15, 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: September 30, 2010

- ☐ 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 ☐

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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 ☒

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 11, 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 Months Ended September 30, 2010

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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, 2010 AND 2009

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Financial Statements

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China Precision Steel, Inc. and Subsidiaries
Consolidated Balance Sheets

	Notes	September 30, 2010	June 30, 2010
Assets		(Unaudited)	
Current assets			
Cash and cash equivalents		\$ 12,653,057	\$ 29,036,706
Accounts receivable			
Trade, net of allowances of \$1,027,410 and \$1,013,744 at September 30, 2010 and June 30, 2010, respectively	5	33,814,865	39,598,845
Bills receivable		4,789,873	4,760,816
Other		1,146,468	1,369,219
Inventories	6	31,392,194	28,522,198
Prepaid expenses		570,650	534,882
Advances to suppliers, net of allowance of \$1,665,573 and \$1,643,419 at September 30, 2010 and June 30, 2010, respectively	7	26,762,160	13,959,206
Total current assets		111,129,267	117,781,872
Property, plant and equipment			
Property, plant and equipment, net	8	75,802,793	69,907,194
Construction-in-progress	9	3,772,151	3,983,450
		79,574,944	73,890,644
Intangible assets, net	10	1,859,332	1,844,995
Goodwill		99,999	99,999
Total assets		\$ 192,663,542	\$ 193,617,510
Liabilities and Stockholders' Equity			
Current liabilities			
Short-term loans	11	\$ 26,263,965	\$ 25,965,421
Accounts payable and accrued liabilities		6,197,537	9,952,109
Advances from customers		2,811,901	3,266,377
Other taxes payables		3,974,265	3,868,220
Current income taxes payable		5,657,572	5,393,000
Total current liabilities		44,905,240	48,445,127
Long-term loans	12	18,319,584	18,075,914
Stockholders' equity:			

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Preferred stock: \$0.001 per value, 8,000,000 shares
authorized, no shares issued and outstanding
at September 30, 2010 and June 30, 2010, respectively

Common stock: \$0.001 par value, 62,000,000 shares authorized, 46,562,955 and 46,562,955 issued and outstanding at September 30, 2010 and June 30, 2010, respectively	46,563	46,563
Additional paid-in capital	75,642,383	75,642,383
Accumulated other comprehensive income	12,328,713	10,630,975
Retained earnings	41,421,059	40,776,548
Total stockholders' equity	129,438,718	127,096,469

Total liabilities and stockholders' equity	\$ 192,663,542	\$ 193,617,510
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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 Months Ended September 30, 2010 and 2009
(Unaudited)

	Notes	2010	2009
Sales revenues		\$ 33,896,455	\$ 17,041,989
Cost of goods sold		31,512,370	16,338,630
Gross profit		2,384,085	703,359
Operating expenses			
Selling expenses		110,205	31,809
Administrative expenses		871,470	578,698
Allowance for bad and doubtful debts		-	117,117
Depreciation and amortization expense		44,160	43,738
Total operating expenses		1,025,835	771,362
Income/(loss) from operations		1,358,250	(68,003)
Other income/(expense)			
Other revenues		1,518	19,922
Interest and finance costs		(465,113)	(228,343)
Total other expense		(463,595)	(208,421)
Income/(loss) from operations before income tax		894,655	(276,424)
Provision/(benefit) for income tax	14		
Current		250,144	(1,233)
Total income tax expense/(benefit)		250,144	(1,233)
Net income/(loss)		\$ 644,511	\$ (275,191)
Basic earnings/(loss) per share	15	\$ 0.01	\$ (0.01)
Basic weighted average shares outstanding		46,562,955	46,562,955
Diluted earnings/(loss) per share	15	\$ 0.01	\$ (0.01)
Diluted weighted average shares outstanding		46,562,955	46,562,955
Components of comprehensive income/(loss):			