Brookdale Senior Living Inc.
Form SC 13G/A
February 12, 2016

SCHEDULE 13G

Amendment No. 15
BROOKDALE SENIOR LIVING INC
COMMON STOCK
Cusip #112463104
Check the appropriate box to designate the rule pursuant to which this Schedule is filed:
[x] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

Cusip #112463104

Item 1:	Reporting Person - FMR LLC
Item 2:	(a) [ ]
(b)	[ ]
Item 4:	Delaware
Item 5:	3,480
Item 6:	0
Item 7:	3,387,745
Item 8:	0
Item 9:	3,387,745
Item 11:	1.833%
Item 12:	HC

Cusip #112463104

Item 1:	Reporting Person - Abigail P. Johnson
Item 2:	(a) [ ]
(b)	[ ]
Item 4:	United States of America
Item 5:	0
Item 6:	0
Item 7:	3,387,745
Item 8:	0
Item 9:	3,387,745
Item 11:	1.833%
Item 12:	IN

Item 1(a). Name of Issuer:

BROOKDALE SENIOR LIVING INC

Item 1(b). Address of Issuer's Principal Executive Offices:

111 Westwood Place
Suite 400
Brentwood, TN 37027
USA

Item 2(a). Name of Person Filing:

FMR LLC

Item 2(b). Address or Principal Business Office or, if None, Residence:

245 Summer Street, Boston, Massachusetts 02210

Item 2(c). Citizenship:

Not applicable

Item 2(d). Title of Class of Securities:

COMMON STOCK

Item 2(e). CUSIP Number:

112463104

Item 3. This statement is filed pursuant to Rule 13d-1(b) or 13d-2(b) or (c) and the person filing, FMR LLC, is a parent holding company in accordance with Section 240.13d-1(b)(1)(ii)(G). (Note: See Exhibit A).

Item 4. Ownership

(a) Amount Beneficially Owned: 3,387,745

(b) Percent of Class: 1.833%

(c) Number of shares as to which such person has:

(i) sole power to vote or to direct the vote: 3,480

(ii) shared power to vote or to direct the vote: 0

(iii) sole power to dispose or to direct the disposition of: 3,387,745

(iv) shared power to dispose or to direct the disposition of: 0

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof, the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following (X).

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the COMMON STOCK of BROOKDALE SENIOR LIVING INC. No one other person's interest in the COMMON STOCK of BROOKDALE SENIOR LIVING INC is more than five percent of the total outstanding COMMON STOCK.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

See attached Exhibit A.

Item 8. Identification and Classification of Members of the Group.

Not applicable.

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certifications.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 12, 2016
Date

/s/ Marc R. Bryant
Signature

Marc R. Bryant
Duly authorized under Power of Attorney effective as of September 23, 2015, by and on behalf of FMR LLC and its direct and indirect subsidiaries*

* This power of attorney is incorporated herein by reference to Exhibit 24 to the Form 4 filed by FMR LLC on November 25, 2015, accession number: 0000315066-15-003312

Exhibit A

Pursuant to the instructions in Item 7 of Schedule 13G, the following table lists the identity and Item 3 classification, if applicable, of each relevant entity that beneficially owns shares of the security class being reported on this Schedule 13G.

Entity	ITEM 3 Classification
FIAM LLC (formerly known as PYRAMIS GLOBAL ADVISORS, LLC)	IA
FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY (formerly known as PYRAMIS GLOBAL ADVISORS TRUST COMPANY)	BK
FMR CO., INC	IA

Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC.

Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.

Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co"), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees.

This filing reflects the securities beneficially owned, or that may be deemed to be beneficially owned, by FMR LLC, certain of its subsidiaries and affiliates, and other companies (collectively, the "FMR Reporters"). This filing does not reflect securities, if any, beneficially owned by certain other companies whose beneficial ownership of securities is disaggregated from that of the FMR Reporters in accordance with Securities and Exchange Commission Release No. 34-39538 (January 12, 1998).

RULE 13d-1(k)(1) AGREEMENT

The undersigned persons, on February 12, 2016, agree and consent to the joint filing on their behalf of this Schedule 13G in connection with their beneficial ownership of the COMMON STOCK of BROOKDALE SENIOR LIVING INC at December 31, 2015.

FMR LLC

By /s/ Marc R. Bryant
Marc R. Bryant
Duly authorized under Power of Attorney effective as of September 23, 2015, by and on behalf of FMR LLC and its direct and indirect subsidiaries*

Abigail P. Johnson

By /s/ Marc R. Bryant
Marc R. Bryant
Duly authorized under Power of Attorney effective as of October 12, 2015, by and on behalf of Abigail P. Johnson*

* This power of attorney is incorporated herein by reference to Exhibit 24 to the Form 4 filed by FMR LLC on November 25, 2015, accession number: 0000315066-15-003312

60;

	Notes	December 31, 2007 (Unaudited)	June 30, 2007 (Restated – see Note 19)
Assets			
Current assets			
Cash and equivalents		$ 40,205,111	$ 5,504,862
Accounts receivable			
Trade, net of allowances of $955,086 and $273,461 at December 31, and June 30, 2007, respectively		19,888,272	8,242,044
Bank acceptance notes		15,383,562	-
Other		3,746,438	85,708
Inventories			

5

10,671,635

15,723,704

Deposits

68,493

82,758

Prepaid expenses

326,065

-

Advances to suppliers, net of allowance of $2,368,805 and $3,502,184 at December 31, and June 30, 2007, respectively

10,256,715

11,699,918

Total current assets

100,546,291

41,338,994

Property and equipment

Land use rights

1,795,461

1,124,583

Property and equipment, net

6

32,305,573

29,238,227

Construction-in-progress

7

11,503,835

10,355,763

45,604,869

40,718,573

Goodwill

99,999

99,999

Total assets

$

146,251,159

$

82,157,566

Liabilities and Stockholders' Equity

Current liabilities

Accounts payable and accrued liabilities

$

6,196,315

$

4,855,932

Advances from customers

8

3,807,354

1,720,812

Other taxes payables

3,571,039

816,553

Current income taxes payable

3,658,571

		1,892,866
Deferred income taxes payable		-
		1,064,028
Amounts due to directors	9	2,543,019
		408,620
Current portion of long-term debt		3,086,758
		6,163,445
Notes payable	10	16,713,720
		9,842,520
Total current liabilities		39,576,776
		26,764,776
Long-term debt, net of current portion shown above	11	2,315,069
		6,878,714
Stockholders' equity:		
Preferred stock: $0.001 par value, 8,000,000 shares authorized, no shares outstanding at December 31, and June 30, 2007;	14	

Common stock: $0.001 par value, 62,000,000 shares authorized, 45,896,288 and 37,378,143 issued and outstanding December 31, and June 30, 2007

14

45,896

37,378

Additional paid-in capital

14

73,701,004

31,867,063

Accumulated other comprehensive income

4,277,019

2,192,160

Retained earnings

26,335,395

17,008,238

Total stockholders' equity

104,359,314

51,104,839

Amounts due from directors

9

-

(2,590,763

)

Total liabilities and stockholders' equity

$

146,251,159

$

82,157,566

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

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China Precision Steel, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended December 31. 2007 and 2006
(Unaudited)

	Notes	Three Months Ended December 31, 2007 (Restated – see Note 19)	Three Months Ended December 31, 2006	Six Months Ended December 31, 2007 (Restated – see Note 19)	Six Months Ended December 31, 2006
Revenues					
Sales revenues		$ 13,228,321	$ 15,007,582	$ 40,415,556	$ 25,510,930
Cost of goods sold		8,528,852	11,594,852	28,773,987	18,394,950
Gross profit		4,699,469	3,412,730	11,641,569	7,115,980
Operating expenses					
Selling expenses		180,744	64,693	281,449	104,390
Administrative expenses		846,220	498,737	1,332,596	684,925
Provision for bad debts		25,782	-	651,780	-
Depreciation and amortization expense		15,798	10,845	29,430	21,262
Total operating expenses		1,068,544	574,275	2,295,255	810,577
Income from continuing operations		3,630,925	2,838,455	9,346,314	6,305,403
Other income (expense)					
Other revenues		783,255	-	792,410	-
Interest and finance costs		(316,860)	(114,743)	(759,001)	(318,082)
Total other income (expense)		466,395	(114,743)	33,409	(318,082)
Income from continuing operations before income tax		4,097,320	2,723,712	9,379,723	5,987,321
Provision for (benefit from) income tax	12				
Current		610,869	(34,057)	1,116,594	895,313
Deferred		-	389,604	(1,064,028)	(85,405)
Total income tax expense (benefit)		610,869	355,547	52,566	809,908
Net income before discontinued operations		3,486,451	2,368,165	9,327,157	5,177,413
	16	-	519,879	-	639,072

Net income from discontinued operations									
Net income		$	3,486,451	$	2,888,044	$	9,327,157	$	5,816,485
Basic earnings per share	15								
From continuing operations		$	0.08	$	0.09	$	0.23	$	0.19
From discontinued operations		$	-	$	0.02	$	-	$	0.03
Total		$	0.08	$	0.11	$	0.23	$	0.22
Basic weighted average shares outstanding			43,031,346		26,981,916		40,204,745		26,981,916
Diluted earnings per share	15								
From continuing operations		$	0.08	$	0.09	$	0.23	$	0.19
From discontinued operations		$	-	$	0.02	$	-	$	0.03
Total		$	0.08	$	0.11	$	0.23	$	0.22
Diluted weighted average shares outstanding			43,639,342		26,981,916		40,809,437		26,981,916
The Components of comprehensive income:									
Net income		$	3,486,451	$	2,888,044	$	9,327,157	$	5,816,485
Foreign currency translation adjustment			1,179,322		557,213		2,084,859		654,985
Comprehensive income		$	4,665,773	$	3,445,257	$	11,412,016	$	6,471,470

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

China Precision Steel, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2007 and 2006
(Unaudited)

	2007 (Restated – see Note 19)	2006
Cash flows from operating activities		
Net Income	$ 9,327,157	$ 5,816,485
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	992,570	617,405
Less income from discontinued operations - Oralabs, Inc	-	(639,072)
Allowance for bad and doubtful debts	651,780	-
Net changes in assets and liabilities:		
Accounts receivable, net	(31,266,517)	4,059,814
Inventories	5,195,155	(8,207,665)
Deposits	15,018	(3,661)
Prepayments	(326,065)	-
Advances to suppliers	1,549,672	(4,410,823)
Accounts payable and accrued expenses	1,296,194	4,622,396
Advances from customers	2,070,883	2,919,124
Other taxes payable	2,747,055	(152,086)
Current income taxes	1,748,480	937,307
Deferred income taxes	(1,064,028)	(85,405)
Net cash (used in) provided by operating activities	(7,062,646)	5,473,819
Cash flows from investing activities		
Purchases of property and equipment including construction in progress	(5,508,327)	(10,212,328)
Net cash (used in) investing activities	(5,508,327)	(10,212,328)
Cash flows from financing activities		
Sale of common stock	44,433,222	-
Capital and restructuring contributions	-	558,797
Advances from directors, net	2,154,257	(3,237,243)
Notes payable proceeds	16,446,667	7,748,990
Repayments of notes payable	(17,424,050)	-
Net cash provided by financing activities	45,610,096	5,070,544
Effect of exchange rate	1,661,126	654,985
Net increase in cash	34,700,249	987,020
Cash and cash equivalents, beginning of period	5,504,862	186,955

Cash and cash equivalents, end of period	$	40,205,111	$	1,173,975
Supplemental disclosure of cash flow information				
Interest paid	$	759,001	$	318,082
Taxes paid	$	-	$	-

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

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China Precision Steel, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Year Ended June 30, 2007 and the Six Months Ended December 31, 2007

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Share	Amount				
Balance at June 30, 2006	24,283,725	24,284	1,375,716	745,583	9,535,577	11,681,160
Sale of common stock	7,451,665	7,451	22,347,543	-	-	22,354,994
Syndication fees	-	-	(3,028,116)	-	-	(3,028,116)
Stock issued for syndication fees	2,798,191	2,798	(2,798)	-	-	-
Anti-dilution rights stock	827,962	828	(828)	-	-	-
Conversion of debt to stock	2,016,600	2,017	6,773,759			6,775,776
Warrants issued for consulting	-	-	447,993	-	-	447,993
Capital contribution from waiver of dividend	-	-	3,953,794			3,953,794
Foreign currency translation adjustment	-	-	-	1,446,577	-	1,446,577
Net income	-	-	-	-	8,304,109	8,304,109
Less discontinued operations sold to former shareholder	-	-	-	-	(831,448)	(831,448)
Balance at June 30, 2007	37,378,143	37,378	31,867,063	2,192,160	17,008,238	51,104,839
Sale of common stock	7,100,000	7,100	44,498,650	-	-	44,505,750
Syndication fees	-	-	(72,528)	-	-	(72,528)
Make good shares	2,000,000	2,000	(2,000)	-	-	-
Exercise of warrants	189,205	189	(189)	-	-	-
Cancellation of stock	(771,060)	(771)	(2,589,992)	-	-	(2,590,763)
Foreign currency translation adjustment	-	-	-	2,084,859	-	2,084,859
Net income	-	-	-	-	9,327,157	9,327,157
Balance at December 31, 2007 (Unaudited and Restated)	45,896,288	$ 45,896	$ 73,701,004	$ 4,277,019	$ 26,335,395	$ 104,359,314

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

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China Precision Steel, Inc.
Notes to the Condensed Consolidated Financial Statements

1. Description of Business

On December 28, 2006, China Precision Steel, Inc. (the “Company” or “we”), under our former name, OraLabs Holding Corp., issued 25,363,002 shares of common stock in exchange for 100% of the registered capital of Partner Success Holdings Limited (“PSHL”), a British Virgin Islands Business Company pursuant to a Stock Exchange Agreement, dated March 31, 2006. Subsequent to the closing of that transaction, on December 28, 2006, the Company redeemed 3,629,350 shares of its common stock in exchange for all of the common stock of OraLabs, Inc., a wholly-owned operating subsidiary. The Company issued 100,000 shares of its common stock to OraLabs, Inc. in exchange for $450,690, and received additional cash payments in the aggregate amount of $108,107 in payment of an estimated $558,797 tax liability to be incurred by the Company in connection with the spin off of OraLabs, Inc. and the supplemental payment received. The Company then changed its name to China Precision Steel, Inc.

These transactions were treated for financial reporting purposes as a recapitalization, with prior OraLabs, Inc. operating activities reflected on the statements of operations as income (loss) from discontinued operations. The $558,797 estimated tax liability incurred in connection with the spin-off of OraLabs, Inc. was treated as a transaction cost for financial reporting purposes and was treated as a reduction in additional paid-in capital to the extent of the additional cash received which was also $558,797.

PSHL, registered on April 30, 2002 in the Territory of the British Virgin Islands, had registered capital of $50,000 as of June 30, 2007 and 2006. It has three wholly-owned subsidiaries, Shanghai Chengtong Precision Strip Company Limited (“Chengtong”), Shanghai Tuorong Precision Strip Co., Limited (“Tuorong”), and Blessford International Limited (“Blessford”).

In the year ended June 30, 2007, we added three indirect subsidiaries to our corporate structure. On April 9, 2007, we purchased Shanghai Tuorong Precision Strip, Limited, or Tuorong, through PSHL. The sole activity of Tuorong is the ownership of a land use right with respect to facilities utilized by Chengtong. On April 10, 2007, PSHL purchased for $100,000 Blessford International Limited, a British Virgin Islands company. Blessford International Limited does not conduct any business, but it owns a single subsidiary, Shanghai Blessford Alloy Company Limited, that is a wholly-foreign owned enterprise chartered in China. We intend to hold Blessford International Limited as a shell subsidiary that may be used in the future to facilitate optimization of the tax structure of the Group’s activities.

Chengtong was registered on July 2, 2002 in Shanghai, in the People’s Republic of China (“PRC”) with a registered capital of $3,220,000 and a defined period of existence of 50 years from July 2, 2002 to July 1, 2052. Chengtong was classified as a Sino-foreign joint venture enterprise with limited liabilities. On August 22, 2005, the authorized registered capital was increased to $15,220,000 and on December 11, 2007, the authorized registered capital was further increased to $42,440,000. Pursuant to the document issued by the District Council to Xuhang Town Council on June 28, 2004, the equity transfers from China Chengtong Metal Group Limited and Eastreal Holdings Company Limited to PSHL was approved and the transformation of Chengtong from a Sino-foreign joint investment enterprise to a wholly foreign owned enterprise (WFOE) was granted.

As used herein, the “Group” refers to the Company, PSHL and Chengtong, Tuorong and Blessford on a consolidated basis.

The Company’s principal activities are conducted through its principal subsidiary, Chengtong. Chengtong is a niche precision steel processing company principally engaged in the manufacture and sales of cold-rolled and hot-rolled precision steel products and plates for down-stream applications in the automobile industry (components and spare parts), kitchen tools and functional parts of electrical appliances. Raw materials, hot-rolled de-scaled (pickled) steel coils, will go through certain cold reduction processing procedures to give steel rolls and plates in different cuts and thickness for deliveries in accordance with customers' specifications. Specialty precision steel offers specific control of thickness, shape, width, surface finish and other special quality features that compliment the emerging need for highly engineered end use applications. Precision steel pertains to the precision of measurements and tolerances of the above factors, especially thickness tolerance.

2. Basis of Preparation of Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and related notes. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto for the year ended June 30, 2007.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the balance sheets of China Precision Steel, Inc. and subsidiaries as of December 31, 2007 and June 30, 2007 and the results of their operations for the three and six months ended December 31, 2007 and 2006, and cash flows for the six months ended December 31, 2007 and 2006. The results of operations for the three and six months ended December 31, 2007 and 2006 are not necessarily indicative of the results to be expected for the entire year.

3. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies:

Cash and Equivalents - The Company considers all highly liquid debt instruments purchased with maturity period of three months or less to be cash equivalents. The carrying amounts reported in the accompanying consolidated balance sheet for cash and cash equivalents approximate their fair value.

Accounts Receivable - The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. It is reasonably possible that the Company's estimate of the allowance will change. At December 31, 2007 and June 30, 2007, the Company had $955,086 and $273,461 of allowances for doubtful accounts, respectively.

Inventory - Inventory is stated at the lower of cost or market. Cost is determined using the weighted average method. Market value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

The cost of inventories comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include fixed and variable production overheads, taking into account the stage of completion.

Advances to Suppliers - In order to insure a steady supply of raw materials, the Company is required from time to time to make cash advances when placing its purchase orders. Cash advances are shown net of allowances for unrecoverable advances of $2,368,805 and $3,502,184 at, December 31, 2007 and June 30, 2007, respectively.

Property, Plant and Equipment - Property, plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets for financial reporting purposes. The estimated useful lives for significant property and equipment are as follows:

Buildings	25 years
Office equipment	5 years
Motor vehicles	5 years
Machineries	10 years

Repairs and maintenance costs are normally charged to the statement of operations in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Property, plant and equipment are evaluated annually for any impairment in value. Where the recoverable amount of any property and equipment is determined to have declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. There were no property and equipment impairments recognized during the years ended June 30, 2007 and 2006.

Capitalized Interest - The Company capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualified assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. During the six months ended December 31, 2007 and 2006, the Company capitalized $0 and $497,686, respectively, of interest to construction-in-progress.

Construction-in-Progress - Properties currently under development are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including land rights cost, development expenditure, professional fees and the interest expenses capitalized during the course of construction for the purpose of financing the project. Upon completion and readiness for use of the project, the cost of construction-in-progress is to be transferred to properties held for sale.

Construction-in-progress is valued at the lower of cost or market. Management evaluates the market value of its properties on a quarterly basis by comparing selling prices of its properties with those of other equivalent properties in the vicinity offered by other developers reduced by anticipated selling costs and associated taxes. In the case of construction-in-progress, management takes into consideration the estimated cost to complete the project when making the lower of cost or market calculation.

Contingent Liabilities and Contingent Assets - A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, the contingency is then recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

Advances from Customers - Revenue from the sale of goods or services is recognized at the time that goods are delivered or services are rendered. Receipts in advance for goods to be delivered or services to be rendered in a subsequent period are carried forward as deferred revenue.

Revenue Recognition - Revenue from the sale of goods and services is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed and services have been rendered and invoiced. Revenue is reported net of all VAT taxes. Other income is recognized when it is earned.

Foreign Currencies - The Company's principal country of operations is in the PRC. The financial position and results of operations of the Company are determined using the local currency ("Renminbi" or "Yuan") as the functional currency. The results of operations denominated in foreign currencies are translated at the average rate of exchange during the reporting period. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the market rate of exchange ruling at that date. The registered equity capital denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. All translation adjustments resulting from the translation of the financial statements into the reporting currency ("US Dollars") are dealt with as an exchange fluctuation reserve in shareholders' equity.

Taxation - Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Company operates.

Provision for the PRC enterprise income tax is calculated at the prevailing rate based on the estimated assessable profits less available tax relief for losses brought forward**.** The Company does not accrue taxes on unremitted earnings from foreign operations as it is the Company's intention to invest these earnings in the foreign operations indefinitely**.**

Enterprise income tax

Under the Provisional Regulations of the People's Republic of China Concerning Income Tax on Enterprises promulgated by the State Council which came into effect on January 1, 1994, income tax is payable by enterprises at a rate of 33% of their taxable income. Preferential tax treatment may, however, be granted pursuant to any law or regulations from time to time promulgated by the State Council. Specialty state companies' enterprise income tax rate was reduced to 27%. The Group is currently enjoying a 50% reduction in the statutory rates due to the classification of Chengtong as a "Wholly Foreign Owned Enterprise". This reduced rate applies to the fiscal years ended June 30, 2007, 2008, and 2009. Subsequent to June 30, 2009, Chengtong will be subject to enterprise income taxes at the prevailing statutory rates. The Enterprise Income Tax Law was passed on March 16, 2007, and became effective on January 1, 2008. The new law introduces fundamental changes to the Chinese tax system for both domestic and foreign-owned entities. A new unified general income tax of 25% will be applicable to enterprises in China. Entities subject to a "tax holiday" prior to January 1, 2008, are expected to be able to retain the benefits of the reduced rates for the remaining term.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In 2006, the Financial Accounting Standards Board (FASB) issued FIN 48, which clarifies the application of SFAS 109 by defining a criterion that an individual income tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and provides guidance on measurement, derecognition, classification, accounting for interest and penalties, accounting in interim periods, disclosure and transition. In accordance with the transition provisions, the Company adopted FIN 48 effective January 1, 2007.

The Company recognizes that virtually all tax positions in the PRC are not free of some degree of uncertainty due to tax law and policy changes by the State. However, the Company cannot reasonably quantify political risk factors and thus must depend on guidance issued by current state officials.

Based on all known facts and circumstances and current tax law, the Company believes that the total amounts of unrecognized tax benefits as of December 31 and June 30, 2007, are not material to its results of operations, financial condition or cash flows. The Company also believes that the total amounts of unrecognized tax benefits as of December 31 and June 30, 2007, if recognized, would not have a material effect on its effective tax rate. The Company further believes that there are no tax positions for which it is reasonably possible, based on current Chinese tax law and policy, that the unrecognized tax benefits will significantly increase or decrease over the next 12 months producing, individually or in the aggregate, a material effect on the Company's results of operations, financial condition or cash flows.

Value added tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on January 1, 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided, but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

Retirement Benefit Costs - According to the PRC regulations on pension, Chengtong contributes to a defined contribution retirement scheme organized by municipal government in the province in which Chengtong was registered and all qualified employees are eligible to participate in the scheme. Contributions to the scheme are calculated at 23.5% of the employees' salaries above a fixed threshold amount and the employees contribute 2% to 8%, while Chengtong contributes the balance contribution of 21.5%% to 15.5%. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under this scheme.

For the three and six months ended December 31, 2007, the Company's pension cost charged to the statements of operations under the plan amounted to $72,059 and $132,658, respectively, all of which have been paid to the State Pension Fund (2006: $39,466 and $74,163, respectively).

Fair Value of Financial Instruments - The carrying amounts of certain financial instruments, including cash, accounts receivable, other receivables, accounts payable, accrued expenses, and other payables approximate their fair values as at December 31 June 30, 2007 because of the relatively short-term maturity of these instruments.

Adjustments - In the opinion of management, all adjustments that are necessary for a fair presentation for the periods presented have been reflected as required by Regulation S-X, Rule 10-01. All such adjustments are of a normal, recurring nature.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued the following standards which the Company reviewed to determine the potential impact on our financial statements upon adoption.

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands the required disclosures about fair value measurements.
SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. Management is assessing the impact of the adoption of SFAS No. 157.

In September 2006, the FASB issued Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (“SFAS No. 158”), an amendment of FASB Statements No. 87, 88, 106 and 132(R). SFAS No. 158 requires (a) recognition of the funded status (measured as the difference between the fair value of the plan assets and the benefit obligation) of a benefit plan as an asset or liability in the employer’s statement of financial position, (b) measurement of the funded status as of the employer’s fiscal year-end with limited exceptions, and (c) recognition of changes in the funded status in the year in which the changes occur through comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure the plan assets and benefit obligations as of the date of the employer’s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. SFAS No. 158 has no current applicability to the Company’s financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (“SAB No. 108”). SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. When the effect of initial adoption is material, companies will record the effect as a cumulative effect adjustment to beginning of year retained earnings and disclose the nature and amount of each individual error being corrected in the cumulative adjustment. Complying with the requirements of SAB No. 108 had no impact on the Company’s financial statements.

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS No. 159”), an amendment of FASB Statement No. 115. SFAS No. 159 addresses how companies should measure many financial instruments and certain other items at fair value. The objective is to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. Management is assessing the impact of the adoption of SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS 141(R)”). SFAS 141(R) will change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141(R) will impact the Company in the event of any future acquisition.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51” (“SFAS 160”). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not believe that SFAS 160 will have a material impact on its consolidated financial statements.

4. Concentrations of Business and Credit Risk

The Company provides credit in the normal course of business. The Company performs ongoing credit evaluations of its customers and clients and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers and clients, historical trends, and other information. Trade accounts receivable totaled $19,888,272 and $8,242,044 as of December 31, 2007 and June 30, 2007, respectively.

The Company’s list of customers whose purchases exceeded 10% of total sales during the six months ended December 31, 2007 and 2006 is as follows:

Customers	**December 31, 2007**	**% to sales**	**December 31, 2006**	**% to sales**
Shanghai Changshuo Steel Company, Ltd	11,076,780	27		
Shanghai Shengdejia Metal Products Limited	6,492,562	16		
Shanghai Ruixuefeng Metals Co., Limited			9,254,127	36
Sinosteel Company Limited			3,219,796	13

5. Inventories

Inventory consisted of the following:

	December 31, 2007	June 30, 2007
Raw materials	$ 3,560,539	$ 13,026,530
Work in progress	2,403,644	—
Finished goods	4,707,452	2,697,174
	$ 10,671,635	$ 15,723,704

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6. Property and Equipment

Property and equipment, stated at cost less accumulated depreciation, consisted of the following:

	December 31, 2007	June 30, 2007
Plant and machinery	$ 19,053,914	$ 21,087,245
Buildings	17,568,240	11,361,207
Motor vehicles	345,350	283,534
Office equipment	66,268	85,560
	37,033,772	32,817,546
Less: Accumulated depreciation	(4,728,199)	(3,579,319)
	$ 32,305,573	$ 29,238,227

Depreciation expense related to manufacturing is included as a component of cost of goods sold. During the three and six months ended December 31, 2007, depreciation totaling $483,482 and $961,462, respectively, was included as a component of cost of goods sold (2006: $345,669 and $596,143, respectively).

7. Construction-In-Progress

Construction-in-progress consisted of the following:

	December 31, 2007	June 30, 2007
Construction costs of plant and machinery	$ 11,503,835	$ 10,355,763

Construction-in-progress represents construction and installations of the new plant and machinery and factory buildings.

8. Advances from Customers

Advances from customers represent advance cash receipts from new customers and for which goods have not been delivered or services rendered as of the balance sheets dates. Advances from customers for goods to be delivered or services to be rendered in the subsequent period are carried forward as deferred revenue. As of December 31, 2007 and June 30, 2007, there were advances from customers of $3,807,354 and $1,720,812, respectively.

9. Transactions with Related Parties

Amounts due to (from) directors are as follows:

Name	December 31, 2007	June 30, 2007
Wo Hing Li	$ 2,120,596	$ (2,590,763)
Hai Sheng Chen	422,423	408,619
	$ 2,543,019	$ (2,182,144)

Amounts due are unsecured, non-interest bearing and have no fixed repayment terms.

Wo Hing Li, a director and the President of the Company, executed an agreement with the Company and certain other parties, dated as of February 13, 2007, as amended (the “Debt Conversion Agreement”), such that, upon the occurrence of the transfer to Chengtong of Tuorong, he contributed $3,953,794 as additional paid in capital to the Company and agreed to convert current debt outstanding and payable to him of $6,775,776 into shares of the Company's common stock at a price of $3.36 per share. This transaction was completed on May 19, 2007. When Chengtong acquired Tuorong, Tuorong had a preexisting receivable from Wo Hing Li, and the Group offset remaining amounts owed to Wo Hing Li against this receivable.

In conjunction with the Company's final audit of the Tuorong acquisition, certain post-closing adjustments were required. In light of such adjustments and consistent with the purposes and intentions of the Debt Reduction Agreement, dated February 13, 2007, as amended February 20, 2007, it was determined that 771,060 shares of the Company's Common Stock issued to directors pursuant to such Agreement would be required to be cancelled in order to eliminate the $2,590,763 reflected on the June 30, 2007 audited financial statements as amounts due from directors. Such cancellation was effected on November 8, 2007.

10. Short-Term Loans

Short-term loans consisted of the following:

	December 31, 2007	June 30, 2007
Bank loan dated September 22, 2005, due December 31, 2007 with a interest rate of 15% over the standard market rate set by the People's Bank of China for Renminbi loans, secured by land, buildings and machinery	$ —	$ 9,842,520
Bank loan dated August 1, 2007, due in one year with a interest rate of the Singapore Interbank Offered Rate (SIBOR) plus 3% (7.73% at December 31, 2007)	5,300,000	—
Bank loan dated August 1, 2007, due in one year with a interest rate of 13% over the standard market rate set by the People's Bank of China for Renminbi loans, secured by land, buildings, plant and machinery (8.24% at December 31, 2007)	2,701,391	—
Bank loan dated July 26, 2007, due in one year with a interest rate of 15% over the standard market rate set by the People's Bank of China for Renminbi loans, secured by land, buildings, plant and machinery (8.38% at December 31, 2007)	8,712,329	—
	$ 16,713,720	$ 9,842,520

The weighted average interest rate on short-term loans at December 31, 2007 was 8.15%.

11. Long-Term Debts - Secured

	December 31, 2007	June 30, 2007
Long-term debts:		
Bank loan dated October 14, 2004, due July 31, 2007, at an interest rate of 3% over the 10% of the standard market rate set by the People's Bank of China for Renminbi loans, secured by land, buildings and machinery	$ —	$ 6,163,445
Bank loan dated September 22, 2005, due August 31, 2009, at an interest rate of 15% the standard market rate set by the People's Bank of China for Renminbi loans, secured by land, buildings and machinery (8.38% at December 31, 2007)	5,401,827	6,878,714
Total long-term debt	5,401,827	13,042,159
Less: Current portion of long-term debts	3,086,758	6,163,445
Long-term debts	$ 2,315,069	$ 6,878,714

Maturities on long-term debt for each of the next five years and thereafter are as follows:

2008	$	3,086,758
2009		2,315,069
2010		
2011		
2012		
2013 and after		
	$	5,401,827

12. Income Tax

For enterprise income tax reporting purposes, the Company reports income and expenses on a tax basis and is required to compute a 10% salvage value when computing depreciation expense. For financial reporting purposes, the Company reports income and expenses on the accrual basis and does not take into account a 10% salvage value when computing depreciation expense.

No accrual for deferred taxes was required for the fiscal year ended June 30, 2005 as the Group benefited from Chengtong's 100% tax holiday during the two fiscal years ended June 30, 2006 and all material timing differences would reverse within one year with the exception of depreciation which resulted in a small deferred tax asset which was deemed to be immaterial by the Company and was not recorded at that time.

As of June 30, 2006, Chengtong had utilized all of its 100% tax holiday, therefore any timing differences reversing within the next three years would be taxed at 50% of the statutory rate of 27%.

The tax holiday resulted in tax savings as follows:

	Three months ended December 31, 2007	2006	Six months ended December 31 2007	2006
Tax savings	$ 668,444	$ 367,701	$ 1,345,100	$ 806,669
Benefit per share				
Basic	$ 0.01	$ 0.01	$ 0.07	$ 0.03
Diluted	$ 0.01	$ 0.01	$ 0.07	$ 0.03

Significant components of the Group’s deferred tax assets and liabilities as of December 31, 2007 and June 30, 2007 are as follows:

Deferred tax liabilities:	**December 31, 2007**	**June 30, 2007**
Book depreciation in excess of tax depreciation	$ 63,831	$ 39,918
Temporary differences resulting from cash basis reporting for tax purposes	448,725	(1,103,946)
Valuation allowance	(512,556)	—
Net deferred income tax (liability)	$ —	$ (1,064,028)

A reconciliation of the provision for income taxes with amounts determined by the U.S. federal income tax rate to income before income taxes is as follows.

	Three months ended December 31, 2007	2006	Six months ended December 31, 2007	2006
Computed tax at the federal statutory rate of 34%	$ 1,393,089	$ 926,062	$ 3,189,106	$ 2,035,689
Less adjustment to EIT statutory rate of 27%	(244,051)	(190,660)	(613,819)	(419,112)
Tax effect of US losses not deductible in PRC	130,275	-	216,768	-
Income not subject to tax	-	-	(330,361)	-
Deferred taxes	-	-	(1,064,028)	-
Benefit of tax holiday	(668,444)	(379,855)	(1,345,100)	(806,669)
Income tax expense per books	$ 610,689	$ 355,547	$ 52,566	$ 809,908

Income tax expense (benefit) consists of:

	Three months ended December 31, 2007	2006	Six months ended December 31, 2007	2006
Income tax expense (benefit) for the current year - PRC	$ 610,869	$ (34,057)	$ 1,116,594	$ 895,313
		389,604	(1,064,028)	(85,405)

Deferred income tax expense (benefit) - PRC				
Income tax expense (benefit) per books	$ 610,869	$ 355,547	$ 52,566	$ 809,908

13. Blessford International Limited

On April 10, 2007, the Company purchased for $100,000 Blessford International Limited, a British Virgin Islands company. Blessford International Limited does not conduct any business, but it owns a single subsidiary, Shanghai Blessford Alloy Company Limited, that is a wholly-foreign owned enterprise chartered in China. The purchase price was allocated $1 to cash and $99,999 to goodwill.

14. Equity

In connection with a Stock Purchase Agreement, dated February 16, 2007 (the "Stock Purchase Agreement"), on February 22, 2007, the Company issued warrants to the placement agents to purchase an aggregate of 1,300,059 shares of Common Stock as partial compensation for services rendered in connection with the Private Placement. The value of the warrants was considered syndication fees and was recorded to additional paid-in capital.

On February 22, 2007, the Company issued warrants to purchase up to 100,000 shares of Common Stock to the Company's investor relations consultants valued at $447,993. The value of these was considered syndication fees in association with the Private Placement and was recorded to additional paid-in capital.

On November 6, 2007, in connection with a Subscription Agreement, dated November 1, 2007 (the "Subscription Agreement"), the Company issued to certain institutional accredited investors warrants to purchase 1,420,000 shares of Common Stock valued at $5,374,748. In connection with the transaction, Roth Capital Partners, LLC, as placement agent, received warrants to purchase 225,600 shares of Common Stock valued at $887,504.

Information with respect to stock warrants outstanding is as follows:

Exercise Price		Outstanding June 30, 2007	Granted	Expired or Exercised	Outstanding December 31, 2007	Expiration Date
$	3.00	1,300,059	-0-	(275,000)	1,025,059	02/22/2011
$	3.60	100,000	-0-	-0-	100,000	02/22/2010
$	8.45	-0-	1,420,000	-0-	1,420,000	11/06/2010
$	7.38	-0-	225,600	-0-	225,600	11/06/2010

Pursuant to Section 5.1 of the Stock Purchase Agreement, the Company agreed to reserve for issuance to investors in the private placement an aggregate of 2,000,000 shares of Common Stock if the Company's net income for the fiscal year ending June 30, 2007 was less than US$10.4 million, as set forth in the Company's audited financial statements as filed with the SEC in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007. As the Company's net income as set forth in its audited financial statements for the year ended June 30, 2007 was less than US$10.4 million, the Company was required to issue the 2,000,000 shares of Common Stock to such investors. Such issuance was effected on October 15, 2007. No additional consideration was received by the Company in connection with this issuance of shares of Common Stock.

In conjunction with the Company's final audit of the Tuorong acquisition, certain post-closing adjustments were required. In light of such adjustments and consistent with the purposes and intentions of the Debt Reduction Agreement, dated February 13, 2007, as amended February 20, 2007, it was determined that 771,060 shares of the Company's Common Stock issued to directors pursuant to such Agreement would be required to be cancelled in order to eliminate the $2,590,763 reflected on the June 30, 2007 audited financial statements as amounts due from directors. Such cancellation was effected on November 8, 2007.

Pursuant to the Subscription Agreement, on November 6, 2007, the Company agreed to issue and sell in a registered direct offering (the "Offering") an aggregate of 7,100,000 shares of its common stock ("Common Stock") at a price of $6.75 per share (the "Purchase Price") and an aggregate of 1,420,000 warrants to purchase shares of its Common Stock ("Warrants" and, together with the Common Stock, the "Securities"). The Warrants have an exercise price of $8.45 per share. The Warrants may not be exercised prior to May 6, 2008. The Securities (including the shares issuable upon exercise of the Warrants) are registered under the Securities Act of 1933, as amended (the "Act"), pursuant to the Company's existing effective shelf Registration Statement on Form S-3. In connection with the offer and sale of the Securities, the Company filed on November 1, 2007, a Registration Statement on Form S-3 pursuant to Rule 462(b) promulgated under the Act to register an additional $10 million of its securities relating to its shelf Registration Statement.

The Company closed the Offering on November 6, 2007 (the "Closing Date"). The net proceeds of the offering were approximately $44 million, after deducting underwriting commissions and discounts and other fees and expenses relating to the offering. The warrants were valued at $5.3 million and were recorded to additional paid-in capital. The Company intends to use the net proceeds for repayment of certain existing bank debt in the amount of approximately $22 million, capital expenditures related to the completion of the second reverse rolling mill and annealing furnace and construction of the third reverse rolling mill and related capital expenditures in the amount of approximately $18 million, and the balance for general corporate purposes.

On the Closing Date, pursuant to a Placement Agency Agreement entered into between the Company and Roth Capital Partners LLC on October 31, 2007, Roth Capital received an amount in cash equal to 7.0% of the gross proceeds of the Offering and warrants to purchase an amount of Common Stock equal to 3.0% of the total number of shares of Common Stock sold in the Offering (the “Placement Warrants”), or 225,600 shares of Common Stock valued at $887,504 and were recorded as syndication fees offsetting additional paid-in capital. Such Placement Warrants have an exercise price per share of 120% of the closing price per share of the Company’s Common Stock on the Closing Date, or $7.38, and are not exercisable prior to May 6, 2008. Thereafter, the Placement Warrants are exercisable at any time until the third anniversary of the date of issue.

15. Earnings Per Share

SFAS 128 requires a reconciliation of the numerator and denominator of the basic and diluted earnings per share (EPS) computations.

For the six months ended December 31, 2007 , dilutive shares include outstanding warrants to purchase 1,025,059 shares of common stock at an exercise price of $3.00; 100,000 shares at an exercise price of $3.60; 1,420,000 shares at an exercise price of $8.45; and 225,600 shares at an exercise price of $7.38. There were no dilutive shares outstanding at December 31, 2006.

The following reconciles the components of the EPS computation:

	Income (Numerator)		Shares (Denominator)	Per Share Amount	
For the three months ended December 31, 2007:					
Net income	$	3,486,451			
Less Net income from discontinued operations	$	—			
Basic EPS income available to common shareholders	$	3,486,451	43,031,346	$	0.08
Effect of dilutive securities:					
Warrants			607,996		
Diluted EPS income available to common shareholders	$	3,486,451	43,639,342	$	0.08
For the three months ended December 31, 2006:					
Net income	$	2,888,044			
Less net income from discontinued operations	$	(519,879)			
Basic EPS income available to common shareholders	$	2,368,165	26,981,916	$	0.09
Effect of dilutive securities:					
Warrants			—		
Diluted EPS income available to common shareholders	$	2,368,165	26,981,916	$	0.09

	Income (Numerator)		Shares (Denominator)	Per Share Amount	
For the six months ended December 31, 2007:					
Net income	$	9,327,157			
Less Net income from discontinued operations	$	—			
Basic EPS income available to common shareholders	$	9,327,157	40,204,745	$	0.23
Effect of dilutive securities:					
Warrants			604,692		
Diluted EPS income available to common shareholders	$	9,327,157	40,809,437	$	0.23
For the six months ended December 31, 2006:					
Net income	$	5,816,485			
Less net income from discontinued operations	$	(639,072)			
Basic EPS income available to common shareholders	$	5,177,413	26,981,916	$	0.19
Effect of dilutive securities:					
Warrants			—		
Diluted EPS income available to common shareholders	$	5,177,413	26,981,916	$	0.19

16. Discontinued Operations

The operations of OraLabs Inc prior to December 28, 2006 are shown in the financial statements as income from discontinued operations as these operations were transferred to a former shareholder in exchange for the redemption of his common stock. The consolidated financial statements have been reclassified to conform to discontinued operations presentation for all historical periods presented.

Summarized selected financial information for discontinued operations for the three and six months ended December 31, 2007, and 2006 is as follows:

	Three months ended December 31,	Six months ended December 31

	2007 ($ '000)	2006 ($ '000)	2007 ($ '000)	2006 ($ '000)
Revenues	$ -0-	$ 5,019	$ -0-	$ 9,404
Income before tax	-0-	676	-0-	831
Income taxes	-0-	156	-0-	192
Income from discontinued operations	$ -0-	$ 520	$ -0-	$ 639

As of December 31, 2007, there were no assets or liabilities associated with OraLabs, Inc.

17. Commitments

As of, December 31, 2007, the Company had $4,235,722 in commitments for capital expenditures for contractual commitments of the construction projects related to expansion of Chengtong's production facilities.

18. Other Events

On November 12, 20007, at the Annual Meeting of the Company's shareholders, the Company's shareholders approved the reincorporation of the Company in the state of Delaware. The reincorporation was effected on November 16, 2007 through a merger with and into the Company's wholly-owned subsidiary.

19. Restatement

On May 14, 2008, the Company's management determined that the Company's financial statements for the three and six months ended December 31, 2007 contained certain errors that are primarily related to incorrect deduction of VAT from net sales and overstatement of deferred tax liability. Form 8-K was filed with the Securities and Exchange Commission on May 16, 2008 describing these errors in detail. The adjustments to the consolidated balance sheet, consolidated statement of operations, and consolidated statement of cash flows are summarized as follows:

China Precision Steel, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	December 31, 2007 Initial Filing	December 31, 2007 Restatement	December 31, 2007 Restated
Assets			
Current assets			
Cash and equivalents	$ 40,205,111	$ -	$ 40,205,111
Accounts receivable			
Trade, net of allowances of $955,086 and $273,461 at December 31, and June 30, 2007, respectively	19,888,272	-	19,888,272
Bank acceptance notes	15,383,562	-	15,383,562
Other	469,925	3,276,513	3,746,438
Inventories	10,671,635	-	10,671,635
Deposits	68,493	-	68,493
Prepaid expenses	326,065	-	326,065
Advances to suppliers, net of allowance of $2,368,805 and $3,502,184 at December 31, and June 30, 2007, respectively	10,256,715	-	10,256,715
Total current assets	97,269,778	3,276,513	100,546,291
Property and equipment			
Land use rights	1,795,461	-	1,795,461
Property and equipment, net	32,305,573	-	32,305,573
Construction-in-progress	11,503,835	-	11,503,835
	45,604,869	-	45,604,869
Goodwill	99,999	-	99,999
Total assets	$ 142,974,646	$ 3,276,513	$ 146,251,159
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	$ 6,196,315	$ -	$ 6,196,315
Advances from customers	3,807,354	-	3,807,354
Other taxes payables	2,946,169	624,870	3,571,039
Current income taxes payable	3,171,889	486,682	3,658,571
Deferred income taxes payable	1,981,121		